Application of Southern California Gas Company (U-904-G) for Approval of Natural Gas Energy Efficiency Programs and Budgets for Years 2009 through 2011

Application No. 08-07-022
Exhibit No.: _____

Chapter II

Supplemental Testimony

of

Athena Besa

Southern California Gas Company

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

July 2, 2009

Southern California Gas Company
A Sempra Energy utility®

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ENERGY EFFICIENCY PROGRAM PORTFOLIO

I. SoCalGas Portfolio Goals and Cost Effectiveness

A. Portfolio Meets Annual Energy Efficiency and Cumulative Goals

SoCalGas' Proposed Portfolio meets the cumulative savings goals for the three-year cycle. As discussed in the Policy section of this Application, SoCalGas recommends a cumulative goal be adopted which reflects 2006-2011 cumulative savings beginning in 2009 and ending in 2011.

Proposed Portfolio Goals

SoCalGas' Proposed Portfolio, as stated above, recommends the adoption of a 3-year cumulative goal that is based on SoCalGas' natural gas goals adopted in D.04-09-060. D.08-07-047 OP 4 further adjusts 2009-2011 to be gross savings, i.e., net of free riders. The following table shows the Proposed scenario goals:

Table 1.1: Proposed Cumulative Savings Impacts for 2009-2011

THERMS	2009	2010	2011	TOTAL
Annual Goal	27,200,000	28,300,000	29,900,000	85,400,000
2006-2008 Verification Impacts	1,288,536	1,288,536	1,288,536	3,865,608
EUL Decay Impacts	821,888	821,888	821,888	2,465,664
TOTAL	**29,310,424**	**30,410,424**	**32,010,424**	**91,731,272**

SoCalGas' proposed cumulative savings goals are based on the cumulative goals from 2006-2008 adopted in D.04-09-060, and the gross goals for 2009-2011 adopted in D.08-07-047. Specifically SoCalGas' determination of its goals follows the direction in the October 30, 2008 Assigned Commissioner's and Administrative Law Judge's Ruling requiring Supplemental Filings (at page 14) and D.09-05-037 OP 1:

- Use of cumulative goals beginning 2006 and accounting methodologies;

- Net basis for determining PEB, and;
- Use of Energy Division-approved ex-ante DEER values for 2009-2011 Planning Purposes.

Furthermore, SoCalGas adjusts these cumulative goals to account for the following:

- Adjustments to SoCalGas' 2006-2007 achievements based on the Verification Report;
- SoCalGas' 2008 achievements adjusted by the average adjustment factor to its 2006-2007 achievements as shown in the Verification Report;
- Adjustments to expected useful lives and other measures not covered by the Verification Report based on the December 2008 DEER[1].

SoCalGas notes that its use of the results from the Verification Report to develop its proposed cumulative goals should not be interpreted that it agrees with the results in the Verification Report and reserves the right to present arguments against its results at the next discussion of its 2006-2008 earnings claim.

B. Proposed Portfolio and Funding Levels Appropriately Balance Short-Term and Long-Term Savings

SoCalGas believes its portfolio is appropriately balanced on short-term versus long-term savings. As an indicator, the overall weighted average measure life for SoCalGas' Proposed Portfolio is 18.98 years which is longer than the 10 year life assumed in the CPUC goals decision (D.04-09-060) while still designed to meet the short-term 2009-2011 goals.

C. Portfolios Reasonably Allocate Funding Among Market Sectors

SoCalGas has analyzed the service territory-specific information provided in the draft California Energy Efficiency Potential Study 2008[2] to guide the development of its sector and

[1] Energy Division directed the utilities to use the December 2008 DEER update for the purpose of this application.
[2] California Energy Efficiency Potential Study 2008 (Draft), Itron, Inc., February 2008

end-use allocations, i.e., residential, commercial, and industrial. Although the study provides a significant amount of useful information for program planning for the Residential, Commercial, and Industrial sectors, the study provided limited data for the Agriculture sector.

The following table shows the comparison of SoCalGas proposed sector goals with the draft Potential Study.

Table 1-2: Comparison of SoCalGas Portfolio and Energy Efficiency Potential by Sector

	Budget (millions)		Gas Savings (Gross MMTh)		
Total Portfolio	Total	% of Total	Total	% of Total	Percent of Total Potentail
Residential	$ 123.53	46%	26.7	27%	32%
Commercial	$ 27.72	10%	21.7	22%	13%
Industrial	$ 92.81	35%	41.2	41%	54%
Agricultural	$ 23.48	9%	7.5	7%	0%
Codes and Standards	$ -	0%	3.4	3%	0%
Total	$ 267.55		100.6		

1 - The total budget by market sector is sum of rebate incentive, payments to upstream vendors, direct install materials and labor costs. Excludes marketing and administrative related costs.
2 - LIEE savings are included in the Residential Sector Impacts, 34% for therms.
3 - Projected savings impacts include Intergrated Audit Program.

D. Portfolio Cost-Effectiveness Takes into Account Uncertainty of Key Input Parameters

The savings for these programs are derived from savings estimates for each of the measures that the program is proposing to promote. The individual measure savings and other load impact estimates (e.g., therm savings per unit, program net-to-gross ratios, incremental measure costs and useful lives) are primarily derived from DEER.[3] SoCalGas, however, provides for some revisions to the 2008 DEER that it believes are more realistic. See Appendix D for specific changes to DEER 2008 that SoCalGas is proposing to use. If the measure is not documented in DEER, SoCalGas provides documentation in its workpapers to support its

[3] Based on DEER Updates provided by Commission's Energy Division Staff, December 2008 and utility-recommended changes for selected measures (see Appendix D).

estimates of the measure's load impacts. Documentation includes, but is not limited to, load impact evaluations of past programs, market data, engineering model outputs, or manufacturer test data, etc. This is consistent with Policy Rule IV.11.

