BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) for adoption of its Energy Efficiency Rolling Portfolio Business Plan and related relief

APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) FOR ADOPTION OF ITS ENERGY EFFICIENCY ROLLING PORTFOLIO BUSINESS PLAN AND RELATED RELIEF

ATTACHMENT A IS SUBMITTED IN DISC FORM BECAUSE ITS SIZE MAY EXCEED THE SIZE LIMITATION OF RULE 1.13(b)(1)(ii)

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I. INTRODUCTION

Pursuant to Article 2 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), decisions ("D.") 15-10-028 and 16-08-019, and subsequent ruling from the Assigned Commissioner and Administrative Law Judge ("ALJ"),[1] Southern California Gas Company ("SoCalGas") files this application to submit and seek Commission-adoption of its Energy Efficiency Rolling Portfolio Business Plan ("Business Plan").

According to D.15-10-028, the Commission's energy efficiency rolling portfolios rulemaking (R. 13-11-005) "…contemplated moving away from triennial review towards

[1] *See* Rulemaking ("R.") 13-11-005, Assigned Commissioner and Administrative Law Judge's Ruling and Amended Scoping Memorandum (Regarding Phase III of R.13-11-005), p. 12 (November 2, 2016). Because January 16, 2017 is a State-recognized holiday, SoCalGas files this application on January 17, 2017.

a ‘rolling’ review of EE program portfolios.”[2] In discussing the structure and intent of the Business Plan, the Commission summarized:

> Business Plan -- [Program Administrator] PA and stakeholder developed, PAs file periodically via application for Commission review; explains at a high level of abstraction how PAs will achieve the goals of the Commission’s strategic plan; leads to a Commission guidance decision adopting the business plan and setting budget expectations to be more fully developed in annual budget filings.[3]

In D.15-10-028 and D.16-08-019, the Commission detailed its expectations of substantive content to be addressed in the Business Plan. Furthermore, the Commission provided additional prescriptive structural guidance on the Business Plan’s contents in Appendix 3 of D.15-10-028 entitled, “Business Plan Template, Business Plan Guidance.” SoCalGas’ Business Plan follows the Commission’s guidance for a high-level discussion of how SoCalGas envisions it will achieve the Commission’s statewide energy efficiency goals and strategies, relegating the more granular details to the Annual Budget and Implementation Plan processes.[4]

The Commission should therefore adopt the Business Plan as submitted, as SoCalGas has complied with the content requirements as set forth in the Commission’s aforementioned decisions, and has put forth a good faith and reasonable framework to govern its energy efficiency activities for the upcoming energy efficiency program cycle (2018–2025). The following section outlines the structure of SoCalGas’ Business Plan.

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[2] D.15-10-028, p. 3.
[3] *Id.* at 43. SoCalGas is a utility Program Administrator, or PA.
[4] *See Id.*

II. THE BUSINESS PLAN

The Business Plan consists of ten chapters that outline SoCalGas' vision for energy efficiency program delivery for the 2018–2025 cycle. Each chapter of the Business Plan is summarized below.

A. Chapter 1: Executive Summary

SoCalGas, as the largest gas distribution utility in the nation, states its mission as an energy efficiency Program Administrator: to offer a suite of energy efficiency solutions that incorporates the best available technologies and services valued by its customers, that contributes to achievement of energy efficiency goals, and that aligns with the State's energy efficiency policies, including a doubling of energy efficiency by 2030.[5] This chapter discusses California's energy efficiency goals and key trends, and outlines SoCalGas' overall strategies and approaches in light of key challenges in the energy efficiency arena. This chapter also provides a high-level portfolio budget and energy savings forecasts from 2018 to 2025. In addition, this chapter overviews the sector-level sourcing strategies and approaches to achieve stated goals, as detailed in the subsequent chapters.

Furthermore, attached at the end of the Executive Summary is a document entitled, "Statewide Administration Approach," which presents the four investor-owned utilities'[6] ("IOUs'") assignments for lead administration of statewide programs along with supporting rationale. In addition, this document discusses the development of a

[5] *See* Senate Bill 350. *See also* Assembly Bills 758, 793, and 802.
[6] The four IOUs are SoCalGas, San Diego Gas & Electric Company ("SDG&E"), Southern California Edison Company ("SCE"), and Pacific Gas and Electric Company ("PG&E").

governance structure and provides the IOUs' current working expectations of roles and responsibilities in the administration of statewide programs.

