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SOUTHERN CALIFORNIA GAS COMPANY

PALM DESERT APPLICATION

CHAPTER I

Prepared Direct Testimony

of

Frank Spasaro

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

July 2, 2010

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1 **I. INTRODUCTION AND EXECUTIVE SUMMARY**

2 The purpose of my testimony is to describe the Southern California Gas Company
3 (“SoCalGas”) request for approval to continue to implement the Palm Desert Partnership
4 Demonstration Program (“Partnership”) for the remainder of the 2010-2012 energy efficiency
5 program cycle beyond the period authorized by D.10-06-039 (Decision Approving Petition for
6 Modification of Decision 09-09-047, with Modifications). The proposed budget in this
7 application is \$2.100 million, which includes the month-to-month spending authorized in D.10-
8 06-039 and will be incremental to the already approved SoCalGas 2010-2012 energy efficiency
9 (“EE”) program portfolio. The funding for the program will come from unspent and
10 uncommitted monies from the 2004-2005 Energy Efficiency program cycle recorded in the
11 SoCalGas Conservation Expense Account (“CEA”). Therefore, there are no rate or revenue
12 impacts associated with this Application.

13 SoCalGas requests that this program be treated as a “non-resource” program (as is the
14 case for all other approved 2010-2012 SoCalGas partnership programs).

15 This Partnership supports the State’s Long Term Energy Efficiency Strategic Plan
16 (“LTEESP”) goals of achieving significant reductions in residential and commercial energy use
17 and implementing whole house retrofits, zero energy projects, heating and ventilation and air
18 conditioning (“HVAC”) upgrades, new technologies, innovative financing, and the development
19 of reach codes. This Partnership also serves as a replicable model for other cities and utilities.
20 To date, the Partnership has developed several innovative projects that are being considered for
21 future replication, and has provided support for the City of Palm Desert’s (“City”) development
22 of the groundbreaking Assembly Bill (“AB”) 811 customer financing program along with several
23 other initiatives.

24 The Partnership has made tremendous progress toward achieving the aggressive goals
25 that were established at its inception. The Partnership has reached a critical stage in its
26 aggressive plan to reduce energy use and peak demand in Palm Desert by 30 percent. The
27 Partnership is currently midway through its originally designed time frame and many of its
28

1 activities are in various stages of completion. Their continuation is critical to the success of the
2 overall effort and to ascertain the value of the innovative initiatives which are being pursued.
3 Completion of this work will provide important lessons learned. SoCalGas requests that the
4 Commission continue to support this bold endeavor for the City and the State. Ending the work
5 prematurely will compromise the innovation that has resulted in significant energy savings in
6 Palm Desert, and new and successful initiatives that are reaching beyond this demonstration
7 Partnership.

8 Continuation of full funding will allow the kind of innovation that led to the AB 811
9 energy efficiency customer financing program, the Palm Desert Energy Ordinance, and the “one-
10 stop-shop” direct install pool pump program. In addition, ending funding prematurely for the
11 Partnership would undermine community faith and participation in energy saving programs and
12 threaten the Partnership’s already impressive accomplishments. Granting funding now for the
13 remaining years of the Partnership will allow the partners to continue their work without a loss of
14 momentum.

15 **II. 2007—2009 PROGRAM PERFORMANCE**

16 **A. Regulatory History and Overview**

17 On September 22, 2005, the Commission issued D.05-09-043, authorizing the investor
18 owned utilities’ (IOU) 2006-2008 energy efficiency (“EE”) portfolios and funding. On February
19 14, 2007, SoCalGas filed Advice Letter 3713 to request approval of the Palm Desert Partnership
20 Demonstration Project (“Partnership”) with the City of Palm Desert (the “City” or “Palm
21 Desert”) and SCE, with a budget of \$2.243 million. SoCalGas’ Advice Letter was approved by
22 the Commission on July 12, 2007 through Resolution G-3402, thus adding the Partnership to the
23 already approved EE portfolio.

24 This proposed Partnership was based on a commitment from the City to a greater level of
25 leadership and resources in support of the promotion and delivery of SoCalGas’ Energy
26 Efficiency programs than local government partnership programs would typically provide. In
27 return, SoCalGas would commit to a five-year, sustained campaign to tap Palm Desert’s demand
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1 side management (“DSM”) potential through aggressive targeted outreach, marketing, financing,
2 and installation strategies available to all Palm Desert customers. The proposed Partnership
3 would emphasize energy savings measures that also target peak demand reductions and would
4 seek to test the efficacy of early equipment replacement strategies, including central air
5 conditioning and furnaces. Over the proposed five-year implementation period, the Partnership’s
6 objective was to contribute to the City’s overarching goal of reducing overall electric and gas
7 energy usage, as well as electric demand, by thirty percent (30%).

8 Pursuant to the direction in D.06-12-013, SCE and SoCalGas included a proposal for
9 continuation of the Partnership in their respective 2009-2011 Energy Efficiency Applications,
10 originally filed in July 2008. Due to delays in approval of this Application, the IOUs filed a
11 subsequent request for bridge funding on August 18, 2008, requesting authority to operate
12 specified 2008 energy efficiency programs in 2009, pending a decision on the 2009-2011
13 Applications. This request included the Palm Desert Demonstration Partnership as a proposed
14 program for continuation in 2009. On October 16, 2008, the Commission issued D.08-10-027,
15 approving this request and authorizing the Partnership through 2009 under bridge funding.

16 On September 24, 2009, the Commission issued D.09-09-047, formally authorizing
17 funding for the IOUs’ proposed 2010-2012 energy efficiency Applications, with select
18 modifications. This Decision limited funding authority for SoCalGas and SCE for the Palm
19 Desert Demonstration Partnership to \$3.9 million, or one-sixth of the requested amount (\$0.433
20 million of which is SoCalGas’ budget), to continue program implementation through June 2010,
21 and directed SoCalGas and SCE to reapply in a separate Application for further funding of this
22 project. The Commission directed that the Application include the Partnership’s performance-to-
23 date and address the pilot criteria outlined in Ordering Paragraph 20 of D.09-09-047.¹ These
24 requirements are addressed herein.

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26
27 ¹ D.09-09-047, dated September 24, 2009, OP #39.

1 As demonstrated in this testimony, the Partnership has made significant progress toward
2 achieving its goals. In addition to the promotion of direct savings measures, the Partnership also
3 conducted over 5,500 residential natural gas home energy surveys and commercial surveys,
4 which resulted in awarding over \$800,000 in rebates and incentives through all programs. This
5 included replacing over 200 pool heaters and over 100 furnaces for the City’s residents and
6 businesses. All this effort has saved over 10,562 metric tons of greenhouse gases, equivalent to
7 taking 2,100 vehicles off of California roadways.

8 **2. Program Achievements**

9 In addition to making progress towards targeted energy savings goals, the Partnership has
10 piloted a number of innovative projects, program design elements, and initiatives. These have
11 focused on creating significant long-term positive changes within the community, generating
12 significant ongoing energy savings benefits and can be replicated for other cities. Key initiatives
13 of the Partnership to date have included:

- 14 • Creation of the first energy efficiency financing program using the assessment
15 district concept (AB 811)
- 16 • Contribution to local government leadership in EE
- 17 • Simplified customer buying process (e.g., “one-stop-shop”)
- 18 • Residential EE behavioral change program pilot (OPOWER)
- 19 • Customized incentives and services
- 20 • Marketing and outreach innovation
- 21 • Emerging technologies testing and promotion
- 22 • Development of replicable projects

23 **a) Assembly Bill 811 Development Support**

24 Early in the development of the Partnership, it became apparent that residents needed a
25 way to overcome the high initial costs of making significant energy improvements, and that a
26 new financing mechanism was needed to achieve the high goals. The concept of cities and
27 counties providing low-interest loans via the property tax bill was investigated. Pioneered by

1 Berkeley, Palm Desert further evolved the concept to include energy efficiency on a large scale,
2 and in doing so, to help make it available to all cities and counties. As a result of the
3 Partnership's innovative and aggressive efforts, AB 811 was signed into law in the summer of
4 2008. AB 811 allows California cities and counties to make low-interest loans to property
5 owners for permanent energy upgrades. Loan payments are collected through property taxes,
6 with participants' savings on energy bills offsetting the cost of loan payments.

7 The City seized the opportunity presented by the passage of AB 811 to create its Energy
8 Independence Program ("EIP"). SoCalGas provides support to this program by providing
9 technical assistance, to ensure that specifications for loan applicants align with requirements for
10 utility rebates, thereby enabling customers to leverage both offers.

11 AB 811 has proven to be a highly effective catalyst to induce property owners to make
12 the large capital investments needed to achieve significant energy savings. The program enables
13 customers to make large investments that can be paid over a longer term. More than 230
14 residential and commercial property owners in Palm Desert have already secured loans for a host
15 of energy efficiency improvements using this innovative funding mechanism, including 168 high
16 performance HVAC systems, 101 solar projects, and other energy upgrades. To date, the City
17 has invested \$6.5 million in energy efficiency and renewable loans, and has recently committed
18 an additional \$8.5 million for a total commitment of \$15 million. They are also continuing to
19 pursue substantial additional private funding to expand the program. The estimated energy
20 savings from the EIP total roughly 2.5 million kilowatt hours and 2,000 therms saved.

21 AB 811 has generated inquiries from many larger government entities throughout the
22 state and nation. The following counties have expressed interest in emulating the City's program
23 and in some cases have also launched customer financing programs similar to Palm Desert's
24 program:

- 25 • Sonoma County – population 466,741²

26 ² Sonoma County has implemented AB 811 program with \$100 million investment from county treasury and water
27 agency)

- 1 • Los Angeles County – population 9,862,049
- 2 • San Diego County – population 3,001,072
- 3 • Riverside County – population 2,100,516

4 AB 811-type financing is also expanding outside of California. According to an article in
5 the July 29, 2009 online edition of the New York Times, the states of Colorado, New Mexico,
6 Ohio, Oklahoma, Texas, Vermont, Virginia, and Wisconsin are now following Palm Desert’s
7 lead in giving municipalities the option for AB 811 type financing. The concept of AB 811 is
8 even expanding internationally. Recently the Mayor of Gumi, South Korea, has pledged to
9 implement a similar program in his city.

10 AB 811-type loan programs represent one of the most important tools now available to
11 accelerate energy efficiency retrofits by residents and businesses. The EIP has paid additional
12 dividends in Palm Desert by leveraging increased participation in the Partnership’s energy
13 efficiency programs and is widely seen as a significant catalyst that has substantially impacted
14 future energy efficiency efforts by opening up more energy efficiency opportunities statewide
15 and nationally than ever before. SoCalGas believes support of this pioneering effort through its
16 Partnership is an important step towards the expansion of innovative financing that can be
17 implemented throughout its service territory, in support of the Strategic Plan’s long-term
18 strategies for energy efficiency.

19 **b) Contribution to Local Government Leadership**

20 To fully support the aggressive goals of the Partnership, the City of Palm Desert
21 expanded its own energy efficiency efforts to stimulate greater energy savings activities within
22 the community. The City has made significant investments in the Partnership and has
23 demonstrated exceptional local leadership has been a model for other cities and partnerships in
24 California.

25 In accordance with the Partnership’s initial goals, the City created the Palm Desert Office
26 of Energy Management (“OEM”), and has invested over \$1.8 million to date to support a full-
27 time staff of three, and office and meeting space for two utility staff members. The OEM has

1 become a valued resource for residents, business owners, and other communities seeking
2 assistance on energy matters. The OEM organizes meetings for local gated communities and
3 homeowner associations (“HOAs”) to facilitate participation in energy saving programs and
4 meets with the Palm Desert Chamber of Commerce, contractors, restaurateurs, and other local
5 business owners to provide information about the Partnership and to enlist participation. City
6 Council members and staff also have committed their time and energy to participate in statewide
7 meetings and events, sharing AB 811 and other program advice.

8 The OEM also has helped to develop the Palm Desert Energy Ordinance, which mandates
9 that new buildings in the City be 10-15 percent more energy efficient than required under
10 California law (“Energy Code Title 24”).³ Since the Ordinance’s approval in 2007, 125
11 residential projects (totaling over one million square feet) and 48 commercial projects (totaling
12 over 915,000 square feet) have been built under its more stringent requirements. The City plans
13 to further strengthen this Ordinance, maintaining its solar ready and solar sales aspects, and
14 adding early compliance with the California Green Building Standards.

15 The City strives to fully integrate the Partnership’s goals into its planning and economic
16 development strategies and to make energy savings a fundamental objective in every sector of
17 municipal government. Partnership programs and other SoCalGas programs support many of the
18 City’s actions. The City revised its Home Improvement Program for lower income residents to
19 include subsidies for energy saving upgrades. Since 2007, 24 of 32 program applicants have
20 installed such upgrades, including new HVAC, solar, windows, doors, water heaters, insulation,
21 and ceiling fans.

22 In alignment with Strategic Plan goals for local governments, the City has upgraded its
23 own existing buildings with energy efficiency and solar upgrades. To help achieve the
24 Partnership’s goals, the City has embraced the U.S. Green Building Council’s Leadership in
25 Energy & Environmental Design (“LEED”) program. Two municipal buildings, the Palm Desert

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27 ³ The Ordinance requires: provisions (conduits) for future solar (PV) energy systems on all new residential units;
ENERGY STAR® Appliances for new construction; and variable speed pool pumps on all new installations.

1 Visitor Center and the Henderson Community Building, are LEED Silver certified. In addition,
2 a proposed 72-unit affordable senior housing project will exceed Title 24 construction standards
3 and achieve a minimum of Silver LEED certification with net zero energy usage.

4 The City's Redevelopment Agency has also partnered with Desert Arc, a local nonprofit
5 for the developmentally disabled, to provide \$60,000 in funding for energy improvements. Palm
6 Desert's Housing Agency has started performing energy upgrades at its affordable housing
7 properties. The City has pursued multiple opportunities to invest in solar power to achieve the
8 Partnerships' energy savings goals, investing over \$2.00 million in solar photovoltaic energy for
9 five projects.

10 The City has taken active leadership in marketing and outreach activities related to the
11 Partnership, including the establishment of an annual citywide event, the Palm Desert Bright
12 Idea Expo, to share information about energy saving programs. The City's OEM also has
13 operated booths at a variety of other community events including Earth Day celebrations, energy
14 conservation fairs, the Art of Food & Wine, and the ongoing Palm Desert Certified Farmers
15 Market. The Partnership has been regularly highlighted in the City's monthly BrightSide
16 newsletter, including over 30 stories in scheduled editions as well as an entire special BrightSide
17 *Set To Save* edition in 2007.

18 The Partnership's own marketing efforts have been augmented by stories in the media,
19 some of which have garnered national attention. In February 2008, the Partnership was cited as
20 one of the nation's top municipal energy saving programs in the Wall Street Journal. In an
21 accompanying video interview, Ralph Cavanagh, senior attorney for the Natural Resources
22 Defense Council ("NRDC") and co-director of NRDC's Energy Program, named Palm Desert
23 one of five top cities on the leading edge of energy efficiency in the U.S. The Partnership also
24 has been featured on National Public Radio and other numerous national and regional media
25 outlets. This Partnership is a model for local government leadership and effective collaboration
26 with the utility, as envisioned by the Strategic Plan. The City of Palm Desert's elected officials
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1 have conducted peer-to-peer sharing with over 50 cities, organizations and other utilities
2 regarding the Partnership and AB811.