In developing its proposed 2009-2011 portfolio, SoCalGas shows that its portfolio exceeds the proposed goals by 13 percent over the three year period. SoCalGas is expecting that the uncertainty in key input parameters will not fluctuate significantly such that SoCalGas will not meet its goals.

SoCalGas has used the E3 calculator developed and updated by E3 under the direction of the Commission's Energy Division staff. See Appendix A for the detail on cost effectiveness parameters.

1. Total Resource Cost Test and Program Administrator Cost Test

The Commission's Energy Efficiency Policy Manual ("Policy Manual"), Version 4.0[4] (Policy Rule IV. 1) directs the utilities to use the Total Resource Cost Test ("TRC") as the primary indicator of energy efficiency program cost effectiveness, which is consistent with the Commission's intent that ratepayer-funded energy efficiency should focus on programs that serve as resource alternatives to supply-side options. The TRC test measures the net resource benefits from the perspective of all ratepayers by combining the net benefits of the program to participants and non-participants. The benefits are the avoided costs of the supply-side resources avoided or deferred as adopted in D.05-04-024 and updated by the April 21, 2008 *Assigned Commissioner's Ruling and Administrative Law Judge's Ruling Regarding May 15, 2008 Energy Efficiency Portfolio Plans for 2009—2011* ("April 21 Ruling"). The April 21, 2008 Ruling

[4] The March 28, 2008 *Assigned Commissioner's Ruling on Revision 4.0 of the Energy Policy Manual* provide a draft of the Version 4.0 Manual. The final Manual is still pending release by the Commission.

directs the utilities to use the updated 2007 generation cost values as adopted in Resolution E-4118.

TRC costs, on the other hand, include the incremental cost to install the energy efficient measures/equipment relative to the standard case and the costs incurred by the program administrator. The Policy Manual (Policy Rule IV.2) directs the utility to use its own weighted average cost of capital, as adopted by the Commission. D.09-05-037 OP 7 directs the utilities to use its pre-tax discount rate, which SoCalGas has complied since its July 21, 2008 application. SoCalGas' discount rate for this application is 8.68 percent.[5]

In addition to the TRC test, the utilities are also required to consider in evaluating program and portfolio cost effectiveness the Program Administrator Cost ("PAC") test (Policy Rule IV.3.). The PAC benefits are the same as the TRC test but costs are defined to include the costs incurred by the program administrator (including financial incentives or rebates paid to participants), but not the costs incurred by the participating customer. The discount rate used for the PAC test is the same as that of the TRC test.

Applying both the TRC and PAC cost effectiveness test is referred to as the "Dual-Test". Policy Rule IV.6. requires a prospective showing of cost effectiveness using the Dual-Test at the portfolio level to qualify for program funding.

The estimated TRC and PAC ratios of SoCalGas' 2009-2011 portfolio are as follows:

[5]Effective January 1, 2003 per Advice Letter 3199-A dated November 22, 2002..

Table 1-3: Proposed Portfolio Cost Effectiveness (CO2 Adder at $15/tonne)

Cost Effectiveness	
Total Resource Cost (TRC) Test	
Costs	$419,564,093
Electric Benefits	$60,921,638
Gas Benefits	$596,641,792
Net Benefits (NPV)	$237,999,337
BC Ratio	1.57
Program Administrator Cost (PAC) Test	
Costs	$261,249,135
Electric Benefits	$60,921,638
Gas Benefits	$596,641,792
Net Benefits (NPV)	$396,314,294
BC Ratio	2.52

2. Environmental Benefits

D.05-04-024 adopted the various costs used to value a select group of environmental adders. These adders include NOx, PM-10 and CO_2. The April 21, 2008 Ruling directs the utilities to include a second case scenario using an updated carbon value of $30/tonne as an alternative to the $15/tonne adopted by D.05-04-024. These environmental adders and the updated carbon value have been incorporated into the updated E3 calculator, however, there is no impact to the cost effectiveness of SoCalGas' portfolio.

E. Portfolio is Designed to Overcome Identified Barriers to Market Transformation, and Advance Integration Objectives

Identifying and addressing barriers to success is a key component to the Program Implementation Plans contained in Appendix B. In general, the success barriers facing most of the programs include awareness, performance/reliability uncertainty, first cost and financing. Each PIP addresses mitigation measures for these hurdles with some of the more common being targeted marketing, demonstration projects, split incentives and On-Bill Financing. An example

of a targeted marketing activity is our co-branding activity with retailers which leverages retailer access to the customer with SoCalGas energy efficiency messages and is employed in our Residential Energy Efficiency Programs. Addressing performance/reliability uncertainty usually involves completing demonstration tests to provide customers with evidence of successful installations. This technique is often employed in our Non-residential Custom Program. Overcoming financial barriers typically involves providing incentives at multiple levels in the product deliver stream including manufacturer/distributor incentives to ensure availability, retailer incentives to ensure stocking and/or customer incentives to overcome pay-back hurdles. This applies to almost every non-residential program and is the main driver behind its On-Bill Financing program and its proposed Green Energy Systems program.

II. Program Design Achieves Savings Objectives

A. Portfolios Provide Sufficient Strategies to Address Opportunities to Reduce Critical Peak Loads and Improve System Load Factors

This is not applicable to SoCalGas.

B. Portfolio Adequately Describes Strategies to Minimize Lost Opportunities

SoCalGas' proposed portfolio offers strategies to minimize lost opportunities. SoCalGas believes that lost opportunities occur when customers are not afforded opportunities to install comprehensive energy efficiency upgrades. SoCalGas has improved its program designs consistent with the California Energy Efficiency Strategic Plan ("CEESP") underlying theme of comprehensiveness and "whole house" approaches to further California's aggressive energy efficiency goals. The following are illustrative examples of comprehensiveness in SoCalGas' program designs.