B. Chapter 2: Residential Sector

Residential customers account for approximately 52 percent of the natural gas consumption among SoCalGas' customer classes.[7] SoCalGas observes the residential sector is entering a period of great change with new market entrants, new and innovative energy efficiency programs, and government regulations promising to reshape the market in upcoming years. SoCalGas' vision for the residential sector is as follows:

> Residential energy use will be transformed to ultra-high levels of energy efficiency. All cost-effective potential for energy efficiency will be routinely realized for all residential properties and will fully integrate with other customer demand-side options, including clean renewables, on a site-specific basis.

This chapter outlines four goals SoCalGas developed to realize this vision, and discusses how SoCalGas intends on meeting those goals. The first goal is to achieve comprehensive and deep energy efficiency levels through a "whole house" approach. The second goal is to increase energy efficiency adoption levels for all residential customers with a focus on high-potential multi-family customers through outreach and effective offerings. The third goal is to increase adoption of energy-efficient gas appliances and energy management devices. The fourth goal is to enable new residential construction to achieve zero net energy performance levels through gas efficiency measures.

[7] Consumption percentages in every sector are based on Public Purpose Program eligible customers/accounts and exclude cogeneration and enhanced oil recovery.

C. Chapter 3: Commercial Sector

The commercial sector represents approximately 18 percent of natural gas consumption among all of SoCalGas' customer classes, with the majority of its customer accounts belonging to small to medium-sized businesses. SoCalGas' vision for the commercial sector is as follows:

> Commercial buildings will realize the highest natural gas efficiency levels to support a pathway to zero net energy by 2030 for all new, and a substantial portion of existing, buildings. Innovative technologies, enhanced building design, and operational practices will dramatically grow in use in the coming years.

This chapter outlines four goals SoCalGas developed to realize this vision, and discusses how SoCalGas intends on meeting those goals. First goal is to increase energy efficiency adoption levels for high-potential commercial customers through outreach and effective offerings. The second goal is to increase energy efficiency levels in commercial leased properties by reducing the split-incentive market barrier (i.e., the tension between a building owner and the building's tenants on who pays for energy efficiency and who benefits, leading to lost opportunities). The third goal is to increase the number of zero net energy ready buildings across most commercial segments through increased gas energy efficiency levels. The fourth goal is to support the proper installation, maintenance, and use of heating, ventilation, and air conditioning systems.

D. Chapter 4: Industrial Sector

The industrial sector represents approximately 25 percent of natural gas consumption among all of SoCalGas' customer classes. SoCalGas' service territory has been a prime industrial sector market primarily due to the proximity of the ports of

Los Angeles and Long Beach. Although SoCalGas has approximately 17,600 industrial customers, the natural gas consumption in this sector is dominated by a few very large customers. SoCalGas' vision for the industrial sector is as follows:

> California industry will be vibrant, profitable and will double its level of energy efficiency by 2030 through a suite of energy efficiency programs intended to: facilitate, sustain, and transform the long-term delivery and adoption of energy efficient products and services; cultivate, promote, and sustain lasting energy-efficient operations and practices; and offer a range of simplified solutions that address the customer's energy efficiency needs.

This chapter outlines four goals SoCalGas developed to realize this vision, and discusses how SoCalGas intends on meeting those goals. The first goal is to increase adoption of energy efficiency solutions by smaller-sized industrial customers. The second goal is to provide simple, no hassle, low cost consumer transactions that encourage greater investment in energy efficiency. The third goal is to reshape industrial organizational practices to enable adoption of energy efficiency solutions as part of the customer's industrial processes. The fourth goal is to increase energy adoption levels across all remaining industrial segments.

E. Chapter 5: Agricultural Sector

California agriculture is a $54 billion industry and represents approximately 2 percent of natural gas consumed across all of SoCalGas' customer classes. Customers range from small family farms to large commercial farms. SoCalGas' vision for the agricultural sector is as follows:

> Energy efficiency will support the long-term economic and environmental success of California agriculture.

This chapter outlines three goals SoCalGas developed to realize this vision, and discusses how SoCalGas intends on meeting those goals. The first goal is to achieve a substantial increase in deeper, more comprehensive natural gas energy efficiency in the smaller customer groups. The second goal is to encourage investment in natural gas energy efficiency to lower operational costs and improve competitiveness. The third goal is to achieve an increase in natural gas energy efficiency among all remaining agricultural customer segments.