3 **c) Simplified Customer Process:**

4 The Partnership recognized the critical need to simplify the customer’s purchasing
5 process and has developed more streamlined processes to ensure a seamless and positive
6 customer experience. The simplified process has the potential to be replicated in other utility
7 programs and include:

8 **Simpler sign-up experience with “one-stop-shopping”** - this new concept simplifies
9 the entire purchasing-to-installation process for the customer. With one phone call, the customer
10 is provided the equipment and installation at one price, without the additional steps of finding
11 contractors, obtaining the best price, and submitting a rebate. A general contractor manages the
12 program by negotiating equipment and installation pricing with manufacturers and local
13 contractors. Rebate applications are submitted to the utilities by the contractor, not the customer.
14 This new process has been piloted with variable speed pool pumps and is being updated to
15 include natural gas pool heaters for 2010.

16 **d) Residential Behavioral Change Program**

17 The Partnership has developed an innovative approach to achieving and quantifying
18 behavioral energy savings. This approach utilizes the Home Energy Report methodology
19 developed by OPOWER (formerly Positive Energy), which provides customers detailed monthly
20 reports showing their energy usage over the past 12 months compared to their neighbors’ usage.⁴
21 The operational theory is that by seeing this comparison, those who are using more energy will
22 be motivated to use less, and those who are implementing sound energy practices will be
23 motivated to maintain their efforts.

24 The reports provided to customers also enable them to identify inefficiencies in their
25 homes, such as a need for maintenance or replacement of central air conditioning, security lights
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27 ⁴ “Neighbors” are defined as the nearest 100 homes of the same square footage.

1 left on during daytime hours, etc. The reports can further be used to educate customers about
2 utility program offerings and other sources of energy efficiency information.

3 SCE is currently testing the effectiveness of quarterly versus monthly reporting.
4 SoCalGas and SCE will shortly have initial data on the effectiveness of this method of achieving
5 real energy savings. Longer term, the intent of the pilot is to establish protocols for achieving,
6 measuring, verifying and claiming the energy savings resulting from the campaign so that they
7 can be replicated in other communities.

8 e) Customized Incentives and Services

9 The Partnership has developed over forty new measures and incentives between SCE and
10 SoCalGas. To address the unique desert climate, the primary focus has been on air conditioning,
11 pool pumps, pool heaters, furnaces, water heaters, insulation, and other significant energy
12 reduction measures. To date, over 1,900 old and inefficient air conditioning systems have been
13 replaced with more efficient units rated SEER 13 or higher. Other results include the early
14 retirement of over 60 furnaces, 200 pool heaters, and the replacement of over 1,500 inefficient
15 single-speed pool pumps with variable speed models resulting in combined savings of nearly 3.3
16 million kilowatt hours of electricity and 36,000 therms.

17 In addition to customized incentives, the Partnership is offering technical assistance and
18 specialized/ investment grade audits for targeted commercial segments to provide comprehensive
19 recommendations to business customers on significant energy improvements. For example, the
20 Partnership has:

- 21 ■ Conducted joint utility investment grade audits in most of the City's hotels
- 22 ■ Conducted joint utility audits of Palm Desert golf courses.
- 23 ■ Commenced audits at all City-owned facilities.
- 24 ■ Conducted audits and providing customized recommendation reports for Palm Desert
25 restaurants, in coordination with food service experts at SCE/SoCalGas Foodservice
26 Centers.

1 **f) Expanded Energy Efficiency Upgrades**

2 The Energy Efficiency Upgrade (“EEU”) program was developed to assist customers in
3 evaluating their opportunities to reduce energy consumption. The program includes a residential
4 and commercial energy survey, direct installation of CFL’s, low flow faucet aerators, low flow
5 showerheads, and HVAC tune-ups. The customer is educated on their current level of energy
6 efficiency and provided recommendations for improvements and information on all available
7 utility rebates and financing opportunities. More than 5,000 Palm Desert residents and more
8 than 116 local businesses have participated in natural gas energy surveys and the installation of
9 energy savings measures since the Partnership’s inception, resulting in energy savings of 52,000
10 therms.

11 **g) Marketing and Outreach**

12 One key aspect of the start-up phase has been the joint development of the *Set to Save*
13 brand. This simplifies the messaging to Palm Desert customers by combining the utilities’ and
14 City’s offerings into singular campaigns. The Partnership Marketing Team is responsible for the
15 successful integration of these marketing strategies. The team developed branding “look and
16 feel”, created new marketing collateral, and developed a website. Additionally, the team ran
17 advertisements and articles in local newspapers, TV and radio, and in the City’s BrightSide
18 monthly newsletter. The Partnership ran joint promotions with the City’s “Recycle Binney”
19 marketing campaign. City Council members and staff, along with all partners, speak at local and
20 regional events about the Partnership program and promote energy efficiency and AB 811
21 financing. This unique branding is considered the most effective way to rally community
22 support for the Partnership’s bold goals and its distinctive blue and green logo has become a
23 well-recognized, positive symbol of Palm Desert’s energy saving efforts.

24 HOA’s also served an important role as a channel for marketing the Partnership to
25 residential customers. The Partnership held HOA roundtable meetings with the Mayor and City
26 Manager, presented the Partnership program to the Community Association Institute (“CAI”),
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- 1 • “One-Stop-Shop” delivery process
- 2 • Behavioral change program
- 3 • New technologies
- 4 • Marketing and delivery approaches

5 In addition, the City’s AB 811 financing program is being replicated within and outside
6 California as a strong model for providing financing for large energy efficiency projects. This
7 financing is supported by SoCalGas’ and SCE’s local government partnership and other energy
8 efficiency programs.

9 **C. Palm Desert Evaluation Report**

10 The Commission led an EM&V effort in 2009 to review the 2007-2008 Partnership
11 activities and results. The report, entitled “Palm Desert Program Implementation Assessment,”
12 (“Study”) was published in draft form on May 5, 2010, and as a final on June 2, 2010. SoCalGas
13 submitted detailed comments on the draft Study on the CPUC’s website⁵ and has reviewed the
14 final Study. While SoCalGas recognizes the importance of the program assessment as part of the
15 funding decision, in general, SoCalGas found the Study to contain critical inaccuracies and
16 misrepresentations of fact that resulted in some erroneous conclusions about the Partnership.

17 The Partnership has implemented innovative strategies, within their approved budgets
18 and program plans, that already have enhanced energy efficiency efforts in Palm Desert and
19 beyond that will have a positive impact on the future of energy efficiency. The Partnership’s
20 achievements have resulted in an increased interest in energy efficiency in Palm Desert and a
21 momentum that should be allowed to continue and produce even more substantial energy
22 efficiency successes.

23 While SoCalGas has issues with several conclusions of the Study, it also agrees in a
24 number of areas. The Study acknowledges that the Partnership was implemented in accordance
25 with its approved program plans and budget. It concludes that the Partnership installed a
26 comprehensive suite of EE measures, with a focus on the installation of high impact measures,

27 ⁵ <http://www.energydataweb.com/cpuc>

1 heightened emphasis on reductions from HVAC installations, and a lesser role for lighting. The
2 Study recognizes anecdotal information regarding the Partnership’s innovative strategies and
3 their impacts and ability to be replicated. Even with some faulty calculations, the Study’s
4 conclusions on cost-effectiveness find the Partnership in-line with other LGP programs;
5 corrections to these calculations result in the Partnership being even more cost-effective.

6 SoCalGas takes issue with several of the Study’s conclusions, particularly regarding how
7 it downplays the positive results, refuses to ignore our most significant accomplishment (i.e.,
8 AB811), and how it introduces new “protocols,” such as “cost per-capita.” The Study does not
9 recognize the uniqueness and breadth of the Partnership when comparing it to other energy
10 efficiency efforts, or the inherent nature of demonstration programs to be more costly in some
11 areas. The Study does not give the Partnership credit for its many innovative actions and its
12 leadership role in promoting energy efficiency beyond Palm Desert. This is particularly true for
13 the Partnership’s role in the development of AB811, resulting in a new direction for energy
14 efficiency financing that reaches well beyond this program. The Study reflects a
15 misunderstanding of the structure of management for the Partnership and the successful
16 coordination that has occurred in implementation of a wide range of activities involving a
17 number of partners.

18 Where appropriate, specific Study findings have been addressed in this Application and
19 will result in program design modifications. The inaccuracies and problematic conclusions in
20 several key areas of the Study are discussed herein.

21 **1. The Study’s statements that the Partnership was not cost effective are**
22 **inaccurate.**

23 SoCalGas counters these claims using the same information presented within the Study.
24 The actual results confirm the following impressive outcomes during the two-year (2007-2008)
25 review period.

26 The Partnership was implemented within budget. During this time of new program
27 development, SoCalGas managed within its operating budget while substantially increasing core
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1 program participation. 2007-2008 was the initial implementation year for the SoCalGas
2 program. As a result of later than originally planned approval for the SoCalGas component of
3 the Partnership, the program was not officially launched until November 2007, when
4 implementation and program ramp-up occurred (making 2008 the first full year of their
5 program). During this timeframe, it is typical to incur higher administrative and marketing
6 expenditures. Of the \$3.56 million approved budget for the 2006-2009 program cycles,
7 SoCalGas spent \$1.75 million, 49% of their budget. Of this, over \$520,000 was spent on
8 funding residential and commercial energy surveys and installation of energy savings measures
9 through the Energy Efficiency Upgrade Program jointly with SCE. SoCalGas did not claim
10 energy savings through conducting the energy audits, however this program was a key driver
11 both in promoting the rebate programs, and in educating customers on the benefits and
12 opportunities of the programs. While these audits added to the operating costs of the Program,
13 they played an important role to increase the momentum of the program. Additionally,
14 SoCalGas funded the innovative Behavioral Energy Pilot with OPOWER, launched in 2008 with
15 non-incentive funds (\$120,000), and which was intended to be a 12-month pilot; no energy
16 savings were claimed for this effort.

17 Although savings results were processed through the Partnership component of the
18 program, they were not available to be reported in-time for inclusion on the Study. Nonetheless,
19 savings were recorded, and the SoCalGas component of the Partnership achieved 87,424 therms
20 saved as well as increasing program participation among all core programs by 413,489 therms
21 during the 2007-2008 program cycles. The Study's inclusion of SoCalGas' costs towards SCE's
22 kWh savings is unprecedented and inappropriate, given that SoCalGas' program costs were
23 related only to gas programs, including over 22 measures and several new programs. Nowhere
24 else in any combined partnership program (or any two-utility effort) are the cost-effectiveness
25 impacts assessed by combining electric and gas in this manner (i.e., by combining two or more
26 utilities' data).

1 Higher program costs per customer are needed in any innovative pilot program that is
2 reaching for deeper, more comprehensive savings per customer, similar to the new Whole House
3 Retrofit program (“WHRP”). The Partnership’s unprecedented 30% goals are similarly
4 aggressive to the statewide WHRs 20% energy savings goals.

5 **2. The Evaluation’s statement that the program “did not yield program design**
6 **innovations that can be clearly defined, measured, and replicated elsewhere”**
7 **does not provide an accurate context for the breadth of work done via the**
8 **Partnership in this area.**

9 SoCalGas recognizes that the Partnership’s launching of multiple programs
10 simultaneously and the lack of reported energy savings prevented the Evaluators from analyzing
11 complete cost/benefit analyses for individual programs. However, it is important to recognize
12 that the Partnership was not designed to *complete* these pilot programs by 2008, nor was it
13 designed around how to evaluate it (there were no “protocols” for such an effort at that time⁶);
14 rather it was designed to *innovatively* achieve energy savings. The Partnership was set-up as a
15 long-term demonstration with a mid-term review. The Partnership did develop separate
16 reporting for internal management to actively track progress. In response to the Study, the
17 Partnership’s program Application addresses the Study’s concerns, and the Partnership has
18 updated the EM&V logic model and data tracking to satisfy extensive program evaluations going
19 forward.

20 Rather than fully acknowledging the initiation of new innovation and the notable progress
21 made in several key areas, the Study addresses only limited implementation details. SoCalGas
22 believes these programs represent significant involvement from all the partners and, in many
23 cases, major shifts from business-as-usual thinking. Several innovative programs are considered
24 highly replicable, and the Partnership is proud to highlight these accomplishments.

25
26 ⁶ The Commission issued a new requirement in D.09-09-047 for review of such pilot programs.
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1 **Leader in “Reach Codes”**

2 In 2007, before the LTEESP was finalized, the City of Palm Desert adopted Ordinance
3 1124 with energy efficiency codes 10-15% above Title 24. Since 2007 Ordinance approval, 125
4 residential projects totaling over one million square feet, and 48 commercial projects totaling
5 over 915,000 square feet have been built under its more stringent requirements. In 2010, one of
6 the City’s mandatory requirements under Ordinance 1124 was not included in the new State
7 codes so it was reinstated in Palm Desert. This requirement requires developers of production
8 homes to sell “solar ready” homes with conduits and junction boxes in place for future solar
9 installations.

10 **Driving Force of AB811**

11 The aggressive goals of the Partnership generated the need for customer financing. With
12 encouragement and support from the Partnership, the City spearheaded landmark legislation in
13 AB811 that is now changing the landscape of energy efficiency financing in California and
14 nationwide.

15 **Peer-to-Peer Sharing**

16 The City and Partners have shared the Partnership and the City’s AB811 financing
17 program experiences with over 50 other cities, organizations, and utilities.

18 **Upgraded Municipal Buildings**

19 Joint utility audits conducted during the Partnership verified that all City of Palm
20 Desert’s municipal buildings have been retrofitted. The City has invested in over \$2 million in
21 solar photovoltaic on municipal facilities.

22 **LEED Buildings and Pursuing Zero Net Energy**

23 The City built two LEED certified municipal facilities during the Partnership time frame.
24 New buildings are being planned at zero net energy levels.

25 **4. The Evaluation misinterprets Partners’ roles and responsibilities.**

26 The four Partners have worked well together and successfully accomplished multiple
27 objectives. From the outside it may appear to be complicated, but it is clear and effective within
28

1 the Partnership. All four Partners are involved in the design and development of program
2 strategies and product offerings. The implementation of programs and reporting are managed by
3 each utility partner. Marketing is shared between the City and Utilities, with SCE as the lead for
4 the joint Partner Marketing Committee. The Utility Partners manage the marketing collateral
5 approval and the City is lead on City marketing campaigns. The Energy Coalition is the lead on
6 the Partnership's Strategic Plan.

7 **5. The Study mischaracterizes the Partnership as a “high income” program.**

8 The City of Palm Desert is a valid pilot city in representing overall average median
9 income cities and Climate Zone 15 customers. Contrary to public opinion, the City of Palm
10 Desert's median income of \$48,316 almost matches the overall California median income of
11 \$47,493. Rather than being classified as a “high income” program, Palm Desert is “average”
12 income and actually falls into the lower half of the list of statewide LGPs; it ranked 15th in
13 lowest median income of 39 LGPs. To put in further perspective, the top 5 highest median
14 income LGPs exceed \$70,000 in average median income, roughly 45% higher than Palm Desert.

15 **6. The Study errs in its assessment that a greater level of rigor did not occur in**
16 **program design, documentation, and evaluation of demonstration activities,**
17 **but some program reporting questions are valid and have been addressed.**

18 It is important to note that the funding for the Partnership covered a demonstration
19 program for a whole community effort, not individual products as other pilot test programs. As
20 such, the program reporting captured information on a more macro level than the Evaluators
21 were seeking.

22 Sub-pilot projects were not intended for replication during the first phase. The new
23 programs that the Evaluators wanted to study were still in their development phase during the
24 2007-08 evaluation period, and the Partnership intended to establish replicability reviews in the
25 last phase of the program. During development phases, it is not uncommon to develop the
26 customer facing systems first and follow up with back-end analyses.