In the residential sector, SoCalGas' 2009-2011 portfolio of residential programs is generally designed to avoid lost opportunities through a "comprehensiveness" strategy. For

example, programs will feature a "Whole House" performance training element for home contractors and installers that focus on whole house energy performance, including effective air sealing, insulation and ventilation. Customers will be encouraged to consider investing in comprehensive projects as opposed to piecemeal purchases of equipment.

SoCalGas will be offering comprehensive services to its nonresidential customers such that it facilitates the identification of as many opportunities to improve their energy efficiency as possible. An example is the mobile energy van wherein onsite energy efficiency seminars at selected customer industrial sites, combined with its flexible incentive programs which allows the customer to implement all identified energy efficiency upgrades. On-bill financing and its new Green Energy Systems program would offer financing options to further encourage comprehensive installations.

Another way that SoCalGas seeks to minimize lost opportunities is through its new construction energy efficiency programs seek to support the utility Strategic Plan, the Big Bold Energy Efficiency Strategies and promote a sustainable future for southern California. By addressing the environment, energy and resources efficiency, the programs seek to support the residential 2020 goals of zero net energy in new construction. Coupled with the focus on sustainable design and green building practices, the program will seek to influence the design and construction of sustainable communities in its broadest definition.

Beginning in 2009, the SoCalGas program managers will be responsible for segments rather than specific programs. The goal of this change to be even more knowledgeable about the needs of customer segments (residential owners and renters; non-residential manufacturing, agricultural, hospitality, foodservice, institutional, etc) and increase market penetration through segment specific marketing and outreach. This additional step of segmentation enhances the

company's ability to design program and communications materials geared towards managing the customer's energy needs in a comprehensive manner rather than the traditional method of offering independent programs.

C. Successful and Cost-Effective Programs Will Continue

SoCalGas is not only proposing continuing successful programs but to improve each of these programs. SoCalGas has reduced the number of core programs to reduce customer and market actor confusion due to different program offerings that were offering competing rebates/incentives for like measures. SoCalGas has also reviewed its existing 2006-2008 third party programs and offered contract renewals to several successful programs.

D. Program Design Reflects Cumulative Savings Approach Requirements

As discussed in previous sections, SoCalGas proposed portfolio is designed to meet the proposed 2009-2011 three-year cumulative goal.

E. Proposal to Include Energy Savings from "Spillover" Activities

D.07-10-032 (at pages 123-128) reopens the discussion on whether or not it is appropriate for the utilities to take credit for "spillover" effects due to programs. It would appear that the fundamental question is not whether "spillover effects occur from the programs (both from program participants and non-program participants), but whether or not there are EM&V methodologies that can accurately measure the specific spillover impacts of a utility program. D.05-04-051, Finding of Fact 27 states:

> "The speculative nature of any attempts to quantify spillover effects significantly reduces their applicability as an analytical tool at this time. Moreover, discounting the accounting of free-ridership through "spillover," as PG&E proposes, would make it particularly difficult to attribute indirect program benefits to education and information programs, without double-counting those benefits."

Spillover and Net-to-Gross ("NTG") analyses are intrinsically related to each other. SoCalGas and SDG&E have taken the position that current methodologies for estimating NTG are flawed and by extension[6] so would the methodologies measuring spillover effects if no significant progress is made on developing new or improving current methods.

The July 1, 2008 "Proposed Decision Adopting Interim Energy Efficiency Savings Goals for 2012 Through 2020, and Defining Energy Efficiency Savings goals for 2009 Through 2011" OP 4 adopts gross goals, not net of free riders goals. SoCalGas believes that moving to gross goals mitigates issues related to measuring NTG and spillover effects.

With respects to program offerings influencing "spillover" effects, SoCalGas' portfolio of programs are designed to influence market actors to the greatest extent. For example, upstream programs (e.g., manufacturers, distributors, retailers) which provide energy efficiency equipment at reduced prices to all customers. It is indeed difficult to discern each customer's motivation for purchasing the energy efficiency equipment when the price is already reduced. However, it is impractical to attempt to determine an individual's motivation and differentiate energy utility incentives based on that motivation. Moreover, Upstream Programs are one of the most efficient program designs to influence the energy efficiency market at all levels of the supply chain.

Education & Training programs provide accessible energy efficiency information to customers so that they can make decisions that are pro-energy efficiency. Frequent messaging, communications, seminars and workshops reinforce these concepts so that at time of purchase energy efficiency is one of the customer's top considerations. The ultimate goal for part of the

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[6] Attachment A of "Comments of San Diego Gas & Electric Company (U 902 M) and Southern California Gas Company (U 904 G) on Energy Efficiency Savings Goals through 2020 and Related Topics Pursuant to Assigned Commissioner and Administrative Law Judge's Ruling Seeking Comment on Definition of Energy Savings Goals for 2009 Through 2011" submitted June 11, 2008.

market transformation is that customers will purchase energy efficiency equipment on its intrinsic value without a rebate or incentive which is then a 100 percent spillover effect SoCalGas' Education & Training programs are designed to help reach that goal.

SoCalGas' New Construction programs offer design team incentives, along with Title 24 and sustainability workshops and training. These incentives reinforce the desired outcome of influencing the design team (architects, engineering firms, etc.) to propose high efficiency design options to builder- and owner-clients and help influence their final design decision. As more architects and engineering firms incorporate energy efficiency into their design practice, the industry will ideally transform itself thus facilitating the adoption of higher codes and standards, and creating significant spillover effects.

These are but a few examples of strategies in SoCalGas' portfolio that bring about spillover effects.

F. Proposal for Measurement of Market Transformation Programs and Potential Phase Out of Program activity in Transformed Markets

Over the years, California has invested in market effects studies that track changes in a product market.[7] (e.g., California Residential Efficiency Market Share Tracking: Appliances 2005, Itron, 2006). Furthermore, California has formal protocols to conduct market effects study.[8] This body of evaluation work provides adequate methodologies to measure market transformation.