F. Chapter 6: Public Sector

The public sector, which is essentially comprised of "tax-based" government organizations, represents approximately 3 percent of the natural gas consumed by SoCalGas' customer classes. The public sector's customers have distinguishing attributes in that they are generally not profit-motivated, have fixed utility budgets, and often require a public process to reach key decisions, such as funding and project approval. SoCalGas' vision for the public sector is as follows:

> California's public sector will incorporate energy efficiency into policies and practices to capture all energy efficiency opportunities throughout the sector customers' facilities, thereby enabling a pathway to zero net energy.

This chapter outlines three goals SoCalGas developed to realize this vision, and discusses how SoCalGas intends on meeting those goals. The first goal is to achieve comprehensive, deep energy efficiency levels among all public facilities to support the achievement of zero net energy buildings. The second goal is to incorporate energy efficiency into policies and practices to permanently modify the public customer's organizational decision-making process regarding energy efficiency solutions. The third goal is to increase energy efficiency adoption levels among public sector customers in rural and disadvantaged communities.

G. Chapter 7: Cross-Cutting: Codes and Standards

According to California's Long-Term Energy Efficiency Strategic Plan, a broad range of aggressive and continually improving minimum and higher voluntary sets of energy codes and standards will be adopted to accelerate the widespread deployment of zero net energy and highly efficient buildings and equipment. The effectiveness of codes and standards will be enhanced by improved code compliance as well as coordinated voluntary efficiency activities.[8] This chapter provides the codes and standards landscape (trends, gaps, and barriers) and an approach to achieving codes and standards goals.

H. Chapter 8: Cross-Cutting: Emerging Technologies Programs

The gas and electric Emerging Technologies Programs are non-resource programs designed to help California ratepayer-funded programs meet the energy reduction needs by identifying cost-effective measures that deliver reliable energy savings. The primary target audience of these programs is the population of Program Administrators (including SoCalGas) rather than the consumer or technology end user. In that way, Emerging Technologies Programs support Program Administrators by fulfilling three objectives. The first objective is programs should have a comprehensive set of suitable technology options for new measures. The second objective is Program Administrators should receive actionable market information to inform program delivery. The third objective is technology development partners should understand what measures energy efficiency

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[8] *See* California Energy Efficiency Strategic Plan (January 2011 Update), Engage 360, Section 7.1, p. 62.

programs need. This chapter discusses the strategies SoCalGas will employ to fulfill these objectives.

I. Chapter 9: Cross-Cutting: Finance

This chapter focuses on the new finance offerings (i.e., financing pilots) as authorized in D.13-09-044, and on the infrastructure being developed to implement them. SoCalGas' vision for this area is as follows:

> Customer adoption of deep, comprehensive energy efficient-related solutions for their homes and businesses through innovative and affordable financing options promoted by the contractor community and supported by the financial industry.

This chapter outlines how SoCalGas will seek to achieve this vision, through new energy efficiency financing offerings which are designed to: (1) encourage customers to invest in projects that will achieve deeper energy savings, (2) overcome the "first cost" barrier of energy efficiency upgrades, (3) leverage ratepayer funds by bringing in private capital to improve on overall program portfolio cost-effectiveness, (4) increase sales and installation of energy efficient products and services, and (5) reach a broader set of customer groups and market segments.

J. Chapter 10: Cross-Cutting: Workforce Education and Training

The Workforce Education and Training Program was established to support individual energy efficiency programs by providing practical and effective education and training activities. According to California's Long-Term Energy Efficiency Strategic Plan, by 2020, California's workforce is trained and fully engaged to provide the human capital necessary to achieve the State's economic energy efficiency and demand-side management potential.[9] This chapter outlines SoCalGas' two goals for this program, and how SoCalGas can achieve and measure those goals. The first goal is to facilitate the development of energy efficiency career pathways through improved training and curriculum offered by California's education and workforce training institutions. The second goal is to increase training participation and skilled workforce by making Energy Center offerings more available, accessible, and specifically adapted to improve customer adoption of energy efficiency.

III. POLICY CONSIDERATIONS

In the development of the Business Plan, SoCalGas identified six discreet areas with respect to existing energy efficiency policy (i.e., "policy considerations")[10] where SoCalGas requests additional Commission guidance, clarity, and/or approvals, in furtherance of the successful execution of its Business Plan.