1 The Partnership team did track program energy savings by key individual sub-projects
2 and reviewed these on a monthly basis to manage the program. Again, the macro focus was
3 appropriate for the first phase with the expectation to develop more detailed reporting during this
4 next phase.

5 SoCalGas and its' Partners are in agreement with the Study that improvements need to be
6 made in program data tracking and reporting, and the Partnership has included these
7 improvements in future program plans. Strategic planning and program evaluation is ongoing.
8 The Partnership conducts regular reviews of program performance, monthly at the operations
9 level and quarterly at the executive level. The original EM&V logic model has been revised to
10 reflect program enhancements and will continue to be reviewed and refined if necessary as part
11 of the evaluation plan of the Partnership

12 **7. The Study's use of cost per capita is not an appropriate measurement for**
13 **success or continuation of the Partnership.**

14 When valued with all of the above accomplishments, the Partnership has proven to
15 provide greater benefits than originally planned for in the budget. The benefits extend beyond
16 the City of Palm Desert when considering AB811 and the new potential replicable programs.
17 The Study places too much focus on cost per capita and not enough corresponding valuation of
18 benefit per capita where the Partnership excelled. The Study ignores important accomplishments
19 which provide benefits. A focus on costs and not the resulting benefits produces misleading
20 conclusions. Also, it is not clear what the intent of a per capita and medium income comparison
21 is for Commission Policy, as this is the first time that income has been used in this fashion.

22 **Cost per Capita Is Not Appropriate Measurement**

23 All pilot programs have high costs per test customers and receive perceived special
24 benefits, but the purpose of the program is to find solutions for broader rollout of new strategies.
25 The Palm Desert Partnership is no different with the development of statewide benefits. Cost per
26 kWh or therm is a more appropriate measurement of relative cost effectiveness regarding how
27 ratepayers' dollars are spent.

1 adjusted its programs based on lessons learned from prior years experience and on the new
2 benefits of AB 811 financing. Bold new strategies and goals have been set for 2010-12:

3 **A. Expand AB 811 Financing**

4 Both existing and newly designed programs will increase participation by leveraging the
5 availability and past successes of the City’s financing program. An aggressive citywide
6 marketing campaign will continue to promote *Set to Save* and highlight all available rebates and
7 the benefits of participating in the nation’s first AB 811 program. By packaging rebates with
8 affordable financing options, residents will be able to take advantage of an optimal combination
9 of financial incentives to invest in major energy efficiency equipment upgrades.

10 Additional AB 811 financing also provides Energy Efficiency Upgrade (“EEU”) and
11 commercial auditors with a practical and attractive solution to provide customers with their
12 energy equipment upgrade recommendations. The immediate availability of AB 811 is projected
13 to increase participation in major equipment upgrades. The Partnership also will leverage AB
14 811 to focus on improving the whole building envelope, including participation in the Core
15 Whole House Retrofit program.

16 **B. Test New Incentives**

17 In addition to AB 811 financing, new incentives and program offerings have proven to be
18 needed during the current economic conditions to spur energy efficiency purchases after EEU
19 surveys are completed. As such, the EEU surveys have been restructured to focus on post-
20 survey upgrades, and the Partnership will offer limited time incentives to customers and
21 contractors. During 2010-2012, the Partnership will focus more heavily on bundled
22 improvements and the whole building envelope by providing whole house reviews providing
23 adjusted incentives in support of the residential statewide Prescriptive Whole House Retrofit
24 Program.

1 more one-on-one communication with business owners during this phase. The above strategies
2 will focus on major energy equipment upgrades and financing options.

3 In addition, the commercial segment will be encouraged to install energy efficient
4 equipment through AB 811, as well as utility On-Bill Financing packaged with Partnership
5 rebates and program management assistance.

6 **F. Showcase Demonstration Projects to Stimulate Awareness and** 7 **Participation**

8 A key component to increasing participation levels in all segments is showcasing
9 customers who have already made commitments and demonstrated practical upgrades. The
10 Partnership has developed a new *Set to Save* Recognition program to reward and highlight
11 accomplishments for both the residential and commercial communities. This program will
12 provide recognition and rewards to those who have signed a new “*Set to Save Pledge*”, applied
13 for utility rebates, or assisted others in participating in *Set to Save*. The program will use
14 community spokespersons, testimonials, commercial business cases, and demonstration projects
15 to showcase a variety of EE and renewable upgrades. The Partnership also will pursue special
16 demonstration projects for Whole House Retrofit and Zero Net Energy building.

17 **G. Leverage City Efforts**

18 The City of Palm Desert itself is a major contributor to the success of the Partnership
19 reaching its goals. Besides the City’s AB 811 program and Redevelopment Office’s
20 contributions, the City stimulates energy efficiency improvements by waiving permit fees on
21 qualifying pool pumps, as well as through adding reach codes. The City’s prior reach codes
22 were absorbed into the new Title 24 codes in 2010 and the City is reviewing opportunities to
23 further strengthen the new Title 24 codes.

24 In conjunction with the Partnership’s 30/30/30 energy savings goals, the City recently
25 developed an Environmental Sustainability Plan that the City will begin implementing to achieve
26 its 2012 goals. The City’s existing LEED buildings and planned Zero Net Energy building
27 provide additional opportunities for demonstrating a proactive leadership role within the

1 community and region. The City Council members and staff will continue to educate and
2 consult with other regional, statewide, and national local governments regarding AB 811 and the
3 Partnership.

4 **H. Develop Replicable Models**

5 Upon completion of this funding period, the Partnership will have demonstrated a
6 successful model for other cities to replicate. The Partnership is proud of its accomplishments to
7 date with AB 811, One-Stop-Shop, Behavioral Change test, testing incentive levels, and New
8 Technology evaluations. The integration of AB 811 with the Partnership provides new pilot
9 demonstration opportunities. The Partnership expects its Recognition program plus several new
10 marketing and sales channel strategies to be added to this list of replicable projects. The
11 Partnership will outline all of the replicable successes and lessons learned in a final business case
12 to be shared nationally.

13 **I. Pilot Criteria Requirements**

14 The Commission in D.09-09-047 specified ten criteria to be met by the Palm Desert Pilot.
15 The Partnership's achievements related to these criteria are detailed in Appendix B, Criteria for
16 Palm Desert Energy Demonstration Partnership Program.

17 **IV. PROGRAM FUNDING**

18 This application is requesting supplemental funding to continue the Partnership for the
19 remaining 2010—2012 program cycle beyond June 2010. On September 24, 2009, the
20 Commission issued D.09-09-047, formally authorizing funding for the IOUs' proposed 2010-
21 2012 energy efficiency Applications, with select modifications. This Decision limited funding
22 authority for SoCalGas and SCE for the Palm Desert Demonstration Partnership to \$3.9 million,
23 or one-sixth of the requested amount, \$0.433 million of which is SoCalGas' budget, to continue
24 program implementation through June 2010. The proposed additional budget for the Partnership
25 is \$2.100 million and will be incremental to the already approved SoCalGas 2010-2012 energy
26 efficiency ("EE") program portfolio. On June 24, 2010, the Commission issued D.10-06-039
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1 that authorizes continuation of the SoCalGas' component of the Partnership and month-to-month
2 funding until the Commission issues a decision on this application or until December 31, 2010,
3 whichever comes first. Therefore, SoCalGas' total Partnership budget is \$2.533 million,
4 consisting of \$0.433 million from D.09-09-047, and the remaining \$2.1 million that covers the
5 month-to-month spending authorized by D.10-06-039 and the budget requested by this
6 application. The funding for the program will come from SoCalGas unspent uncommitted
7 monies from the 1998—2005 Energy Efficiency program cycles recorded in its Conservation
8 Expense Account ("CEA"). Therefore, there are no rate or revenue impacts associated with this
9 application.

10 **V. CONCLUSION**

11 The Partnership has made tremendous progress toward achieving the aggressive goals
12 that were established at its inception. The Partnership has reached a critical state in its
13 aggressive plan to reduce energy use and peak demand in Palm Desert by 30 percent. The
14 reduction or elimination of funding will bring an end to the type of innovation that led to AB
15 811, the Palm Desert Ordinance, and other key Partnership initiatives. In addition, it would
16 undermine community faith and participation in energy savings programs and threaten the
17 Partnership's already impressive accomplishments. Granting funding now for the remaining
18 years of the Partnership will allow the partners to continue their work without loss of
19 momentum.

20 In summary, SoCalGas requests the Commission's approval on the following:

- 21 (1) The Palm Desert Partnership Demonstration Project be authorized for
22 implementation for the full 2010-2012 program cycle;
- 23 (2) The proposed budget is \$2.100 million be approved and will be incremental to
24 the already approved SoCalGas 2010-2012 energy efficiency ("EE") program
25 portfolio;

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- (3) The \$2.1 million budget will be funded through unspent and uncommitted 1998—2005 Energy Efficiency program cycles recorded in its Conservation Expense Account (“CEA”);
- (4) All program costs and benefits will be considered part of SoCalGas 2010-2012 Energy Efficiency portfolio;
- (5) The Partnership be treated as a “non-resource” program, consistent with SoCalGas’ other local government partnership (LGP) programs;

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Frank A. Spasaro. My business address is 555 West Fifth Street, Los
3 Angeles, California 90013-1011. I am employed by Southern California Gas Company
4 (“SoCalGas”) as the Energy Efficiency Partnerships Manager in the Customer Programs
5 Department. My responsibilities include managing the local government partnerships programs,
6 institutional partnerships programs and on-bill financing programs for both San Diego Gas &
7 Electric Company (“SDG&E”) and Southern California Gas Company.

8 I attended the University of Southern California and graduated with a Bachelor of
9 Science degree in Civil Engineering. Since joining SoCalGas in 1983 as an energy systems
10 engineer in the marketing department, I have held positions of increasing responsibility,
11 primarily working with the core commercial and industrial market segments on demand side
12 management/energy efficiency programs and policy. I assumed my current position in June of
13 2005. I have previously testified before this Commission.

14 The purpose of my testimony is to sponsor SoCalGas’ proposal to continue the Palm
15 Desert Demonstration Project for 2010-2012.

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APPENDIX A
PALM DESERT ENERGY DEMONSTRATION PARTNERSHIP PROGRAM

1) **Program Name and Program ID number**

Program Name: Palm Desert Energy Partnership Demonstration Program
 Program ID number: TBD

2) **Projected Program Budget Table**

Table 1¹

Program #		Total Administrative Cost (Actual)	Total Marketing & Outreach (Actual)	TOTAL Direct Implementation	Integration Budget Allocated to Other Programs (if Applicable)	Total Budget By Program (Actual)
Market Sector Programs - Residential						
	Local Govt Partnerships-Palm Desert Energy Demonstration Partnership	\$ 838,701.43	\$ 794,253.16	\$ 900,345.41	N/A	\$ 2,533,300

*Total 2010 - 2012 budget requested includes approved budget of \$433,300 for January through June of 2010 from Decision 09-09-047.

SoCalGas has a pending Petition for Modification (PFM) with the Commission that will have to be reconciled against final approval of the application.

3) **Projected Program Gross Impacts Table**

Table 2

Program #	SCG	2010-2012 Three-Year EE Program Gross kWh Savings	2010-2012 Three-Year EE Program Gross kW Savings	2010-2012 Three-Year EE Program Gross Therm Savings
Market Sector Program - Residential				
	Palm Desert Energy Demonstration Partnership			457,072
	TOTAL:	-	-	457,072

Palm Desert Partnership is a nonresource Program. Savings will be achieved through core program participation. See Table 3 for list of measure offerings.

¹ Definition of Table 1 Column Headings: Total Budget is the sum of all other columns presented here
Total Administrative Cost includes all Managerial and Clerical Labor, Human Resource Support and Development, Travel and Conference Fees, and General and Administrative Overhead (labor and materials).
Total Direct Implementation – includes all financial incentives used to promote participation in a program and the cost of all direct labor, installation and service labor, hardware and materials, and rebate processing and inspection used to promote participation in a program.
Total Marketing & Outreach includes all media buy costs and labor associated with marketing production.
Integrated Budget Allocated to Other Programs includes budget utilized to coordinate with other EE, DR, or DG programs.
Total Budget is the sum of all other columns presented here
 Definition of Sub-Program: A “sub-program” of a program has a specific title; targets; budget; uses a unique delivery or marketing approach not used across the entire program; and for resource programs, has specific estimated savings and demand impacts.

Table 3

List of Measures

Measure Category	Incentive Level*
Commercial Measures	
Storage Water Heaters (LRG >75 MBTUH)	\$ 2/MBTUH
Storage Water Heaters (SML <= 75 MBTUH)	\$ 2/MBTUH
Commercial Boiler (Non-Space Heat, Non-Process)	\$ 1/MBTUH
Pipe Insulation - Hot Water (sq ft) 2 in	\$ 3/sq.ft.
Pipe Insulation - Hot Water (sq ft) 1 in	\$ 2 /sq.ft
Convection Oven	\$ 500 /unit
Griddle	\$ 125/unit
Fryer - High Effi Unit	\$ 500/unit
Combination Oven	\$ 750/unit
Cabinet Steamer Tier I	\$ 750
Pre Rinse Spray valve early replacement	Direct Install-Early Replacement
Grant-Calculated Incentive	\$ 1.00/therm
Residential Single Family Measures	
Central Gas Furnace 92% AFUE - early replacement	\$ 250/unit
Attic Insulation	\$ 0.15/sq.ft
Wall Insulation	\$ 0.23/sq.ft
Faucet Aerators-SF (Direct Install)	EE Kits/Direct Install
Low Flow Showerhead-SF (Direct Install)	EE Kits/Direct Install
Low Flow Showerhead with Thermostatic Valve (ShowerStart)	POS, Direct Install
Energy Star Dish Washer	\$ 30/unit
Energy Star Clothes Washer	\$ 35/unit
Gas Storage Water Heater (EF>= 0.63)	\$ 30/unit
Tankless WH-Tier 1/min .82 EF	\$ 150/unit
Tankless WH Tier 2/min .94 EF	\$ 200/unit
Pool Heater Upgrade early replacement	\$ 400/unit
Residential MultiFamily Measures	
Attic Insulation	\$ 0.23/sq.ft.
Wall Insulation	\$ 0.23/sq.ft.
Central System Natural Gas Water Heater	\$ 750/unit
Central System Gas Boiler: Water Heating Only	\$ 2,250/unit
Central System Gas Boiler: Space and Water Heating	\$ 2,250/unit
Gas Wtr Htr Controller (<30 units) Pre 1970	\$ 1,125/unit
Gas Wtr Htr Controller (>= 30 units) Pre 1970	\$ 1,500/unit
Gas Wtr Htr Controller (<30 units) Post 1970	\$ 1,125/unit
Gas Wtr Htr Controller (>=30 units) Post 1970	\$ 1,500/unit
Commercial Pool Heater Upgrade (MF)	\$ 1,000/unit
Low Flow Showerhead-MF (Direct Install)	EE Kits/ Direct Install
Faucet Aerators-MF (Direct Install)	EE Kits/Direct Install

*Incentives levels may be revised to align with core program revisions.

4) Program Element Description and Implementation Plan

a) List of program elements

The following elements are fully described in the LGP Master PIP. The following table indicates all elements applicable to the LGP.