As California embarks on aggressive market transforming activities such as the BBEES and the strategies laid in the CEESP, studies need to commence as soon as possible to begin

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[7] California Residential Efficiency Market Share Tracking: Appliances 2005, Itron, 2006

[8] The California Evaluation Framework, TecMarket Works, June 2004; and California Energy Efficiency Evaluation Protocols: Technical, Methodological, and Reporting Requirements for Evaluation Professionals, TecMarket Works, April 2006.

tracking the progress of programs so that there is a baseline established to determine progress towards market transformation.

G. Portfolios Include Strategic Promotion of Emerging Technologies that are Anticipated to Increase Savings Potential

Emerging Technologies is an important component of SoCalGas' program portfolio as the "incubator" of new measures for inclusion in the tradition incentive programs. We do not have a specific budget allocated to "strategic promotion of emerging technologies" but we do have a process in place to take full advantage of new technologies, regardless of the source of the technology. The process has worked well in the past and we are confident will continue to work as we move forward. Under that process, once an emerging technology project is complete and results are available, the technology is handed over to the appropriate Segment Manager for program development and implementation. Depending on the technology, it may simply be incorporated into an existing program such as the Nonresidential Standard Program, or it may warrant a specialized program design and implementation. Either way, the impacted segment utilizes its allocated program budgets or 3rd Party budget as appropriate. We have anticipated this somewhat unpredictable shift in funding in our budget planning and have found in the past that there is generally a rough balance between new measures being introduced and mature ones falling off because of obsolescence or changes in market conditions. As a result, we are confident we have sufficient funds to adequately support the marketing and commercialization of new technologies that may reasonably be expected to appear during the program cycle.

H. Portfolios Contribute to the Green Building Initiative

Please refer to Appendix F Table 2-4 for the portfolios contributions to the green Building Initiative. The Statewide Commercial Program and Institutional Partnership Programs in Appendix B for the different program activities that support the goals of the Green Building

Initiative.

I. Summary of Proposed Programs

SoCalGas' 2009-2011 Proposed Portfolio provides a list of comprehensive Energy Efficiency services to its customers with a focus towards achieving BBEES and implementation of the CEESP strategies. Table 1-4 present the Proposed Portfolio program budgets and goals, respectively. These tables are also available in Appendix D.