First, SoCalGas requests that for this Business Plan cycle, the Total Resource Cost ("TRC") and Program Administrator Cost ("PAC") test estimates for cost-effectiveness be achievable by surpassing a factor of 1.0, at the portfolio level, rather than 1.25. This request is based on several factors: (1) a change from a multi-year program cycle to annual prospective cost-effectiveness showing; (2) increased accuracy in portfolio cost-effectiveness forecasts under a rolling portfolio paradigm, which involves continuous updates to measure assumptions, based on Commission-adopted load impact studies; (3) new unknowns associated with increased shift towards third-party programs;

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[9] *See Id*. at 70 (Section 9.1).
[10] A detailed discussion of SoCalGas' *Policy Considerations for a Successful Business Plan* is submitted as Appendix F to the Business Plan.

(4) avoided costs in 2017 expected to be significantly less than in previous years; and (5) significant reduction in reportable energy savings based on continued advancements in codes and standards.

Second, SoCalGas, as a gas-only utility, seeks Commission recognition that (1) the statewide program 25 percent budget requirement should be modified for gas-only Program Administrators; and (2) functional activities that are administered statewide should count toward the requirement that 25 percent of Program Administrators' budget be devoted to statewide activities.

Third, SoCalGas requests Commission clarity that the 60 percent minimum requirement for budgeting third-party implementation of energy efficiency programs by 2020 be based on total IOU portfolio budget, including Regional Energy Networks; Evaluation, Measurement, and Valuation; Statewide Marketing, Education, and Outreach (energy efficiency only); and Finance Pilots. This approach is consistent with the Commission's prior direction (in D.12-11-015) that the total portfolio budget be applied in the calculation of the third-party requirement.

Fourth, SoCalGas seeks clarity on the effective date, for compliance purposes, of the Commission's new definition of "third-party" as adopted in D.16-08-019 (Ordering Paragraphs 11 and 14). SoCalGas has current third-party programs that were solicited several program cycles ago, and intends to re-solicit these programs, which may occur prior to the adoption of its Business Plan, as submitted in this application. SoCalGas believes the Commission's decision can allow for the smooth transition into the new third-party paradigm by allowing SoCalGas to re-solicit expiring third-party contracts under the new definition.

Fifth, SoCalGas requests Commission approval of its status as Lead Program Administrator over (1) residential new construction, (2) gas emerging technologies, (3) foodservice point-of-sale rebates, and (4) midstream commercial water heating.

Sixth, SoCalGas requests Commission recognition of the roles and responsibilities of statewide administration of energy efficiency programs, in accordance with a governance process that was developed with the other IOUs, pursuant to D.16-08-019.

IV. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Rule 2.1 (a) – (c)

This application is made pursuant to Sections 451, 454, 454.56, 489, 491, 701, 701.1, 728, 729, and 1701 of the Public Utilities Code of the State of California, the Commission's Rules of Practice and Procedure, and relevant decisions, orders, and resolutions of the Commission. In accordance with Rule 2.1 (a) - (c) of the Commission's Rules of Practice and Procedure, SoCalGas provides the following information.

1. Rule 2.1 (a) - Legal Name

SoCalGas is a public utility corporation organized and existing under the laws of the State of California. SoCalGas' principal place of business and mailing address is 555 West Fifth Street, Los Angeles, California 90013.

2. Rule 2.1 (b) - Correspondence

All correspondence and communications to SoCalGas regarding this application should be addressed to:

Elizabeth Baires
Regulatory Case Manager
SOUTHERN CALIFORNIA GAS COMPANY
555 West Fifth Street, Ste. 1400
Los Angeles, CA 90013
Telephone: (213) 244-3364
Facsimile: (213) 244-4957
Email: ebaires@semprautilities.com

A copy should also be sent to:

Johnny Pong
SOUTHERN CALIFORNIA GAS COMPANY
555 West Fifth Street, Ste. 1400
Los Angeles, CA 90013
Email: jpong@semprautilities.com

3. Rule 2.1 (c)

(a) Proposed Category of Proceeding

SoCalGas proposes that this proceeding be categorized as "ratesetting" under Rule 1.3(e), as the most appropriate of the available categories, although the application will have no effect on SoCalGas' rates.