Applicable to LGP?	Unique Implementation by LGP?	Program Element
X		A. Government Facilities
X		A1 – Retrofit of County and Municipal Buildings
		A2 - Retro-Commissioning
		A3 - Integrating Demand Response
X		A4 - Technical Assistance
X		A5 - On-Bill Financing
X		B. Strategic Plan Support
X		B1 - Code Compliance
X	X	B2 - Reach Code Support
X		B3 - Guiding Document Support
X	X	B4 - Financing for the Community
X		B5 - Peer to Peer Support
X		C. Core Program Coordination
	X	C1- Outreach Education
	X	C2 - Residential and Small Business Direct Install
X		C3 - Third Party Program Coordination
		C4 – Retrofits for Just Above LIEE
X		C5 - Technical Assistance
X	X	D. Unique Program Elements

b) Overview

The Palm Desert Demonstration Partnership presents a model for community energy partnerships. It joins the City of Palm Desert and its energy utilities, SCE and SCG, and The Energy Coalition in a partnership in which each of the partners brings its experience, expertise and resources to bear on saving energy.

The 2010-2012 Palm Desert Demonstration Partnership is designed to (1) encourage residential and business customers to purchase energy efficient equipment and (2) focus on activities based on a segmented market in conjunction with SCG’s EE portfolio of programs. The program will expand the opportunity to obtain energy savings through a variety of sources and maximize existing savings potential for both residential and commercial customers. The program embraces initiatives established by the CPUC, known as the “Big Bold Energy Efficiency Strategies.”

As new energy efficient measures are available, measure costs change or marketing opportunities/failures are identified, the Program will make adjustments to the measures list or rebate amounts. To stay abreast of new, yet proven technologies, and to better meet the needs of all residential and nonresidential customers, the program will continue to solicit information from industry experts, vendors and customers to provide input as to new innovative measures that might be added, or how the program could be improved.

A Core Program Element- Government Facilities

The Partnership will leverage new technologies to showcase at City owned facilities where applicable. All new Palm Desert government buildings shall be LEED certified.

A1 – Retrofit of county and municipal facilities

In alignment with Strategic Plan goals for local governments, the City has also upgraded its own existing buildings with energy efficiency and solar upgrades. Almost all Palm Desert facilities have been retrofitted to code and above. The City also has a large stock of low income housing which may yield substantial savings, including the potential for the City's first Net Zero project. Energy audits and upgrades are currently underway at those facilities.

A2 – Retro-commissioning (of buildings or clusters of buildings)

See Master PIP

A3 – Integrating Demand Response into the audits

See Master PIP

A4 – Technical assistance for project management, training, audits, etc.

See Master PIP

A5 – On-Bill Financing –

Through IOU on-bill financing, the Partnership will encourage the City to take advantage of this opportunity for municipal facilities that install energy-efficient equipment or strategies. If new EE retrofit opportunities present themselves.

B. Core Program Element-Strategic Plan Support

B1 – Code Compliance Support- The Partnership will work with the City to strengthen code compliance efforts. This activity will follow the proposed path described in the Codes & Standards PIP.

The City's building codes exceed Title 24 for new construction. Palm Desert has successfully demonstrated its ability to serve as a model city Partnership through its early adoption of an aggressive Building Energy Ordinance # 1124. Established in 2006, the Ordinance requires new construction 10%-15% above Title 24 standards. The City's experience from development to implementation of this model can be shared with other local governments to support their adoption of increased energy code standards. With the adoption of 2008 Title 24 code standards, this Ordinance has sunset, but the City will continue to explore other opportunities to continue leadership in this area.

B2 – Reach Code Support- The Partnership will seek to establish meaningful CEC-approved Reach codes. As a result of the new Title 24 standards going in to effect in 2010, the City and Partnership are evaluating the creation of new more stringent codes for possible implementation.

B3 – Guiding Document(s) Support- The CLTEESP calls for local governments to lead their communities with innovative programs for energy efficiency, sustainability, and climate change. No local government has done more than Palm Desert to promote energy efficiency, renewable energy, sustainability and climate change through its Partnership with Southern California Edison, Southern California Gas Company and The Energy Coalition and the marketing of *Set to Save* program and Energy Independence Loan program. The Partnership continues to work with the City to integrate long-term energy efficiency of municipal buildings and community-wide efforts into the City’s Environmental Sustainability Plan which was adopted by City Council in February 2010.

B4 – Financing for the community- The City of Palm Desert sponsored AB811. This legislation makes financing of energy efficiency projects much easier and attractive. This novel financing mechanism is expected to significantly increase participation in energy efficiency projects throughout the city. It will also be replicable statewide, something any community can elect to implement for its residents and businesses. Since inception of the City’s AB811 financing program, Energy Independence Program (EIP), the City has awarded \$6.5 million in energy efficiency and renewable loans for high efficiency HVAC equipment, Solar Panels, Fuel Cells, Pool Pumps and Heaters and Tankless Water Heaters. IOU On-Bill Financing will also be promoted and utilized when applicable. To date, estimated energy savings from the EIP total roughly 2.5 million kilowatt hours and 2,000 therms saved through funding more than 230 residential and commercial property owners. The City has expanded its EIP financing in February to \$15 million and is taking steps to offer even more robust funding throughout this funding cycle.

Palm Desert intends to continue its robust AB 811 financing plan and lead other communities in this effort. The Partnership supports the City’s AB811 program by providing technical support to help the City fund loans for energy efficient equipment that meets current industry standards and be eligible for utility incentives.

B5 – Peer to Peer Support- As a result of the City of Palm Desert’s leadership in promoting AB811 in 2008, and the subsequent implementation of its loan program for customers, the Partnership is a national leader in helping customers finance large energy efficiency equipment and renewable investments. To date the City of Palm Desert elected officials and staff as well as Partnership team members have shared the City’s AB811 program and the Partnership program with over 50 cities, organizations and utilities. The Partnership will synthesize the lessons learned from its successful implementation of AB811 and the innovative delivery of energy efficiency measures and information in the 2007-2009 program cycles to be shared with other cities when requested.

C Core Program Element-Core Program Coordination-

The Partnership program will continue to fully integrate the available menu of demand-side resources by heavily relying on marketing, education and outreach

to all residential and commercial customers in Palm Desert. In addition to the items found in the Master PIP, the Partnership will coordinate to a greater degree with the California Solar Initiative. The Partnership has encouraged a large number of solar arrays in the City.

C1 Outreach & Education-In order to reach the broad spectrum of customers in Palm Desert, outreach and education are a vital component to the Partnership and will continue to play a key role through the 2010-2012 programs. The Partnership will continue to provide unique, in person customer education through in-home and business surveys. In person customer education will provide information on the Partnership's *Set to Save* program, Utility Core programs, including the Whole House Retrofit program, and the City's AB811 financing program.

The goal of marketing and outreach efforts is to very effectively communicate the Partnership's energy efficiency and renewable energy programs to the community in order to achieve strong participation by residences and businesses. As a demonstration program, this Partnership is charged with not only demonstrating new programs, equipment and technology but also new product delivery strategies and new marketing and outreach strategies. For comprehensive energy efficiency upgrades such as Whole House Retrofit and/or Zero Net Energy projects, the Partnership will develop public demonstrations for the community to view. The Partnership will provide closely coordinated local education, training, marketing, newsletters (City's BrightSide, HOA's, CBO's, Chamber of Commerce), and outreach (including neighborhood "sweeps" and events) in which the utilities and the City work together to educate consumers and co-promote programs.

C2 Residential and Small Business Direct Install (Energy Efficiency Upgrade Program) – As part of its survey program, the Partnership will host a more comprehensive direct install program. For this program, the customers will receive and air-conditioning tune-up, in addition to other measures, and an education consultation.

C3 Third-party program Coordination- The Partnership coordinates through IOU Program Managers coordination and ramped up promotion of third party programs in Palm Desert.

C4 Retrofits for just above LIEE qualified customers-The Partnership will promote retrofits as an integrated approach to energy consumption and reduction, increasing awareness of energy efficiency and demand response for qualified Low-Income Energy Efficiency (LIEE) customers. Coordinating with the Multi-family Energy Efficiency Programs will provide energy efficiency retrofits for just-above low income customers. This implementation of demand side management (DSM) strategies will also be coordinated with the LIEE Program and will support progress towards local and statewide sustainability goals.

C5 Technical assistance for program management, training audits, etc. The Partnership will assist residents and businesses in understanding, managing, and reducing their energy use and costs, by providing comprehensive technical, planning, marketing and implementation assistance. This includes encouraging

and enlisting city staff to leverage utility resources. Technical assistance and support to contractors, and customers will continue to be promoted through the Office of Energy Management (OEM). Both SCE and SoCalGas staff have been working out of the OEM since 2007.

D. Core Program Element-Unique to the Palm Desert Partnership.

The City's residents and businesses will continue to enjoy complete access to all of the programs currently offered under SCG's portfolio. The Partnership will also continue to deliver these additional unique offerings.

D1-Stimulate more major EE equipment upgrades from Energy Efficiency Upgrades.

The Partnership plans to reach 8,000 residents with Energy Efficiency Upgrades and stimulate follow-up on EE equipment purchases after surveys are completed.

D2-Focus on whole building envelope and bundled packages in tandem with City's financing Program. The Partnership is coordinating a Whole House Retrofit program with the Core program management to test the impact of the City's EIP financing program.

D3-Attractive financing and new incentives to increase EE upgrades. The Partnership has modified customer incentives based on lessons learned from prior funding cycle. New "seasonal" and "limited time" promotions will be offered to create change in behavior and purchasing. New bundled products and group/volume discount incentives are also being considered for residential and commercial customers. Rebates will be marketed with the City's EIP program to provide greater incentive for customers to purchase major EE equipment.

D4-Increase commercial participation through targeted market segment programs. The Partnership will conduct separate audits for each major market segment. The Hotel segment campaign started during 4Q2009 and will be completed in 2010. Additional joint energy assessments are being developed for restaurants, retail and office building market segments. The Partnership will be coordinating commercial marketing strategies with the City's Redevelopment office, Chamber of Commerce, and other local business associations.

D5-Expand "one-stop-shop" product offerings. The Partnership intends to continue this approach where the customer calls a toll-free number for installation and a contractor is assigned to replace the customer's existing working model, with a new more efficient unit. Starting in 2010, the Partnership will add pool heaters to the "one-stop-shop" pool pump program. The Partnership is looking into other product applications to test the same or similar simplified EE purchasing and fulfillment process.

D6-Quality HVAC Installation and Maintenance Program. Energy savings can be realized by replacing older equipment, properly installing new equipment,

and properly servicing and maintaining existing systems. Information and financial incentives are available through this program. This project offering will:

- Address all customer segments, and be delivered in conjunction with the other programs, services, and promotions that form the Partnership plan;
- Communicate to residential and commercial customers the financial benefits of replacing older, inefficient systems with state of the art high efficiency systems, and create a call to act immediately; and
- Offer a financial incentive to customers to retire their existing systems early.
- Provide training to qualified contractors to offer HVAC Quality Installation and Maintenance programs.

D7-Introduce new Emerging Technologies to community. The Partnership plans to market new technologies which were tested in 2009 and being evaluated by utility engineering. The first two products are expected to be a new liquid pool cover and LED exterior lights for HOA's.

D8-Effective Behavioral Messaging-The Partnership launched a new pilot program designed to accomplish this in early 2009 and plans to carry it through 2010-2012 program cycle if successful. The messaging is tailored to specific customer's usage history. This project will not only influence attitudes and behaviors toward energy efficiency, it will measure the results of this influence, and lay the groundwork for the establishment of disciplines for making behavioral savings verifiable. Additionally, the Pilot has direct ties to SB 488 which would require utilities to provide customers with new individual performance information. SB 488 is based on this and two other pilots being operational to provide key data in 2012. The Partnership will conduct an independent assessment of energy savings from 12 months of data and reach out to share the impact and lessons learned with other cities.

c) Non-incentive services

The Partnership will develop a Recognition program which will publicly recognize individuals, residents, and businesses for their contribution to the program. Additionally the Partnership will continue to participate in community events, and participating in a school curriculum promoting efficiency and demand reduction.

d) Target audience

The overarching principle of the Project is to provide comprehensive approaches to all customer groups through targeted strategies with a focus on early replacement of inefficient equipment. Marketing, outreach and delivery strategies are intended to leverage the strengths of each of the partners. Due to the number of Home Owners Associations in Palm Desert, Restaurant food establishments, Hotels, Retail/Offices and customers with pools, the Partnership will continue to place emphasis on targeting programs to them through various delivery channels.

The Partnership intends to enhance resources of SCG Account Representatives with concentrated outreach to commercial customers in Palm desert. This target

audience has been identified as “hard to reach” and the Partnership endeavors to create replicable methodologies to successfully reach this market.

e) Implementation

The Partnership expects to launch other innovative approaches to achieving significant increases in participation in energy efficiency which can both be replicated by other communities and carried over to the 2010-2012 program cycle.

This program cycle (2010-2012) is envisioned as the final three years of a long-term, sustained campaign. Over the course of the Partnership, SCE and its project partners have set an objective to reduce overall energy usage and peak load in the city by 30% of year 2005 usage. Results can be classified as energy savings, demand reduction, and the piloting of practices that can be replicated in other communities.

For replicable approaches, the Partnership will have available through 2012 its experiences and recommendations regarding each of the following and their impact on results:

- Enhancing City energy efficiency codes;
- Targeting incentives to the community’s usage profile;
- Integrating IOU coordination of energy efficiency with the resources available at the community level;
- Teaming relationships in energy efficiency partnerships;
- Implementing a one-stop shop of energy efficiency offerings;
- Marketing and implementing new technologies;
- Increasing the effectiveness of a new approach to achieving results through a behavioral messaging campaign; and
- Integrating the City’s AB811 financing program with Utility Core programs, including Whole House Retrofit program.

Critical to this project, and a key driver to encouraging customers to take actions to reduce energy use and peak demand, is an outreach and information campaign that continually promotes the efficiency ethic and contains a follow-up mechanism with residents who have expressed interest in efficiency. The survey service will continue to be promoted through a joint SCE/SCG/Palm Desert communication strategy that may include announcements in local media, newsletter articles, direct mail campaigns, etc.

First, energy use specialists will be available to complete comprehensive in-home energy surveys. These specialists will identify appropriate measures for the home, and discuss incentive and financing options. They may also install lighting and water/gas-savings measures. Online and mail-in surveys will also be available. The collected in-home energy survey information will be entered into a database that can be mined for additional messaging and communication opportunities, including special sale offerings, retailer promotions, and reminders to take advantage of energy efficiency opportunities.

Installation contractors will serve as another primary marketing tool. Using program materials provided by the project (including a package that outlines the energy

savings of various devices, environmental impacts, bill reductions, testimonials, available financing, and utility incentives), these contractors will have the ability to apply incentives in many cases at time of sale, making the transaction as streamlined as possible for consumers. They will also participate in energy events and will make presentations to condominium association meetings, at clubhouse events, etc.

Also included in outreach activities is assistance to city staff, residences, builders and developers in promoting standards that ensure that all new construction and retrofit projects incorporate the most energy efficient designs and measures possible.

Program Strategy: Promotion and Outreach

- A multi-faceted approach impacting all residents and businesses
- Energy surveys for all customers (Commercial and Residential), covering both gas and electric measures, with an emphasis on in-home surveys;
- Continuous, targeted communication and education;
- Neighborhood sweeps to sell, finance and install measures;
- Demonstration projects showcasing efficiency opportunities within the program; and
- School curriculum promoting efficiency and demand reduction
- Recognition program to reward participants and educate community
- Local community-based organizations, HOAs, Chamber of Commerce, City's Redevelopment office, business associations meetings and newsletters

Program Strategy: Quality HVAC Installation & Maintenance Program

- Robust program to encourage early replacement in all markets;
- Incentives and financing to replace energy "hogs";
- Trained, certified contractor/dealer network;
- Includes proper cooling system installation and air duct repair; and
- Early replacement A/C, furnace equipment or quality installation incentives delivered through a HVAC Quality Installation Program. Higher incentive levels that institute a comprehensive suite of measures considered for homeowners and property owners.