Table 1-4: Proposed 2009-2011 Program Budgets and Goals

		2009		2010		2011		2009-2011	
Category	Program Name	Budget	Therm	Budget	Therm	Budget	Therm	Budget	Therm
SW-CORE	#SW-AgA - Calculated	$1,900,779	1,104,543	$1,979,435	1,145,995	$2,106,362	1,206,291	$5,986,576	3,456,829
SW-CORE	#SW-AgB - Deemed	$6,921,766	1,294,160	$7,166,432	1,342,729	$7,515,574	1,413,375	$21,603,771	4,050,263
SW-CORE	#SW-AgC - Nonresidential Audits	$58,473	-	$58,762	0	$59,287	0	$176,521	0
SW-CORE	#SW-AgD - Pump Test & Repair	$88,584	-	$89,109	0	$88,846	0	$266,539	0
SW-CORE	#SW-AgE - Continuous Energy Improvement	$21,408	-	$21,408	0	$21,408	0	$64,223	0
SW-CORE	#SW-C&SA - Building Standards Advocacy	$294,594	845,236	$294,594	1,070,669	$294,594	1,525,396	$883,782	3,441,301
SW-CORE	#SW-C&SB - Appliance Standards Advocacy	$101,153	-	$101,153	0	$101,153	0	$303,460	0
SW-CORE	#SW-C&SC - Compliance Training	$229,811	-	$229,811	0	$229,811	0	$689,433	0
SW-CORE	#SW-C&SD - Reach Codes	$294,594	-	$294,594	0	$294,594	0	$883,782	0
SW-CORE	#SW-ComA - Calculated	$2,574,774	1,744,766	$2,710,040	1,810,246	$2,755,957	1,905,490	$8,040,771	5,460,502
SW-CORE	#SW-ComB - Deemed	$4,870,506	3,944,971	$5,177,163	4,093,023	$5,205,803	4,308,001	$15,253,472	12,345,995
SW-CORE	#SW-ComC - Nonresidential Audits	$610,751	-	$611,275	0	$611,275	0	$1,833,301	0
SW-CORE	#SW-ComD - Continuous Energy Improvement	$320,009	-	$378,599	0	$330,509	0	$1,029,118	0
SW-CORE	#SW-ComE - Direct Install	$0	-	$0	0	$0	0	$0	0
SW-CORE	#SW-ETA - Assessments	$1,763,194	-	$1,763,194	0	$1,763,194	0	$5,289,583	0
SW-CORE	#SW-ETB - Scaled Field Placement	$0	-	$0	0	$0	0	$0	0
SW-CORE	#SW-ETC - Demonstration / Showcasing	$0	-	$0	0	$0	0	$0	0
SW-CORE	#SW-ETD - Market and Behavioral Studies	$0	-	$0	0	$0	0	$0	0
SW-CORE	#SW-ETE - Technology supply-side efforts	$0	-	$0	0	$0	0	$0	0
SW-CORE	#SW-ETF - Technology Incubation	$0	-	$0	0	$0	0	$0	0
SW-CORE	#SW-ETG - Technology Test Centers (TTC)	$0	-	$0	0	$0	0	$0	0
SW-CORE	#SW-ETH - ZNE lab (PG&E)	$0	-	$0	0	$0	0	$0	0
SW-CORE	#SW-HVACA - Residential Energy Star Quality Insta	$58,112	-	$58,112	0	$58,112	0	$174,335	0
SW-CORE	#SW-HVACB - Commercial Quality Installation	$37,125	-	$37,125	0	$37,741	0	$111,991	0
SW-CORE	#SW-HVACC - Commercial Upstream Equipment	$28,009	-	$28,009	0	$28,009	0	$84,027	0
SW-CORE	#SW-HVACD - Quality Maintenance Program	$67,736	-	$67,736	0	$67,736	0	$203,208	0
SW-CORE	#SW-HVACE - Technology & Systems Diagnostics	$308,842	-	$308,843	0	$308,843	0	$926,527	0
SW-CORE	#SW-HVACF - HVAC WE&T	$48,761	-	$48,761	0	$48,761	0	$146,284	0
SW-CORE	#SW-HVACG - HVAC Core	$36,669	-	$36,669	0	$36,669	0	$110,006	0
SW-CORE	#SW-IDSM - SW Integrated DSM	$200,041	-	$200,041	0	$200,041	0	$600,122	0
SW-CORE	#SW-IndA - Calculated	$29,047,886	10,860,970	$30,041,148	11,268,573	$31,882,720	11,861,453	$90,971,754	33,990,996
SW-CORE	#SW-IndB - Deemed	$5,215,342	2,303,502	$5,392,657	2,388,642	$5,630,214	2,514,401	$16,238,213	7,206,545
SW-CORE	#SW-IndC - Nonresidential Audits	$636,463	-	$635,931	0	$636,987	0	$1,909,380	0
SW-CORE	#SW-IndD - Continuous Energy Improvement	$276,059	-	$722,446	0	$339,380	0	$1,337,885	0
SW-CORE	#SW-ME&OA - Marketing, Education & Outreach (Core)	$2,113,696	-	$2,113,696	0	$2,113,696	0	$6,341,089	0
SW-CORE	#SW-ME&OB - SW Marketing, E&O FYP	$0	-	$0	0	$0	0	$0	0
SW-CORE	#SW-ME&OC - ME&O Strategic Plan	$0	-	$0	0	$0	0	$0	0
SW-CORE	#SW-NCNR - NRNC Savings By Design	$2,506,604	553,551	$2,569,549	574,325	$2,661,109	604,543	$7,737,262	1,732,419
SW-CORE	#SW-NCResA - RNC	$4,006,971	267,636	$4,071,253	277,680	$4,164,757	292,290	$12,242,980	837,606
SW-CORE	#SW-ResA - Multifamily EE Rebates	$4,155,395	1,307,025	$4,336,429	1,354,760	$4,559,188	1,425,161	$13,051,011	4,086,945
SW-CORE	#SW-ResB - Home Efficiency Rebates	$32,148,663	2,830,671	$33,475,619	2,936,903	$35,402,739	3,091,446	$101,027,021	8,859,020
SW-CORE	#SW-ResC - Home Efficiency Energy Survey	$795,587	-	$829,187	0	$853,337	0	$2,478,112	0
SW-CORE	#SW-WE&TA - Strategic Planning & Implementation	$357,000	-	$257,250	0	$141,750	0	$756,000	0
SW-CORE	#SW-WE&TB - WE&T Centers	$3,052,229	-	$2,946,179	0	$2,841,179	0	$8,839,587	0
SW-CORE	#SW-WE&TC - WE&T Connections	$427,290	-	$427,290	0	$427,290	0	$1,281,871	0
	SW Core Program Subtotal	**$105,574,875**	**27,057,031**	**$109,479,497**	**28,263,544**	**$113,818,625**	**30,147,845**	**$328,872,997**	**85,468,421**
Partnerships	#L-InstP01 - CA Depart of Corrections Partnership	$288,065	-	$288,065	0	$288,065	0	$864,194	0
Partnerships	#L-InstP02 - CA Community College Partnership	$372,951	-	$341,100	0	$341,100	0	$1,055,150	0
Partnerships	#L-InstP03 - UC/CSU/IOU Partnership	$496,364	-	$496,364	0	$496,364	0	$1,489,091	0
Partnerships	#L-InstP04 - State of California /IOU Partnership	$301,725	-	$301,725	0	$301,725	0	$905,176	0
Partnerships	#LGovP01 - LA County IOU Partnership	$214,468	-	$216,944	0	$219,508	0	$650,920	0
Partnerships	#LGovP02 - Kern County Energy Watch Partnership	$102,332	-	$104,908	0	$105,457	0	$312,696	0
Partnerships	#LGovP03 - Riverside County Partnership	$144,817	-	$147,033	0	$149,328	0	$441,178	0
Partnerships	#LGovP04 - San Bernardino County IOU Partnership	$142,694	-	$144,833	0	$147,049	0	$434,576	0
Partnerships	#LGovP05 - Santa Barbara County IOU Partnership	$103,353	-	$112,566	0	$128,023	0	$343,941	0
Partnerships	#LGovP06 - SBCCOG Partnership	$152,474	-	$153,948	0	$155,476	0	$461,898	0
Partnerships	#LGovP07 - San Luis Obispo County Partnership	$105,290	-	$109,359	0	$107,197	0	$321,846	0
Partnerships	#LGovP08 - Tulare Cnty-Visalia Energy Watch Prtnr	$95,816	-	$97,128	0	$98,491	0	$291,434	0
Partnerships	#LGovP09 - Orange County Cities Partnership	$132,401	-	$135,927	0	$134,137	0	$402,465	0
Partnerships	#LGovP10 - ILG IOU Partnership	$146,275	-	$147,680	0	$149,135	0	$443,090	0
Partnerships	#LGovP11 - Community Energy Partnership	$126,083	-	$127,201	0	$123,236	0	$376,520	0
Partnerships	#LGovP12 - Desert Cities Partnership	$24,840	-	$25,294	0	$25,764	0	$75,899	0
Partnerships	#LGovP13 - VCREA Sub-Program Partnership	$165,506	-	$169,320	0	$169,415	0	$504,241	0
Partnerships	#LGovP14 - Palm Desert IOU Pilot Partnership	$876,735	-	$878,884	0	$844,365	0	$2,599,983	0
	Partnership Program Subtotal	**$3,992,188**	-	**$3,998,276**	-	**$3,983,835**	-	**$11,974,299**	-