(b) Need for Hearings

SoCalGas does not anticipate the need for evidentiary or public hearings, given this application is being filed for the primary purpose of submitting its Business Plan, as ordered by the Commission, which provides a high-level view of SoCalGas' plan to meet the Commission's energy efficiency related goals and strategies. As it has done in

R.13-11-005, the Commission can receive stakeholder input through the commenting process.[11] In addition, with respect to the policy change issues raised by the IOUs (attached to the Business Plan as Appendix F), these policy issues can be examined and resolved through written comments. Furthermore, the budget requested for this Business Plan is based on the authorized budget from D.14-10-046, and escalates over time to account for increased energy efficiency goals. Therefore, this application requests no incremental cost recovery from ratepayers that would necessitate customer noticing and public hearings, as well as evidentiary hearings.

(c) Issues to be Considered

The principal issues to be considered in this proceeding are: (1) whether SoCalGas' Business Plan should be adopted as filed, and (2) whether the policy considerations tendered in conjunction with the Business Plan should be adopted in this proceeding.[12]

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[11] *See e.g.*, D16-08-019 at 5: "To develop the record on each of the above four issues, rulings were issued by the Assigned Commissioner and/or ALJ seeking comments and, in most cases, reply comments, from interested parties."

[12] This application does not identify any safety considerations associated with its requested relief.

(d) Proposed Schedule

SoCalGas proposes the following schedule for this application:

ITEM	DATE
Application filed	January 17, 2017
Protests or Responses/Replies filed	+30 days from Daily Calendar /+15 days
Prehearing Conference	February 2017
Parties' Comments (Testimony if needed)	Late March 2017
Reply Comments (Rebuttal Testimony if needed)	April 2017
Briefs (if needed)	April/May 2017
Proposed and Final Decision	Late June 2017

B. Rule 2.2 – Articles of Incorporation

A copy of SoCalGas' Restated Articles of Incorporation, as last amended, presently in effect and certified by the California Secretary of State, was previously filed with the Commission in connection with application ("A.") 98-10-012, and is incorporated herein by reference.

C. Rule 2.3 – Financial Statement

Inclusion of a financial statement, pursuant to Rule 2.3 of the Commission's Rules of Practice and Procedure, is not required for this application, based on a review of Article 3 of the aforementioned Rules.

D. Rule 3.2 – Not Applicable to this Application

Rule 3.2 of the Commission's Rules of Practice and Procedure applies to applications "for authority to increase rates, or to implement changes that would result in increased rates." Because this application does not seek authority to increase rates, or to implement changes that would result in increased rates, Rule 3.2 is not applicable. Therefore, SoCalGas does not intend to undertake the notification efforts required under this rule.

E. Service

This is a new application and no service list has been established. Accordingly, SoCalGas will serve this application on the Chief ALJ, ALJ Fitch, and the parties to the service list for R.13-11-005 by electronic mail and by U.S. mail to those parties who have not provided an electronic address to the Commission. Hard copies will be sent to the Chief ALJ and ALJ Fitch.

V. CONCLUSION

SoCalGas respectfully requests the Commission to:

1) adopt its Business Plan as tendered;
2) implement for this Business Plan cycle a 1.0 cost-effectiveness TRC and PAC ratio threshold applied at the portfolio level;
3) adopt modifications of the 25 percent statewide program budget requirement for gas-only Program Administrators;
4) clarify that the requirement to transition a minimum of 60 percent of the portfolio budget to third-party programs should be based on total portfolio budget;
5) clarify the effective date of the new definition of "third-party" in a manner that allows for continued compliance and smooth transition to the new third-party program paradigm;

6) adopt SoCalGas' lead Program Administrator role for the four programs agreed to by the IOUs; and
7) recognize the roles/responsibilities of statewide administration of energy efficiency programs, in accordance with a governance process that was developed by the IOUs, pursuant to D.16-08-019.

Respectfully submitted,

SOUTHERN CALIFORNIA GAS COMPANY

By: *<u>/s/ Lisa Alexander</u>*
Lisa Alexander

Vice President
Customer Solutions and Communications

Signed in Los Angeles, CA on January 17, 2017

By: *<u>/s/ Johnny Pong</u>*
Johnny Pong

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Email: jpong@semprautilities.com

Signed in Los Angeles, CA on January 17, 2017

OFFICER VERIFICATION

I am an officer of Southern California Gas Company and am authorized to make this verification on its behalf. The matters stated in the foregoing application are true to my own knowledge, except as to matters that are stated therein on information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed this 17th day of January 2017, at Los Angeles, California.

By: *<u>/s/ Lisa Alexander</u>*
Lisa Alexander

Vice President
Customer Solutions and Communications
SOUTHERN CALIFORNIA GAS COMPANY

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SOCALGAS ENERGY EFFICIENCY BUSINESS PLAN

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