Program Strategy: Residential Consumers

- In-home surveys and sweeps provide detailed customer information and encouragement for implementation of energy efficiency measures;
- Home Energy Reports educating customers on their energy consumption compared to neighbors, while providing energy savings recommendations. Sales events, community events, and point-of-sale incentives increase participation and make things easy ;
- Low-cost/no-cost equipment installations. Addresses all areas: behavior change, appliances, water heating, space heating & cooling, lighting, and pool heating;
- Rebates considered for property owners or managers that institute a comprehensive suite of measures;
- Promotion of "Emerging Technologies";
- Integration of City's AB811 financing program with Utility Core programs, such as Whole House Retrofit upgrades; and

- Addresses all segments: single family, multifamily, condominiums, and mobile home

Program Strategy: Nonresidential Consumers

- Incented equipment replacements for small/medium businesses;
- Low-cost/no-cost equipment replacements for businesses;
- Detailed energy audits, technical assistance and incentives;
- Segment-focused (for example, golf courses, restaurants, motels/hotels) and technology-focused (for example, efficient pool pumping, high efficiency domestic hot water heaters);
- An Enhanced Direct Install element where leads for participation in other energy efficiency programs are generated real time; and
- Where applicable, customers will be informed of AB811 and on-bill financing opportunities

Program Strategy: Residential and Nonresidential New Construction

- New ordinance mandating high efficiency construction;
- Technical and design assistance for developers to meet higher requirements; and

Strategies are further discussed below.

5) Program Element Rationale and Expected Outcome

The City of Palm Desert is primarily a residential, commercial and resort community. Residential gas usage in the City is very slightly below the SCG's system average.

The City of Palm Desert accounts for 0.2% of system gas consumption and less than 0.6% of the customer base. There are 30,400 residential dwellings in the City of Palm Desert and nearly all represent at least some level of opportunity for retrofits. Of those, the largest potential may exist in the single family and condominium sectors, since they constitute well over one half of the market.

Thirty-nine percent of all single family customers have gas meter set dates prior to 1984 and 67% of condominiums were built before 1984, when building efficiency standards were far less rigorous. These units were built with single-pane windows, low efficiency gas furnaces and water heaters, low SEER air conditioning, little or no energy efficient lighting, and may contain other appliances manufactured before higher energy efficiency models were available. Empirical data suggests that the potential for air conditioner replacement in this market may be less than some estimates, because many of these 20+ year old units may have been already replaced or substantially repaired, due to their heavy use during the long hot summer months experienced in the City of Palm Desert, but natural gas fired space heating furnaces are much less likely to have been replaced. Increased ceiling and wall insulation could be of real value to residents living in these older condominiums and single family homes given the potential of these measures to reduce both AC and furnace usage.

There are over 80 Home Owners Associations in Palm Desert with approximately 900 pool and spas. There will be an emphasis to promote replacement of existing natural gas pool/spa heaters at these facilities. Additionally there are over 7,000 residential pools in the City of Palm Desert which provides the Partnership with opportunity to reduce energy usage substantially among this market.

The Project will achieve its goals by targeting efforts to specific residential and business sectors including; Homeowners Associations, Hospitality/Services (Hotels/Restaurants), Institutional, Retail & Offices Segments, and through other market segmentation opportunities in alignment with SCG's EE portfolio offerings.

The City of Palm Desert is already an acknowledged leader in wise energy policy and civic commitment. This commitment is demonstrated in the City's funding participation for this Partnership program. In March 2005, the City Council created a new department entitled the Office of Energy Management (OEM). To date the City has invested over \$1.8 million to support this department staff of 3 full time city employees and has 2 additional work station provisions for employees assigned to this Partnership program. The OEM has been a valued resource for the community and the Partnership in providing assistance to energy matters. Both SCE and SCG have been working out of the Office of Energy Management since 2007.

The expansion of the City's EIP financing program in 2010 provides new opportunities for the Partnership to integrate its *Set to Save* program incentives with new EIP financing to increase participation in major EE equipment upgrades. EIP financing provides a new stimulus to the program in overcoming financial barriers during these difficult economic times for both residents and business owners. The availability of EIP allows the Partnership to more effectively promote major EE equipment upgrades and the new state-wide Whole House Retrofit program. Solar thermal and photovoltaic projects will also be promoted.

The Project offers a unified approach where all DSM program offerings work together seamlessly to help customers take actions. The Partnership will continue to implement combinations of short- and long-term program solutions in order to achieve the City of Palm Desert's stated energy goals, of 30% reduction, for its community. The City's residents and businesses will continue to enjoy complete access to all of the programs in SoCalGas' 2010-2012 energy efficiency portfolio. Activities associated with this project will leverage these existing programs to pursue additional energy efficiency opportunities to help reach the Project's natural gas goal. The overarching principle of the Project is to provide comprehensive approaches to all customer groups through targeted strategies with a focus on early replacement of inefficient equipment. Marketing, outreach and delivery strategies are intended to leverage the strengths of each of the partners.

a) Quantitative Baseline and Market Transformation Information

By its nature, market transformation occurs as a result of numerous factors and programs, not single sub-programs. Therefore, all metrics are proposed at the highest program level. Please refer to the quantitative baseline and market transformation discussion, presented in the overall program PIP.

a) Program Design to Overcome Barriers:

The City of Palm Desert has an unprecedented conservation goal and would not be able to achieve it without the Partnership. The Partnership is designed to empower the community to save money and energy by reducing energy consumption and peak demand by 30% by 2012. In order to reduce the barriers to customer participation it has been recognized through the first phase of the Partnership that creative financing options for large equipment purchases is required. Additionally creating a simpler sign-up experience is imperative to achieve the aggressive conservation goals. Increased emphasis in 2010-2012 in the “One-Stop-Shopping” concept will also be a key program. The Partnership will also continue to explore the effects of behavioral change programs and consider its continuation in support of program goals.

b) Quantitative Program Objectives:

Consistent with all of SoCalGas’ other partnership programs, the energy savings goals presented below represent goals to be achieved and claimed in the IOU core programs (i.e., we will use these goals to track the Partnership, but “below the line”).

- Overall Program Goals: By December 2012, 215 million kWh and **5.7 million therms of energy savings**, and 48.6 MW of demand savings against the 2005 Baseline.
- CPUC-Funded Goals for 2010-2012: 17.4 million kWh and **457,072 therms** energy savings, and 8.3 MW of demand savings.

Sub-Program Goals/Objectives ¹

Program	Program Target by 2010	Program Target by 2011	Program Target by 2012
OVERALL PILOT GOALS			
Total Energy usage reduction (from incentive/rebates core program participation)	144,098 therms	176,014 therms	136,960 therms
STIMULATE HVAC EARLY REPLACEMENT			
HVAC early replacements	500-A/C 55 Furnaces	1,000 A/C 55 Furnaces	1,000 A/C 30 Furnaces
TEST WHOLE HOUSE RETROFIT PROGRAM BUNDLED WITH AB811 FINANCING			
Whole House	25	50	100

Retrofits			
SIMPLIFY THE CUSTOMER PURCHASING PROCESS			
One-Stop-Shop pool pump and/or pool heater replacements	300 pool pumps 40 pool heaters	500 pool pumps 80 pool heaters	500 pool pumps 40 pool heaters
INFLUENCE AND MEASURE BEHAVIORAL CHANGE			
Behavior Messaging Campaign	Evaluate energy savings from pilot	Evaluate energy savings from pilot	
INTRODUCE NEW TECHNOLOGIES TO COMMUNITY			
Launch New Technologies	1 new product	1 new product	
INCREASE COMMERCIAL PARTICIPATION THROUGH TARGETED CAMPAIGNS			
Commercial Audits	50	100	50
BUILD COMMUNITY PARTICIPATION			
Home Energy Efficiency Upgrades	2,000	4,000	2,000
HOA's and Service Organizations	20 meetings	40 meetings	20 meetings

¹Some electric goals are included in the Table to in order to provide context for the gas goals.

6) Other Program Element Attributes

a) Best Practices

The Partnership continually approves upon its lessons learned as well as shares them with other cities who may value or act on the information. The Palm Desert Partnership reaches out to cities within the Coachella Valley and more broadly across the State to explain its unique programs, standards, and financing options to other cities and counties. City leadership, Partnership management, and the participating utilities are all engaged in continual interaction with other cities and counties to educate them on the successes of the PD Partnership.

b) Innovation

The Partnership is an innovative, unique partnership which continually evaluates and implements energy savings opportunities, new technology and delivery channels, ensuring they are replicable to other cities and communities. An example of innovation includes the passing and implementation of AB811. See strategies section for further innovation description.

c) Interagency Coordination

See Master PIP

d) Integrated/coordinated Demand Side Management

The Partnership has identified integrated Demand Side Management (IDSM) as an important priority. The Partnership continually focuses on integration of the utilities demand side management programs where applicable. In 2008 the Partnership created its first combined commercial food service rebate application and will be expanding this concept to the residential programs in 2010. Energy Surveys and the Direct Install programs have also been integrated therefore the customer is presented with an energy solution and education rather than on an isolated case from each utility. The 2010-2012 programs will expand integration of other programs including expansion of the “One-Stop-Shop” concept and Whole House Retrofit program.

e) Integration across resource types (energy, water, air quality, etc)

The Partnership promotes comprehensive sustainability, including water conservation, solid waste management, and alternative mobility.

f) Pilots

Although the Partnership itself is a demonstration (pilot) program, it continually evaluates piloting new technologies, and delivery channels. The launch of a behavioral campaign, liquid pool covers, and the “One-Stop-Shopping” strategies are examples of three piloted efforts of this Partnership.

g) EM&V

A proposed EM&V Plan is referenced in Appendix B.

Partnership Program Advancement of Strategic Plan Goals and Objectives

As a local government partnership program, the Partnership will continue to be a leader in implementing local government strategies that satisfy the California Long Term Energy Efficiency Strategic Plan (CLTEESP). The complete immersion of the community in generating energy savings has also broadened the strategies to address numerous other State strategy and market transformation recommendations. The Partnership's new initiatives will support strategies of the Strategic Plan (CLTEESP) are presented in Table 6.

Table 6

IOU Program Goals	Strategic Planning Strategy
8.1.2 DSM COORDINATION AND INTEGRATION - Conduct integrated DSM delivery <i>pilots</i> in the Residential, Commercial, Industrial and Agricultural sectors.	The Partnership will support the Statewide IDSM program by presenting financing options to those Palm Desert residents who participate in the IDSM Progressive Energy Audit Tool.
12.1.4 LOCAL GOVERNMENTS – Expand percent of cities and counties adopting local financing mechanisms.	In the 2007-2009 program cycle the Partnership played an instrumental role in advancing the near-term goals of the CLTEESP's Strategy 1-4 by developing, implementing and piloting a model loan mechanism, AB811. In 2010-2012 the Partnership will continue to support CLTEESP Strategy 1-4's mid term goals by helping to expand the percentage of cities adopting local financing mechanisms. The Partnership will synthesize the lessons learned from its successful implementation of AB811 in the 2007-2008 program cycle, to be shared with other cities when requested.
6 HVAC and 9 WE&T - Goal 2: Quality HVAC Installation and maintenance becomes the norm. The marketplace understands and values the performance benefits of quality installation and maintenance.	The Partnership will support Quality HVAC Installation and Maintenance by providing participating HVAC contractors training introducing them to ANSI/ACCA 5 <i>QI-2007: HVAC Quality Installation Specification</i> training, consistent with the statewide HVAC QI/QM program's contractor certification requirements.
11.1.3 RESEARCH AND TECHNOLOGY – Enhance market intelligence and behavioral research activities related to energy efficient technologies.	The Partnership was the first utility in Southern California to trial an innovative behavioral change program that provides customers with ongoing monthly energy performance information designed to stimulate further energy efficiency actions. The test program educates homeowners on their monthly energy consumption and how it compares to similar neighbors and provides a list of recommended actions to improve performance. The Partnership will conduct an independent assessment of energy savings from 12 months of data and reach out to share the impact and lessons learned with other cities. Results will be used to develop future programs.
Local Government – Reach Code Support.	The Partnership will advance CLTEESP Strategy 12.1 by researching, developing, and proposing a new reach code to the City of Palm Desert.
12.3 LOCAL GOVERNMENTS – LG's lead by example with their own facilities and energy usage practices.	The Partnership will help the City of Palm Desert share their achievements in energy usage practices by developing a demonstration showcase centered on the Cities planned Zero Net Energy Senior Housing Villas project.

APPENDIX B
PILOT CRITERIA
FOR
PALM DESERT ENERGY DEMONSTRATION PARTNERSHIP

PILOT CRITERIA FOR PALM DESERT ENERGY DEMONSTRATION PARTNERSHIP

Decision 09-09-047

Decision 09-09-047 funded the Palm Desert Energy Demonstration Partnership (Partnership) only through June 30, 2010. Additionally, Ordering Paragraph #39 of the Decision stated:

Southern California Edison Company and Southern California Gas Company funding for the Palm Desert Pilot program is reduced to \$3.9 million or one-sixth of the requested amount. Southern California Edison Company and Southern California Gas Company shall reapply in a separate application for further funding for this project. That application shall document the pilot's performance to date and shall address all pilot project criteria as outlined in Ordering Paragraph 20 of this decision;

This Appendix specifically responds to the requirement to address the ten (10) Pilot Criteria stated in Ordering Paragraph #20 (page 373). The following is SoCalGas' response to each of the criteria:

1. SPECIFIC STATEMENT OF THE CONCERN, GAP, OR PROBLEM THAT THE PILOT SEEKS TO ADDRESS AND THE LIKELIHOOD THAT THE ISSUE CAN BE ADDRESSED COST-EFFECTIVELY THROUGH UTILITY PROGRAMS

The City of Palm Desert has an unprecedented energy savings goal that is premised upon a concerted effort of the City and its serving utilities working together. The resulting partnership is designed to empower the community to save money and energy by reducing energy consumption and peak demand by 30%. SoCalGas does not attribute direct energy savings to any of its Partnership programs. Rather, Partnership programs encourage participation in the utility's resource programs and, therefore, such energy savings is captured through the relevant resource program and thus impact the cost effectiveness at the portfolio level.

To reach these aggressive goals requires the City's residential and commercial customers to make significant investments in energy efficiency equipment; investments that are well beyond what has been traditionally achieved with energy efficiency programs. As a local government demonstration program, the scope of work is broader than product-based pilots and

encompasses a broad spectrum of program activities to generate energy savings throughout the community. The Partnership’s statement of concern is summarized as follows:

ISSUE: The overarching issue of the Partnership is how to address the myriad of barriers raised by a program with such aggressive goals, and then, how to do that in a way that can be replicated in other cities.

This issue has been partially addressed through the first phases of the Partnership (through 2009), but that timeframe mostly allowed for only start-up of key initiatives, so the completion phase is critical to successfully meeting the Partnership’s overall goals. The core foundations of the Partnership (programs, financing and incentives, delivery channels, processes, and marketing/outreach) have been established. The complexity of this project involves multiple sub-projects, and requires further testing of individual projects and the collective combinations of projects.