Table 1-4: Proposed 2009-2011 Program Budgets and Goals (continued)

		2009		2010		2011		2009-2011	
Category	Program Name	Budget	Therm	Budget	Therm	Budget	Therm	Budget	Therm
Local Core	#Local01 - OBF	$937,263	-	$948,227	0	$959,920	0	$2,845,410	0
Local Core	#Local02 - Local Whole Home Performance	$3,816,924	302,640	$3,944,039	313,995	$4,128,048	330,532	$11,889,010	947,167
Local Core	#Local03 - Local Sustainable Communities (RMV)	$276,150	-	$276,150	0	$276,150	0	$828,450	0
Local Core	#Local04 - Local Strategic Develop & Integ	$284,396	-	$284,396	0	$284,396	0	$853,187	0
Local Core	#Local05 - Local Non-Residential BID	$2,906,372	418,564	$3,009,502	434,273	$3,159,242	457,122	$9,075,115	1,309,959
	Local Core Program Subtotal	**$8,221,104**	**721,204**	**$8,462,313**	**748,268**	**$8,807,755**	**787,654**	**$25,491,172**	**2,257,126**
3rd Party	#3P - IOU Administration	$12,202,234	-	$12,779,487	0	$14,743,646	0	$39,725,367	0
3rd Party	#3P-NRes1 - Steam Trap and Compressed Air Survey	$1,111,620	-	$1,248,829	0	$634,396	0	$2,994,845	0
3rd Party	#3P-NRes1u - Steam Trap and Compressed Air Survey	$27,138	-	$27,138	0	$27,138	0	$81,414	0
3rd Party	#3P-NRes2 - Energy Challenger	$53,600	-	$53,600	0	$53,600	0	$160,800	0
3rd Party	#3P-NRes2u - Energy Challenger	$27,138	-	$27,138	0	$27,138	0	$81,414	0
3rd Party	#3P-NRes3 - Small Industrial Facility Upgrades	$961,884	134,650	$994,987	139,704	$1,043,130	147,054	$3,000,000	421,408
3rd Party	#3P-NRes3u - Small Industrial Facility Upgrades	$42,905	-	$42,905	0	$42,905	0	$128,716	0
3rd Party	#3P-NRes4 - Program for Resource Efficiency in P	$447,780	-	$478,664	0	$513,035	0	$1,439,479	0
3rd Party	#3P-NRes4u - Program for Resource Efficiency in P	$42,905	-	$42,905	0	$42,905	0	$128,716	0
3rd Party	#3P-Res01 - On Demand Efficiency	$1,172,894	-	$1,256,470	0	$765,271	0	$3,194,635	0
3rd Party	#3P-Res01u - On Demand Efficiency	$41,379	-	$41,379	0	$41,379	0	$124,138	0
3rd Party	#3P-Res02 - HERS Rater Training Advancement	$523,799	-	$475,200	0	$499,201	0	$1,498,200	0
3rd Party	#3P-Res02u - HERS Rater Training Advancement	$57,340	-	$57,340	0	$57,340	0	$172,020	0
3rd Party	#3P-Res03 - Multifamily Home Tune-Up	$973,201	16,832	$971,076	17,454	$999,085	18,374	$2,943,362	52,660
3rd Party	#3P-Res03u - Multifamily Home Tune-Up	$38,436	-	$38,436	0	$38,436	0	$115,308	0
3rd Party	#3P-Res04 - Multifamily Solar Pool Heating	$493,750	140,000	$732,850	144,000	$903,400	152,000	$2,130,000	436,000
3rd Party	#3P-Res04u - Multifamily Solar Pool Heating	$38,436	-	$38,436	0	$38,436	0	$115,308	0
3rd Party	#3P-Res05 - Community Language Effic Outreach	$225,152	-	$204,545	0	$170,303	0	$600,000	0
3rd Party	#3P-Res05u - Community Language Effic Outreach	$66,172	-	$66,172	0	$66,172	0	$198,517	0
3rd Party	#3P-Res06 - Multifamily Direct Therm Savings	$2,000,017	681,245	$2,000,015	686,738	$1,999,832	694,727	$5,999,864	2,062,710
3rd Party	#3P-Res06u - Multifamily Direct Therm Savings	$38,536	-	$38,536	0	$38,536	0	$115,608	0
3rd Party	#3P-Res07 - LivingWise™	$630,000	-	$630,000	0	$630,000	0	$1,890,000	0
3rd Party	#3P-Res07u - LivingWise™	$51,806	-	$51,806	0	$51,806	0	$155,418	0
3rd Party	#3P-Res09 - Manufactured Mobile Home	$2,505,750	63,498	$2,505,750	65,885	$2,505,749	69,356	$7,517,250	198,739
3rd Party	#3P-Res09u - Manufactured Mobile Home	$52,892	-	$52,892	0	$52,892	0	$158,676	0
3rd Party	#3P-Xc01 - Gas Cooling Retrofit	$483,885	-	$471,295	0	$439,820	0	$1,395,000	0
3rd Party	#3P-Xc01u - Gas Cooling Retrofit	$42,905	-	$42,905	0	$42,905	0	$128,716	0
3rd Party	#3P-Xc02 - SaveGas – Hot Water Control	$933,272	151,060	$933,272	151,060	$933,457	151,060	$2,800,000	453,180
3rd Party	#3P-Xc02u - SaveGas – Hot Water Control	$27,788	-	$27,788	0	$27,788	0	$83,364	0
3rd Party	#3P-Xc03 - Upstream High Efficiency Gas Water Hea	$806,667	-	$806,667	0	$806,666	0	$2,420,000	0
3rd Party	#3P-Xc03u - Upstream High Efficiency Gas Water Hea	$42,905	-	$42,905	0	$42,905	0	$128,716	0
3rd Party	#3P-Xc04 - California Sustainability Alliance	$1,097,000	-	$1,080,000	0	$1,093,000	0	$3,270,000	0
3rd Party	#3P-Xc04u - California Sustainability Alliance	$52,404	-	$52,404	0	$52,404	0	$157,212	0
3rd Party	#3P-Xc05 - Portfolio of the Future (PoF)	$1,001,000	-	$1,001,000	0	$998,000	0	$3,000,000	0
3rd Party	#3P-Xc05u - Portfolio of the Future (PoF)	$52,479	-	$52,479	0	$52,479	0	$157,437	0
3rd Party	#3P-Xc06 - Energy Efficient Ethnic Outreach	$1,021,599	-	$1,059,376	0	$1,119,025	0	$3,200,000	0
3rd Party	#3P-Xc06u - Energy Efficient Ethnic Outreach	$58,372	-	$58,373	0	$58,373	0	$175,117	0
	Third Party Program Subtotal	**$29,447,042**	**1,187,285**	**$30,485,021**	**1,204,841**	**$31,652,553**	**1,232,571**	**$91,584,615**	**3,624,697**
	Total Program Budget	**$147,235,209**	**28,965,521**	**$152,425,107**	**30,216,654**	**$158,262,768**	**32,168,070**	**$457,923,084**	**91,350,244**