In support of the primary 30% energy savings goals, the Partnership is conducting several sub-pilots to address specific issues related to achieving these goals:

ISSUE/BARRIER	PILOT PROJECT
<p>Customer Financing has been limited: Customers need simple, affordable financing to invest in expensive energy efficient upgrades.</p>	<p>Offer Robust Customer Financing: The Partnership will integrate its Set to Save marketing with the City’s AB811 financing program. The City has taken steps to expand the loan program to sustain a significant ongoing loan pool. This robust customer financing will be coordinated with the Partnership’s HVAC and Whole House Retrofit programs. The City filed a loan validation claim in January 2010. The Court case is anticipated to be completed by the end of June 2010 and then public bond funding will become available.</p>
<p>Standard Rebates are not effective Special rebates are needed to motivate customers to purchase major energy efficiency equipment upgrades needed to</p>	<p>Test New Incentives The Partnership will offer new seasonal and bundled incentives to increase home and business energy efficiency upgrades. New</p>

achieve 30% energy savings goals.	Incentive packages will also be tested with the City's financing program.
Low % of HVAC early replacement: HVAC replacement provides the greatest EE savings, but costs have been a barrier to customers upgrading until broken.	Stimulate HVAC early replacement: The Partnership will utilize the Home Energy Efficiency Upgrade program to educate customers on HVAC replacement benefits and financing options. Promotion of quality installations will also be employed.
Whole House Retrofit Program is untested: The utilities' new Whole House Retrofit programs need to be tested in markets with financing available to evaluate marketing strategies and customer participation.	Test Whole House Retrofit Program bundled with AB 811 financing: The Partnership is working with SCE and SCG Core Whole House program management to test marketing and implementation of retrofit programs with the City's loan program.
Customers frustrated with EE purchasing: The complexity and time-consuming aspects of larger energy efficiency projects deter participation.	Simplify the customer purchasing experience: Expand "One-Stop-Shop" program for pool pumps to include pool heaters. Create new "One-Stop-Shop" programs for other installation measures, such as HVAC.
Savings needed from new technologies: Customers already engaged in energy efficiency are seeking new approaches to saving more.	Introduce new technologies to the community: The Pilot will test and launch several new technologies/measures including HOA outdoor LED lighting, retail LED indoor lighting and other new products as they become available. Assess customer acceptance of the technology.
Behavioral change has been unmeasured: Impacts of marketing and outreach on increasing behavior change and resulting in specific equipment purchases need to be measured.	Influence and measure behavioral change: The partnership will complete its behavioral change pilot program utilizing OPOWER while evaluating future program rollout. First year behavioral change calculated results will be evaluated.
Limited commercial participation: Awareness is more prevalent in the residential community but significant energy improvements are needed in commercial market segments.	Increase commercial participation through targeted segment campaigns: The commercial market has been segmented. The Partnership is designing corresponding segmented commercial approaches, and marketing campaigns utilizing City resources and utility programs (rebates and audits). A portfolio of program strategies will be deployed to systematically and comprehensive address energy savings in each customer segment. Key customers include golf courses, hotels, restaurants, offices, retail, and homeowners associations.
Individual participation is on track, but	Build whole community groundswell:

<p>need greater whole community support: To reach 30% savings requires high saturation of the residential community. Grass roots marketing and outreach are needed within HOA's and service organizations.</p>	<p>The City has the lead in the effort to increase HOA and service organization participation. Volunteers will assist the City in ongoing communication and activities. Contests and recognition programs will be launched.</p>
<p>Low visibility of energy efficiency improvements: Energy efficiency improvements within homes and buildings are not readily visible to community (as they are with solar).</p>	<p>Develop EE demonstration projects and recognition programs: The Partnership will provide tangible examples of home and building EE retrofits for the community to view and learn about. Community demonstrations projects will coordinate with Whole House Retrofit program and the City's Net Zero Net Energy building project. Tours, contests, and new recognition program will highlight EE projects and publically recognize through city council meetings, mention in promotional collateral for those who have supported the Partnership's 30/30 goals.</p>
<p>Improve compliance with building codes and permits:</p>	<p>Leverage City ordinances to increase City-wide energy efficiency savings: The City will continue to waive certain permit fees to support energy efficiency improvements. The City is evaluating new and more stringent building codes and the encouragement of energy efficiency surveys at the time of Business License renewal.</p>

Additional information on these new and/or ongoing pilot initiatives is discussed in Section 4.

It is important to note that testing innovative ideas requires some degree of risk-taking, and therefore it is not expected that each of the above activities be cost-effective at the demonstration program level.

2. WHETHER AND HOW THE PILOT WILL ADDRESS A STRATEGIC PLAN GOAL OR STRATEGY AND MARKET TRANSFORMATION

As a local government partnership program, the Partnership will continue to be a leader in implementing local government strategies that satisfy the California Long Term Energy Efficiency Strategic Plan (CLTEESP). The complete immersion of the community in generating energy savings has also broadened the strategies to address numerous other State strategy and market transformation recommendations. The Partnership's new and/or ongoing initiatives support elements of the Strategic Plan (CLTEESP) as presented in Table 1.

Table 1: Strategic Goals

#	IOU Program Goals	Strategic Planning Strategy	2010-2011 Strategic Milestones	IOU Proposed Metrics
1	8.1.2 DSM COORDINATION AND INTEGRATION - Conduct integrated DSM delivery <i>pilots</i> in the Residential, Commercial, Industrial and Agricultural sectors.	The Partnership will support the Statewide IDSM program by presenting financing options to those Palm Desert residents who participate in the IDSM Progressive Energy Audit Tool.	Goal: 5%	Percentage of PEAT (IDSM's Progressive Energy Audit Tool) Participants in Palm Desert who apply for funding through AB811.
2	12.1.4 LOCAL GOVERNMENTS – Expand percent of cities and counties adopting local financing mechanisms.	In the 2007-2009 program cycle the Partnership played an instrumental role in advancing the near-term goals of the CLTEESP's Strategy 1-4 by developing, implementing and piloting a model loan mechanism, AB811. In 2010-2012 the Partnership will continue to support CLTEESP Strategy 1-4's mid term goals by helping to expand the percentage of cities adopting local financing mechanisms. The Partnership will synthesize the lessons learned from its successful implementation of AB811 in the 2007-2009 program cycles, to be shared with other cities when requested.	Goal: Completed by 2010.	Written report on lessons learned from implementing loan program.
3	6 HVAC and 9 WE&T - Goal 2: Quality HVAC Installation and maintenance becomes the norm. The marketplace understands and values the performance benefits of quality installation and maintenance.	The Partnership will support Quality HVAC Installation and Maintenance by providing participating HVAC contractors training introducing them to <i>ANSI/ACCA 5 QI-2007: HVAC Quality Installation Specification</i> training, consistent with the statewide HVAC QI/QM program's contractor certification requirements.	Goal: One training course in Palm Desert.	Fund training course consistent with the statewide HVAC QI/QM program's contractor certification requirements.
4	11.1.3 RESEARCH AND TECHNOLOGY – Enhance market intelligence and behavioral research activities related to energy efficient technologies.	The Partnership was the first utility in Southern California to trial an innovative behavioral change program that provides customers with ongoing monthly energy performance information designed to stimulate further energy efficiency actions. The test program educates homeowners on their monthly energy consumption and how it compares to similar neighbors and provides a list of recommended actions to improve performance. The Partnership will conduct an independent assessment of energy savings from 12 months of data and reach out to share the impact and lessons learned with other cities. Results will be used to develop future programs.	Goal: Completion by 2010.	Evaluation report on savings from the OPOWER social norming energy report.
5	Local Government – Reach Code Support	The Partnership will advance CEESP Strategy 12.1 by researching,	Goal: One by 2012	Propose reach code.

		developing, and proposing a new reach code to the City of Palm Desert.		
6	12.3 LOCAL GOVERNMENTS – LG’s lead by example with their own facilities and energy usage practices.	The Partnership will help the City of Palm Desert share their achievements in energy usage practices by developing a demonstration showcase centered on the planned Zero Net Energy Senior Housing Villas project.	Completed by the time of the ZNE Senior Housing Villas’ grand opening	Educational materials, kiosks, handouts to be presented in the demonstration showcase.

3. SPECIFIC GOALS, OBJECTIVES AND END POINTS FOR THE PROJECT

Consistent with all of SoCalGas’ other partnership programs, the energy savings goals presented below represent goals to be achieved and claimed in the IOU core programs (i.e., we will use these goals to track the Partnership, but “below the line”).

- Overall Program Goals: By December 2012, achieve 215 million kWh and **5.7 million therms of energy savings**, and 48.6 MW of demand savings against the 2005 Baseline.
- CPUC-Funded Goals for 2010-2012: achieve 17.4 million kWh and **457,072 therms** energy savings, and 8.3 MW of demand savings.

Sub-Program Goals/Objectives¹

Program	Program Target by 2010	Program Target by 2011	Program Target by 2012
OVERALL PILOT GOALS			
Total Energy usage reduction (from incentive/rebates)	144,098 gross therms	176,014 gross therms	136,960 gross therms
STIMULATE HVAC EARLY REPLACEMENT			
HVAC early replacements	500-A/C 55 Furnaces	1,000 A/C 55 Furnaces	1,000 A/C 30 Furnaces
TEST WHOLE HOUSE RETROFIT PROGRAM BUNDLED WITH AB811 FINANCING			
Whole House Retrofits	5	25	50
SIMPLIFY THE CUSTOMER PURCHASING PROCESS			
One-Stop-Shop pool pump and/or pool heater replacements	300 pool pumps 40 pool heaters	500 pool pumps 80 pool heaters	500 pool pumps 40 pool heaters
INFLUENCE AND MEASURE BEHAVIORAL CHANGE			

¹ Some electric goals are included in the Table in order to provide context for the gas goals.

Behavior Messaging Campaign	Evaluate energy savings from pilot		
INTRODUCE NEW TECHNOLOGIES TO COMMUNITY			
Launch New Technologies	1 new product	1 new product	
INCREASE COMMERCIAL PARTICIPATION THROUGH TARGETED CAMPAIGNS			
Commercial Audits	50	100	50
BUILD COMMUNITY PARTICIPATION			
Home Energy Efficiency Upgrades	2,000	4,000	2,000
HOA's and Service Organizations	20 meetings	40 meetings	20 meetings

4. NEW AND INNOVATIVE DESIGN, PARTNERSHIPS, CONCEPTS OR MEASURE MIXES THAT HAVE NOT YET BEEN TESTED OR EMPLOYED

The Partnership's premise of motivating a whole community to reduce energy by 30% is a "Big, Bold Idea" in itself. One of the Partnership's key success drivers is building community groundswell through innovative, targeted marketing and outreach campaigns. To further improve customer participation, the Partnership will continue to develop new, innovative programs that stimulate large energy savings, simplify customer participation, and offer new technologies.

During the first phase of the Partnership, the Partnership successfully developed the infrastructure for several new, innovative programs. Development of new programs takes time, and several projects have not been fully implemented or are being modified for further testing and implementation. For the last phase of this Partnership, it is vitally important that the Partnership is given the needed resources to fully implement these programs in order to evaluate their full potential

During the 2010 to 2012 program cycle, the Partnership expects to launch the following innovative approaches to achieve significant participation in energy efficiency:

A. Offer more robust customer financing - The Partnership will better integrate its Set to Save marketing with the City's AB811 financing program. The City has taken steps to expand the loan program to sustain a significant ongoing loan pool. This more robust customer financing will be coordinated with the Partnership's HVAC and Whole House Retrofit programs.

B. Test New Incentives- The Partnership will offer new seasonal and bundled incentives to increase the pace of home and business energy efficiency upgrades. New incentive packages will also be evaluated to include with the City's financing program.

C. Stimulate HVAC early replacement - Early Replacement of HVAC equipment will be delivered through a comprehensive HVAC program focused on promotion of quality HVAC installation and maintenance, as well as equipment efficiencies. The Partnership will promote the whole-building approach through higher incentives for homeowners and property managers who install a comprehensive suite of measures including furnace upgrades, building shell improvements, water heating system efficiency improvements. Enhanced outreach efforts will be employed to target high usage customers who could provide the most cost effective natural gas savings from early replacement efforts.

D. Showcase EE through demonstration projects and recognition programs - The Partnership will build awareness and increase participation through several special demonstration projects that showcase the new residential statewide Whole House Retrofit Program and zero net energy projects. The Partnership will also recognize individual customers for participating in major energy retrofits through the Partnerships newly developed Set to Save Recognition program. This program will provide recognition and rewards to those who have signed a new "Set to Save Pledge," applied for utility rebates, or assisted others in participating in Set to Save.

The program will use community spokespersons, testimonials, commercial business cases, and demonstration projects to showcase a variety of energy efficiency and renewable projects.

E. Test Whole House Retrofit program bundled with the City's Energy Loan Program -

The Partnership is coordinating a launch of SCE's and SoCalGas' Whole House Retrofit programs with the City's EIP financing program. The Partnership will integrate the Whole House Retrofit program with its Home Energy Efficiency Upgrade program and EIP marketing and outreach programs. Having a fully operational AB811 program in place will enable the Partnership to be one of the first SoCalGas local government partnerships to test effective marketing integration campaigns with the state-wide Whole House Retrofit program.

F. Simplify customer purchase processes - The Partnership has made significant contributions to simplifying the customer's purchasing experience through its "One-Stop-Shop" program and joint utility rebate applications. With 7,800 residential pools in Palm Desert, the Partnership intends to continue its simplified approach for customers to upgrade pool equipment. The Partnership will seek other technologies that can be implemented in this matter and replicated, including pool heaters, liquid pool covers, and HVAC. The performance of a revised One-Stop-Shop program with both pool pumps and pool heaters will be evaluated during second half of the year.

G. Change residential customer behavior - The Partnership will evaluate the first year results of the OPOWER pilot project and make necessary adjustments, while also evaluating continuation of the project. Additionally, the project has direct ties to SB 488, which would require utilities to provide customers with new individual performance information. SB 488 is based on this and two other demonstrations being operational to provide key data in 2012. This

project will not only influence attitudes and behaviors toward energy efficiency, but will measure the results of this influence and lay the groundwork for the establishment of disciplines to make behavioral savings verifiable.

H. Introduce new technologies to community - The Partnership has initiated testing of new technologies, but final evaluations are still outstanding and full roll-outs within the community and or utility core programs have not been implemented. The pilot is well-positioned to provide important test and implementation information for several new technologies which have potential for future replication within the utilities' territories.

- **Liquid Pool Covers** - Results look favorable from the pilot evaluation and work is underway to include this measure as a rebate in the program. Once rebates are established this program will be launched in Palm Desert, as well as SoCalGas' core programs which will be offered to their entire service territory.
- **Solar Water Heating Systems** - SoCalGas will promote the purchase and installation of solar water heating systems for commercial and residential pool heating. Evaluations with HOA pools are in process. Favorable results are expected that will support further marketing and education to remaining HOA's. This represents a large opportunity to achieving the energy savings goal of the Partnership.
- **Food Service equipment and energy audits** – The Partnership is working with utility Food Service Centers on local workshops and equipment demonstrations to promote the latest restaurant equipment in Palm Desert and throughout Coachella Valley. Newer food service technology is being considered for evaluation. The Partnership plans to offer a Food Service seminar in Palm Desert in 2010 to promote food service efficiency and demonstrate commercial cooking equipment. Energy

audits will be completed on all restaurant customers to assist them in identifying energy efficiency retrofit opportunities.

J. Increase commercial participation through targeted segment campaigns - There is ample opportunity to reduce energy consumption in the commercial sector. Enhanced or seasonal incentive levels will be considered for implementation of both space conditioning and water heating (including pool/spa heating) system improvements at the same site. A portfolio of program strategies will be deployed to systematically and comprehensively address energy savings in each customer segment. Key customer segments include hotels, golf courses, restaurants, offices, retail, and homeowners associations.

K. Conduct Comprehensive Energy Audits to Improve Commercial Building Retrofits - To reach more customers, the Partnership will coordinate marketing and outreach campaigns with local business organizations and the City's Economic Redevelopment Agency, which will take the lead in developing programs and actively communicating with business owners regarding energy efficiency opportunities. During this pilot phase, the Partnership will conduct new joint commercial audits for both electric and natural gas evaluations with outside contractor(s). Audit information and recommendations will be reviewed with business owners in coordination with Account Executives of both utilities. For large scale projects, the Partnership may offer project management compensation depending upon audit estimated business economics and energy savings. The Partnership is developing specific strategies for each business segment. Comprehensive audits for the Hotel segment have identified viable energy saving opportunities for implementation in 2010. Additional joint energy assessments are being developed for the restaurant and retail/office building segments.

L. Build community participation - The 2010-12 Partnership is designed to comprehensively target our market segments. Prior year approaches of using energy auditors and equipment contractors as the sales delivery channels have successfully engaged the community, but have not successfully addressed the hard-to-reach customers. In order to reach the 30% goals, the Partnership must expand its reach to all customers. The Partnership has developed several new programs to increase residential and commercial participation:

- **Utilize Residential HOA's and Community-based Organizations (CBO) to build groundswell through grass roots marketing** - The Partnership is taking a hands-on role in coordinating HOA and service organization marketing and outreach activities. The Partnership has worked with several HOA's during the first phase, but more concentrated campaigns will be developed for reaching all HOA's and communicating consistently on an ongoing basis. This phase will leverage the HOA and CBO connections with customers to reach more customers so critical to reaching the 30% goals. The Partnership will assist the City in its management of this participation effort by establishing a team of 10-20 volunteers to assist in implementing the residential marketing/outreach campaign and recognition program. A planning meeting will be held with each organization in 2010 to establish a calendar of Set to Save events, educate organization members about Set to Save rebates and financing programs, implement participation contests for HOA's and service organizations, coordinate Set to Save advertising in organization's newsletters, and publicly recognize "energy champions".
- **Leverage Home Energy Efficiency Upgrades (EEUs) to Increase Participation in HVAC and Other Building Upgrades** - The Partnership will implement residential in-home energy surveys through a contractor to encourage customer participation. The residential surveys provide customers with detailed recommendations tailored to their energy use profile. The survey covers both electric and natural gas recommendations and

includes a joint direct install campaign, consisting of low-flow showerheads, low flow faucet aerators, an HVAC tune-up and CFL's. Other cost effective direct install measures will be evaluated on an ongoing basis. SCE's and SoCalGas' Core on-line and mail-in Home Energy Efficiency surveys will be available in English, Spanish, Chinese, and Vietnamese. The EEU's are critical to increase the use of utility rebates in larger energy efficiency improvements.

M. Leverage City ordinances and fees to increase City-wide energy efficiency savings - The City will continue to demonstrate its leadership in adopting increased energy code standards and aligning these actions with the Partnership's strategies and programs. Since 2007, the City has used ordinances to assist the Partnership in achieving its aggressive energy savings goals. The City plans to continue adopting ordinance provisions to support the Partnership with the following:

- **New Building Code Ordinances** – The City's 2007 Ordinance #1124 was 10-15% more efficient than the State Building Code. These reach codes were effective throughout the first three years of the Partnership and produced significant savings. The ordinance mandated savings that would have been achieved under Title 24. The ordinance's impact ended with the adoption of the 2008 Title 24 code standards on January 1, 2010. One of the City's mandatory requirements under Ordinance 1124 was not included in the new State codes and will be reinstated in Palm Desert--this requirement requires developers of production homes to sell "solar ready" homes with conduits and junction boxes in place for future solar installations. The City will also review its new Energy Code and continue to explore other opportunities to improve its ordinances to optimize energy usage.
- **New Business License Ordinance** – To support the Partnership's commercial marketing strategies, the City is reviewing its business license requirements and procedures to

develop new opportunities to promote energy audits. Business license renewals provide the Partnership with an important communication opportunity and allow for the complete reach of the commercial market since all customers must renew their licenses annually. The City is defining how best to mandate customers to take energy efficiency actions and take advantage of an energy audit provided by the utilities.

- **Permit Fee Waivers** – The City will continue to promote energy savings by offering fee-free permits to its residents and business owners for HVAC, pool pumps, pool heaters, water heaters, thermal solar and photovoltaic. The City waives fees only for high efficiency equipment. Since the Partnership’s inception, these fee-free permits have been worth \$25,594, which is a significant commitment in these times of very tight local government budgets. This provides savings of roughly \$25-\$600 per measure, and is particularly effective when combined with utility rebates and incentives.

5. A CLEAR BUDGET AND TIMEFRAME TO COMPLETE THE PROJECT AND OBTAIN RESULTS WITHIN A PORTFOLIO CYCLE – PILOT PROJECTS SHOULD NOT BE CONTINUATIONS OF PROGRAMS FROM PREVIOUS PORTFOLIOS

The Partnership was conceived as a long-term endeavor given the stretch 30% goals. A shorter period was not deemed practical to achieve the 30% goals. Since the program was approved in 2007, the economy has substantially declined and bridge funding slowed the ability to expand the program in 2009.

Unlike individual product pilot programs, the Partnership is a “local government partnership” and requires sustaining long-term City/Utility relationships which are tied directly to the City’s 30% goals, their EIP loan program, and the City’s Sustainability Plan. The timeframe for the program and budget outlined below is for 2010 through December 2012 to allow ample time to implement and evaluate the innovative goals of the Partnership.

Main Program Name	Total Administrative	Total Marketing &	Total Direct Implementation	Integration Budget	Total Budget By
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	Cost (Actual)	Outreach (Actual)	(Actual)	Allocated to Other Programs (if Applicable)	Program (Actual)
Palm Desert Energy Partnership Demonstration Program	\$838,701.43	\$794,253.16	\$900,345.41	N/A	\$2,533,300

*Total 2010 - 2012 budget requested includes approved budget of \$433,300 for January through June of 2010 from Decision 09-09-047.

Main Program Name	Budget for Government Facilities	Budget for Strategic Plan Support	Budget for Core Program Coordination	Total Budget
Palm Desert Energy Partnership Demonstration Program	\$30,000	\$1,501,980	\$1,863,552	\$3,395,532

*Total 2010 - 2012 budget requested includes approved budget of \$433,300 for January through June of 2010 from Decision 09-09-047.

6. INFORMATION ON RELEVANT BASELINE METRICS OR A PLAN TO DEVELOP BASELINE INFORMATION AGAINST WHICH THE PROJECT OUTCOMES CAN BE MEASURED

Project outcomes for the CPUC goals are not set against baselines.

7. PROGRAM PERFORMANCE METRICS (SEE SECTION 4.6.3)

The metrics proposed for evaluation of the Pilot are presenting above in Table 1 and repeated here:

- Percentage of PEAT (IDSM’s Progressive Energy Audit Tool) Participants in Palm Desert who apply for funding through AB811.
- Written report on lessons learned from implementing loan program.
- Fund training course consistent with the statewide HVAC QI/QM program’s contractor certification requirements.
- Evaluation report on savings from the OPOWER social norming energy report.
- Propose reach code
- Educational materials, kiosks, handouts to be presented in the demonstration showcase.

8. METHODOLOGIES TO TEST THE COST-EFFECTIVENESS OF THE PROJECT

SoCalGas’ pilot is non-resource; therefore, cost-effectiveness is not applicable.

SoCalGas does not attribute direct energy savings to its Partnership programs. Rather, Partnership programs encourage participation in the utility’s resource programs and therefore such energy savings will be captured through the relevant resource programs and thus impact the cost effectiveness of the portfolio.

9. A PROPOSED EM&V PLAN

A proposed EM&V Plan is provided in Appendix 1.

10. A CONCRETE STRATEGY TO IDENTIFY AND DISSEMINATE BEST PRACTICES AND LESSONS LEARNED FROM THE PILOT TO ALL CALIFORNIA UTILITIES AND TO TRANSFER THOSE PRACTICES TO RESOURCE PROGRAMS, AS WELL AS A SCHEDULE AND PLAN TO EXPAND THE PILOT TO UTILITY AND HOPEFULLY STATEWIDE USAGE

The Partnership continually improves upon its lessons learned and shares them with other cities, reaching out to other cities within the Coachella Valley and more broadly across the State to explain its unique programs, standards, and financing options. City leadership, Partnership management, and the participating utilities are engaged in continual interaction with other cities and counties to educate them on the successes of the Partnership. The Partnership will also connect with the new Energy Efficiency Best Practices Coordinator to leverage that effort. Since Palm Desert launched its AB 811 program, the City has openly shared information with other local governments on the City's website or through personal contact. To date, the City has shared its program with 35 other cities and 10 counties, in addition to presenting the program publicly via its website and 6 statewide conferences.

The Partnership is focused on evaluating the potential of replicating the Behavioral Change program and "One-Stop-Shop" programs for utilities. The Behavioral Change program will complete its 12-month pilot in 2010, and upon completion of its evaluation the utilities will determine the next steps for further testing and/or expanded roll-out. The performance of a revised "One-Stop-Shop" program with both pool pumps and pool heaters will be evaluated. Based on the evaluation, the pool pump program could be expanded in SCE's territory. Liquid pool covers were also evaluated and are being considered for inclusion into SoCalGas' core programs. The Partnership also plans on piloting other products through a similar "One-Stop-Shop" process which may provide replicable opportunities in 2011.

Best practices for marketing and outreach through HOA's, community-based organizations, and business associations will be tracked and summarized in the Partnership's Strategic Plan made public on the Partnership's Set to Save website. Updates are made annually, and the program's 2008 Strategic Plan is currently available. The City's ordinances also are available for review and discussion with the Office of Energy Management staff.

APPENDIX 1

EM&V PLAN

This document presents an evaluation plan for the Palm Desert Partnership program that is being proposed by SoCalGas. The Palm Desert Demonstration Partnership (PDP) was originally filed as a local government partnership (LGP) program. Its overarching goals are the same as other LGPs: to create significant long-term positive changes within their community that generate significant on-going energy savings benefits. However, PDP is unique because of its charter to test innovative program delivery methods. The evaluation plan for this program is different from that proposed for other resource programs including standard LGPs, with an explicit focus on assessing PDP's effectiveness in introducing innovative program strategies that can be replicated in other areas.

EVALUATION OVERVIEW

The primary purpose of the evaluation will be to assess the effectiveness of the pilot in meeting its strategic objectives:

- Pilot innovative program deliveries for replication
- Channel effective program strategies into programs
- Enhance services in existing programs
- Effectively engage the local government to achieve greater benefits at lower cost than traditional utility programs
- Making progress towards achieving the objectives for local governments identified in the state's Strategic Plan

The evaluation will also develop research plans that will assess the effectiveness of the pilot concepts that are being planned and/or implemented, including:

- Customer financing mechanism
- One-stop-shop approach to rebate applications
- Expanded energy efficiency upgrades
- Residential behavioral change program
- Customized incentives
- Co-branded marketing
- New technology introduction

The evaluation will be coordinated with the broader LGP evaluation, and will also leverage the results from the 2006-2008 LGP process and impact evaluations findings and methods.

The following sections describe the expected tasks required to meet the evaluation objectives.

TASK 1 - REVIEW OF PROGRAM MATERIALS

The evaluation process should include a review of all available promotional materials, training and educational materials, and survey reports that relate to the Pilot Program. This task will include an assessment of the effectiveness of the marketing and educational materials, and will be supplemented by findings from in-depth interviews described below. Suggestions for improving the marketing and educational materials will be included in the evaluation report.

TASK 2 - LOGIC MODEL AND PROGRAM THEORY

As part of the evaluation, the logic model and program theory that was developed will be reviewed and refined if necessary based on feedback from program staff. The original logic model developed in December 2008 has already been revised to reflect program enhancements. The logic model is a key evaluation component that reveals underlying market assumptions and program activities that need to be addressed in the subsequent evaluation tasks. The logic model will help to identify important program assumptions that should be tested during primary data collection.

TASK 3 - IN-DEPTH INTERVIEWS

In-depth interviews will be conducted with a wide range of program actors to evaluate the effectiveness of the program in meeting its objectives. Interviews will be conducted with at minimum with utility program managers (PDP and LGP SoCalGas program managers, marketing department staff and SCE program staff), local government and implementation contractor staff.

Topics will include:

- Local market barriers and strengths, and how pilot program concepts are addressing both
- Process for developing and testing new innovative pilot concepts
- Process for channeling effective pilot strategies into other programs
- Coordination across various SoCalGas team members
- Coordination between SoCalGas and SCE
- Coordination between utility and local government and third-party contractor staff
- Progress towards long-term strategic plan goals
- Coordination of PDP with broader LGP program
- Successes and challenges associated with each demonstration program concept
- Lessons learned/best practices identified with each program concept
- Lessons learned from channeling Partnership program concepts into other programs

- Progress towards and challenges associated with 30% energy savings goals
- Effectiveness of program materials and tools
- Identification of major constraints for meeting energy savings and strategic goals
- Effectiveness of engaging local trade allies and supply-side actors (such as retailers, distributors)
- Coordination across other non-utility agencies

TASK 4 – DEVELOP RESEARCH PLANS FOR PILOT PROGRAMS

This task involves the development of research plans for evaluating the effectiveness of pilot programs in meeting the partnership’s goals. These plans will be developed in conjunction with evaluation plans for the broader LGP program to ensure consistency and effective coordination and to leverage resources. Research activities are likely to include: customer surveys, on-site verification visits, engineering analyses, and billing analysis.

TASK 5 - REPORTING

The evaluation methods and analysis results will be documented in a final written report, which will include the following sections:

1. **Executive Summary.** This will be written as a non-technical summary of all the major components of the study, including a description of the data collection and analysis methods and a summary of the study results and recommendations.
2. **Introduction.** The section will provide background for the study and discuss the evaluation objectives. A description of the program design, implementation processes, and the measures covered should be included.
3. **Evaluation Methodologies.** This section will provide a detailed description of each of the major research and analysis components completed for the evaluation. The logic model and program theory will also be included in this section.
4. **Analysis Results.** This section will contain all of the analysis results from the methods discussed in the Section 3. Key elements of this section will be:
 - a. Effectiveness of utility program resources including design assistance and training
 - b. Effectiveness of coordination across utility programs and funding sources
 - c. The program’s influence on the developers, builders, trade allies and local governments
 - d. Ability of the program to meet Strategic Plan goals
 - e. Lessons learned and best practices identified from the case study
 - f. Assessment of the likely energy and environmental impacts that are likely to be associated with the development

5. **Conclusions and Recommendations.** This section will present evaluation conclusions and recommendations for the Program based on the findings presented in Section 4. Recommendations for both the program implementation and potential future evaluations will be provided.
6. **Appendices.** The appendices will contain all additional evaluation documentation and technical information (e.g., survey instruments, and survey result tabulations) that are not contained in the main body of the report.

APPENDIX 2

PROGRAM PERFORMANCE INDICATOR WORKSHEET

1. Include a list of the utility and program administrator staff directly involved in deriving the program performance indicator metric. Include their title and contact information.