III. Statewide Programs

A. Residential Energy Efficiency Program

The Residential Energy Efficiency Program (REEP) is designed to offer and promote specific and comprehensive energy solutions within the residential market sector. The Residential portfolio employs various strategies and tactics to overcome market barriers and to deliver programs and services aligned to support the Strategic Plan by encouraging adoption of economically viable energy efficiency technologies, practices, and services. The ultimate focus of the program is:

- To facilitate, sustain, and transform the long-term delivery and adoption of energy-efficient products and services for single and multi-family dwellings.

- To cultivate, promote and sustain lasting energy-efficient behaviors by residential customers through a collaborative statewide education and outreach mechanism.
- To meet consumers' energy efficiency adoption preferences through a range of offerings including single-measure incentives and more comprehensive approaches.

The 2009-2011 REEP is designed to begin the shift towards comprehensive energy efficiency changes in homes that are the goal of the Strategic Plan. It does this through a multi-pronged, comprehensive set of offerings that capture much of the current potential for single-measure savings while building the framework for the longer term need for more costly changes in building envelopes, HVAC systems, and occupant behavior patterns.

1. Home Energy Efficiency Rebates Program

The Home Energy Efficiency Rebate (HEER) program is a continuation of the existing program within the IOUs' residential energy efficiency portfolios, and a statewide program. Although SCE, SoCalGas, PG&E and SDG&E share similar program theory, design and goals, there may be slight variation in each IOU's implementation and local logistics.

The HEER program is designed to be part of the CEESP solution. In accordance with the CEESP, this program advances comprehensive energy efficiency measures, including; whole house solutions, plug load efficiency, performance standards, local government, and DSM integration opportunities. By offering customers educational materials on energy efficiency options and rebate/incentive offerings, HEER encourages customers to make energy efficient choices when purchasing and installing household appliances and equipment measures. In addition to influencing efficient purchases, the program educates customers on how to use products correctly. For many measures, the program offers immediate rebates at the point-of-sale (POS) in addition to an on-line/mail-in rebate application process.

The program targets owners and renters of single family residences as well as apartments,

townhomes, condominiums, and mobile homes, in parallel to the operation of the Multifamily Energy Efficiency Rebate (MFEER) program, by encouraging participants to install energy efficient products. This downstream implementation strategy will also include coordinated statewide elements as well as elements specially targeted to the customers in each utility's service area.

2. Home Energy Surveys Program

The Home Energy Efficiency Survey (HEES) Sub-Program is a statewide residential audit program that provides residential customers the opportunity to participate in a mail-in, online, and in-home energy analysis of their home. The primary intent of the program is to increase the residential adoption of energy efficiency, water conservation practices, and "green" technology opportunities. The surveys are available in multiple languages to meet the needs of hard-to-reach customers. The program is intended to inform participants of opportunities to save money and provide information regarding resources to execute the recommendations.

HEES is a resource for prompting integration and participation in other residential energy efficiency programs such as the Whole House Performance Program, the Manufactured Housing Program, the Residential Common Facilities Program, and the Single-Family & Multi-family Energy Efficiency Retrofit Programs.

3. Multifamily Energy Efficiency Rebates Program

The Multifamily Energy Efficiency Rebate (MFEER) Program is a continuance of the existing program within the IOU's residential portfolio. In accordance with the CEESP, this program advances comprehensive energy efficiency measures, including: whole house solutions, plug load efficiency, visual monitoring and displays, performance standards, local government opportunities, and DSM integration.

Multifamily property owners and managers are a historically less responsive market to

energy efficiency efforts. As one of California's largest industries, this unique customer segment warrants additional attention and effort to motivate property owners and managers to actively participate in energy efficiency programs. MFEER Program proposes a series of comprehensive measures to address systems within multifamily housing establishments.

The MFEER Program offers prescribed rebates for energy efficient products to motivate the multifamily property owners/managers to install energy efficient products in both common areas and dwelling areas of multifamily complexes and common areas of mobile home parks and condominiums. An additional objective is to heighten property owners/managers and tenants energy efficiency awareness and knowledge.

B. Statewide Commercial Energy Efficiency Program

The Statewide Commercial Energy Efficiency Program offers California's commercial customers a statewide-consistent suite of products and services to overcome the market barriers to optimized energy management. The program targets integrated energy management solutions, including energy efficiency, demand response (DR)[9], and distributed generation, through strategic energy planning support; technical support services, such as facility audits, calculation and design assistance; and financial support through rebates and incentives.