Becky Estrella
Program Manager
Office (909) 335-7992
Bestrella@semprautilities.com

2. Describe each program performance indicator being proposed for this program. Indicate in a description for each, what type of performance indicator it is (see attached above). If the program indicator is being changed from an already approved program indicator indicate why the change is necessary. Provide additional analysis that adequately justifies the need to revise the metric as an attachment to this worksheet.

Proposed metric: Percentage of PEAT (IDSM's Progressive Energy Audit Tool) Participants in Palm Desert who apply for funding through AB811

Description: Partnership will support the Statewide IDSM program by presenting financing options to those Palm Desert residents who participate in the IDSM Progressive Energy Audit Tool. This supports CLTEESP 8.1.2 DSM COORDINATION AND INTEGRATION - Conduct integrated DSM delivery *pilots* in the Residential, Commercial, Industrial and Agricultural sectors.

Proposed metric: Written report on lessons learned from implementing loan program.

Description: In the 2007-2009 program cycles, the Partnership played an instrumental role in advancing the near-term goals of the CLTEESP's Strategy 12.1-4 by developing, implementing and piloting a model loan mechanism, AB811. In 2010-2012 the Partnership will continue to support CLTEESP Strategy 1-4's mid term goals by helping to expand the percentage of cities adopting local financing mechanisms. The Partnership will synthesize the lessons learned from its successful implementation of AB811 in the 2007-2008 program cycles, to be shared with other cities when requested.

Proposed metric: Fund training course consistent with the statewide HVAC QI/QM program's contractor certification requirements

Description: PDP will support Quality HVAC Installation and Maintenance by providing participating HVAC contractors training introducing them to *ANSI/ACCA 5 QI-2007: HVAC Quality Installation Specification* training, consistent with the statewide HVAC QI/QM program's contractor certification requirements. This supports CLTEESP 6 HVAC and 9 WE&T

Goal 2: Quality HVAC Installation and maintenance becomes the norm. The marketplace understands and values the performance benefits of quality installation and maintenance.

Proposed metric: Evaluation report on savings from the OPOWER social norming energy report

Description: The Partnership was the first utility in Southern California to trial an innovative behavioral change program that provides customers with ongoing monthly energy performance information designed to stimulate further energy efficiency actions. The test program educates homeowners on their monthly energy consumption and how it compares to similar neighbors and provides a list of recommended actions to improve performance. The Partnership will conduct an independent assessment of energy savings from 12 months of data and reach out to share the impact and lessons learned with other cities. Results will be used to develop future programs. This supports CLTEESP 11.1.3 RESEARCH AND TECHNOLOGY – Enhance market intelligence and behavioral research activities related to energy efficient technologies.

Proposed metric: Propose reach code

Description: The Partnership will advance CLTEESP Strategy 12.1 by researching, developing, and proposing a new reach code to the City.

Proposed metric: Educational materials, kiosks, handouts to be presented in the demonstration showcase

Description: The Partnership will help the City of Palm Desert share their achievements in energy usage practices by developing a demonstration showcase centered on the planned Zero Net Energy Senior Housing Villas project. This supports CLTEESP 12.3 LOCAL GOVERNMENTS – Local governments lead by example with their own facilities and energy usage practices.

3. For each program performance metric being proposed indicate why you have selected them including how the metric meets the SMART convention (Specific, Measurable, Ambitious, Realistic, Time bound)

Each proposed metric meets the SMART convention in the following manner:

- Specific: it provides a defined level of program accomplishment;
- Measurable: results can be tracked by program staff;
- Actionable: interim actions can be taken to modify program results;
- Relevant: it is a direct measurement of program accomplishments; and
- Timely: results can be reported on a quarterly and annual basis.

4. State the program mission. The program mission is the basic purpose of a program, its reason for existing, and the general means through which it will accomplish its purpose in view of overarching goals and objectives (CEESP, BBEES, CPUC EE Goals).

The Partnership has a multifold mission. It is charged with achieving aggressive energy and demand savings as well as piloting innovative programs that can be considered for full-scale deployment across SoCalGas's territory.

5. Describe the program performance goals (both internal and external), standards, and / or benchmarks. Program goals should support the programs' overall mission and are general statements about the results to be produced by the program. If program goals are being revised from previous program goals indicate why the change is necessary providing additional analysis to justify the change.

Goal: 5% of PEAT (IDSM's Progressive Energy Audit Tool) Participants in Palm Desert who apply for funding through AB811.

Goal: Written report on lessons learned from implementing loan program completed by end of 2010.

Goal: One training course in Palm Desert consistent with the statewide HVAC QI/QM program's contractor certification requirements.

Goal: Evaluation report on savings from the OPOWER social norming energy report completed by 2011.

Goal: Propose reach code for the City of Palm Desert by 2012.

Goal: Educational materials, kiosks, handouts to be presented in the demonstration showcase by the time of the Zero Net Energy Senior Housing Villas' grand opening.

6. Describe the critical work processes, program requirements, and critical results desired (both internal and external) linked to promotion of the program mission and goals above.

The response to Questions 6 is presented in Table 1 below

Table 2: Strategic Goals

#	IOU Program Goals	Strategic Planning Strategy	2010-2011 Strategic Milestones	IOU Proposed Metrics
1	8.1.2 DSM COORDINATION AND INTEGRATION - Conduct integrated DSM delivery <i>pilots</i> in the Residential, Commercial, Industrial and Agricultural sectors.	The Partnership will support the Statewide IDSM program by presenting financing options to those Palm Desert residents who participate in the IDSM Progressive Energy Audit Tool.	Goal: 5%	Percentage of PEAT (IDSM's Progressive Energy Audit Tool) Participants in Palm Desert who apply for funding through AB811.
2	12.1.4 LOCAL GOVERNMENTS – Expand percent of cities and counties adopting local financing mechanisms.	In the 2007-2009 program cycle the Partnership played an instrumental role in advancing the near-term goals of the CLTEESP's Strategy 1-4 by developing, implementing and piloting a model loan mechanism, AB811. In 2010-2012 the Partnership will continue to support CEESP Strategy 1-4's mid term goals by helping to expand the percentage of cities adopting local financing mechanisms. The Partnership will synthesize the lessons learned from its successful implementation of AB811 in the 2007-2008 program cycle, to be shared with other cities when requested.	Goal: Completed by 2010.	Written report on lessons learned from implementing loan program.
3	6 HVAC and 9 WE&T - Goal 2: Quality HVAC Installation and maintenance becomes the norm. The marketplace understands and values the performance benefits of quality installation and maintenance.	The Partnership will support Quality HVAC Installation and Maintenance by providing participating HVAC contractors training introducing them to ANSI/ACCA 5 <i>QI-2007: HVAC Quality Installation Specification</i> training, consistent with the statewide HVAC QI/QM program's contractor certification requirements.	Goal: One training course in Palm Desert.	Fund training course consistent with the statewide HVAC QI/QM program's contractor certification requirements.
4	11.1.3 RESEARCH AND TECHNOLOGY – Enhance market intelligence and behavioral research activities related to energy efficient technologies.	The Partnership was the first utility in Southern California to trial an innovative behavioral change program that provides customers with ongoing monthly energy performance information designed to stimulate further energy efficiency actions. The test program educates homeowners on their monthly energy consumption and how it compares to similar neighbors and provides a list of recommended actions to improve performance. The Partnership will conduct an independent assessment of energy savings from 12 months of data and reach out to share the impact and lessons learned with other cities. Results will be used to develop future programs.	Goal: Completion by 2010.	Evaluation report on savings from the OPOWER social norming energy report.
5	Local Government – Reach Code Support	The Partnership will advance CEESP Strategy 12.1 by researching,	Goal: One by 2012	Propose reach code.

		developing, and proposing a new reach code to the City of Palm Desert.		
6	12.3 LOCAL GOVERNMENTS – LG’s lead by example with their own facilities and energy usage practices.	The Partnership will help the City of Palm Desert share their achievements in energy usage practices by developing a demonstration showcase centered on the planned Zero Net Energy Senior Housing Villas project.	Completed by the time of the ZNE Senior Housing Villas’ grand opening	Educational materials, kiosks, handouts to be presented in the demonstration showcase.

7. Describe how the proposed program performance metrics are a measure of the critical work processes or critical results identified above.

The proposed metrics will measure the extent to which the program goals are being met. The metrics will also measure the effectiveness of the program interventions and give an indication of the progress made toward the CLTEESP strategies.

8. Describe what the program objectives are. Program objectives are the specific milestones and targets to be achieved to which the proposed program performance metrics seek to measure. Program objectives should be chosen that promote accomplishment of the program goals and should meet the SMART convention described above. If the program objectives are being revised from previous program objectives indicate why the change is necessary. Provide additional analysis to justify this change.

Consistent with all of SoCalGas’ other partnership programs, the energy savings goals presented below represent goals to be achieved and claimed in the IOU core programs (i.e., we will use these goals to track the Partnership, but “below the line”).

- Overall Program Goals: By December 2012, 215 million kWh and **5.7 million therms of energy savings**, and 48.6 MW of demand savings against the 2005 Baseline.
- CPUC-funded Goals for 2010-2012: 17.4 million kWh and **457,072 therms** energy savings, and 8.3 MW of demand savings.

Sub-Program Goals/Objectives²

Program	Program Target by 2010	Program Target by 2011	Program Target by 2012
OVERALL PILOT GOALS			
Total Energy usage reduction (from	144,098 therms	176,014 therms	136,960 therms

² Some electric goals are included in the Table in order to provide context for the gas goals.

incentive/rebates)			
STIMULATE HVAC EARLY REPLACEMENT			
HVAC early replacements	500-A/C 55 Furnaces	1,000 A/C 55 Furnaces	1,000 A/C 30 Furnaces
TEST WHOLE HOUSE RETROFIT PROGRAM BUNDLED WITH AB811 FINANCING			
Whole House Retrofits	5	25	50
SIMPLIFY THE CUSTOMER PURCHASING PROCESS			
One-Stop-Shop pool pump and/or pool heater replacements	300 pool pumps 40 pool heaters	500 pool pumps 80 pool heaters	500 pool pumps 40 pool heaters
INFLUENCE AND MEASURE BEHAVIORAL CHANGE			
Behavior Messaging Campaign	Evaluate energy savings from pilot	Evaluate energy savings from pilot	
INTRODUCE NEW TECHNOLOGIES TO COMMUNITY			
Launch New Technologies	1 new product	1 new product	
INCREASE COMMERCIAL PARTICIPATION THROUGH TARGETED CAMPAIGNS			
Commercial Audits	50	100	50
BUILD COMMUNITY PARTICIPATION			
Home Energy Efficiency Upgrades	2,000	4,000	2,000
HOAs and Service Organizations	20 meetings	40 meetings	20 meetings

²Some electric goals are included in the Table in order to provide context for the gas goals.

9. Describe how the metrics will be collected, what data source they will come from, and how they will be tracked and reported.

Information for the metrics will be collected as a part of program tracking data as program goals are met. The metrics will be reported on a routine basis as directed by the CPUC.

10. Attach a program logic model that graphically represents what has been described in this worksheet. Logic models should depict the flow between program activities, their outputs, and subsequent short-term, intermediate, and long-term outcomes as well as how program elements are linked and the influence of external influences. Proposed program performance indicators should be incorporated at the appropriate locations within the logic model indicating what program activities and outcomes within the model will be measured both internal and external to the program (see example above).



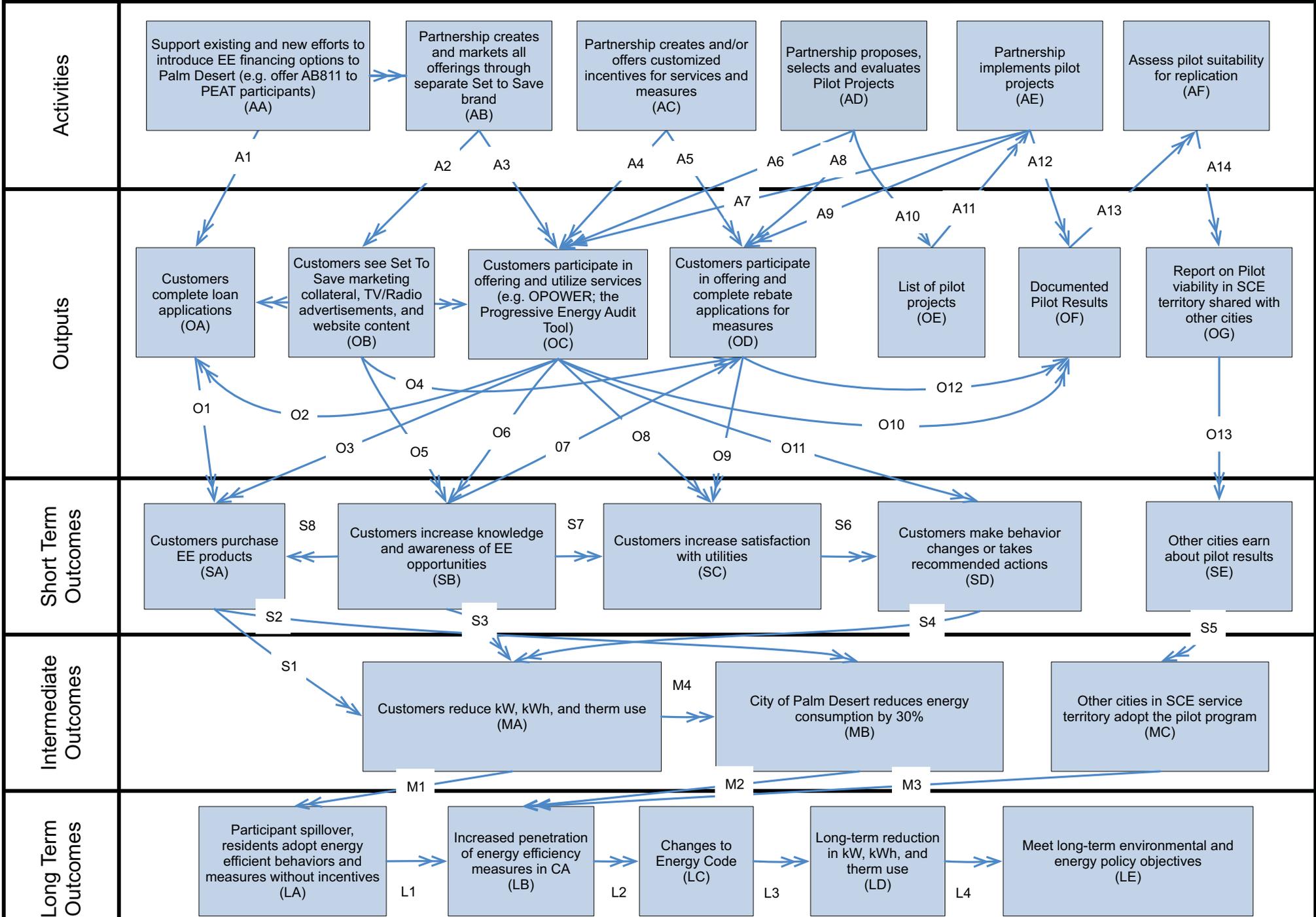
100214 PDP Logic Model.pdf

11. Include a completed Program Performance Indicator Table as an attachment to this worksheet (see example below).

See Table 1 above.

LOGIC MODEL ATTACHMENT

2007 – 2012 Palm Desert Partnership Demonstration Project Logic Model



External Influences: Economy, Other local government partnerships, SCE/SCG territory-wide program efforts that apply to Palm Desert, climate, lifestyle, occupation, availability of EE product, budget to implement message, energy crisis, accessibility of market to media, cost of the EE product.