Targeted end-users include all commercial sub-segments such as distribution warehouses, office buildings, hotels, motels, laundry, restaurants, government, schools, universities, colleges, hospitals, retail facilities, entertainment centers, and "hard-to-reach" smaller customers that have similar buying characteristics.

The Statewide Commercial Energy Efficiency Program includes five core statewide sub-

[9] Although SoCalGas does not offer DR programs, it will coordinate as appropriate with SCE to optimize customer contacts.

program elements, including Continuous Energy Improvement, Non-Residential Audits, Direct Install, Deemed Rebates and the Calculated Support Services and Incentives. Each utility also offers local program elements, third party programs, and local government partnerships that complement and enhance this core offering for their region, as described below, and in complete detail in the Commercial Sub-Program descriptions. Together these offerings are designed to not only overcome the traditional market barriers to energy efficiency, but also use efficiency to advance demand reduction and distributed generation opportunities uniquely suited to the Commercial segment.

1. Calculated Incentives

The statewide non-residential Calculated Incentives sub-program provides customers technical and calculation assistance, as well as incentives based on calculated savings, to influence the design and installation of energy efficient equipment and systems in both retrofit and added load applications.

The Calculated Incentives sub-program is utilized for projects where a rebate is not available through the statewide Deemed program, where project conditions require customized calculations to provide the most accurate savings estimates, or where a project has interactive effects that are best captured through whole building or whole system modeling. Because calculated savings estimates are based on actual customer operating conditions, pre-inspections (for retrofit projects) and post-inspections are typically required as part of each utility's project documentation.

2. Deemed Incentives

The statewide commercial Deemed Incentives sub-program provides rebates for the installation of new energy efficient equipment. Deemed retrofit measures have prescribed energy savings and incentive amounts and are generally intended for projects that have well

defined energy and demand savings estimates (i.e., T12 to T8 replacements). The Deemed Incentive mechanism is designed to help influence the installation of energy efficient equipment and systems in both retrofit and added load applications by reducing the initial purchase costs of such equipment and reducing the "hassle" of participating in utility rebate programs by offering a simple application process.

The Deemed Incentives sub-program directly addresses key market factors that lead to higher energy costs for California businesses. Providing a menu of prescribed common measures simplifies the process of reviewing project proposals and provides a "per-widget" rebate that reduces the cost of retrofitting outdated and inefficient equipment. This sub-program makes it attractive for customers to spend money in the short-run in order to achieve lower energy costs in the long-run

3. Non-Residential Audits Program

The Non-Residential Audits (NRA) sub-program is designed to deliver a coordinated statewide integrated demand side management activity that promotes energy efficiency, demand response, distributed generation and emerging technologies. Within the Non-Residential Audit umbrella, there are three distinct elements:

Remote Audit: The Remote Audit element is designed as a "do-it-yourself" audit tool that is offered to customers in various formats including, but not limited to, web-based, mail-in, and telephone-based. The audit results will be available in English as well as other languages based on particular demographics for each IOU service territory.

Integrated Energy Audits: The Integrated Energy Audit (IEA) element is designed to help customers understand and identify their energy usage and provide concrete suggestions for maximizing energy efficiency, demand response, and distributed-generation options. The goal is to educate customers and offer implementation guidance to bridge the education/action gap. A

full spectrum of energy management services will be offered to customers in support of the Integrated Demand-Side Management (IDSM) portfolio. In addition, IEA will provide Savings Calculation Assistance (SCA) targeted to specific end-uses and systems for retrofit applications in existing buildings. SCA will be provided by the IOU engineers or through contracted third-party energy engineering firms and will help customers prepare and submit accurate, technically complete retrofit project applications to the Commercial Deemed and Calculated Incentive sub-programs. This technical assistance will expedite the process and reduce expensive and time consuming rework later in the process.

Retro-commissioning: The Retro-commissioning (RCx) element is designed to optimize existing building or system performance by identifying operational deficiencies and making necessary adjustments to correct the deficiency. A "Master List of Findings" results from the initial assessment that identifies low-cost projects with simple payback periods of less than 4 years. These projects may involve resetting, repair or replacing of existing system controls and components. Larger scale retrofit projects that result from the assessment are referred to other sub-programs for completion (i.e. Calculated and Deemed Incentives).

4. Continuous Energy Improvement

Continuous Energy Improvement (CEI) is a consultative service that is aimed at helping large commercial customers engage in long-term, strategic energy planning. Corporate energy management is not currently part of normal business operations for the majority of utility customers and with current economic pressures forcing customers to reduce costs and focus more on their core business, it is likely to be further marginalized. CEI proposes to reintroduce the importance of energy management by transforming the market (and reducing energy intensity) through a comprehensive approach that addresses both technical and management opportunities and creates sustainable practices through a high-level energy commitment from

executive and board-level management.

CEI applies the principles of well-known business continuous improvement programs, such as Six Sigma and International Standards Organization (ISO) standards, to facility and plant energy management: (1) Commitment; (2) Assessment; (3) Planning; (4) Implementation; and (5) Evaluation and Modification. At each stage of customer engagement, there are a variety of complementary utility and non-utility products and services that can be customized to fit different customer profiles and optimize the cost effectiveness of the delivered energy management solution.

C. Statewide Industrial Energy Efficiency Program

The Statewide Industrial Program offers California's industrial segment a statewide-consistent suite of products and services designed to meet customer needs, overcome market barriers to optimized energy management, enhance adoption of integrated demand-side management (IDSM) practices, and advance the industry toward achieving the goals of the Strategic Plan. The program overcomes barriers through strategies that provide an integrated solution to the customer; create heightened awareness through education and outreach; and foster continuous energy improvement (CEI). The program also promotes use of commonly accepted standards—such as those established by the ISO or DOE SEP program to document a facility's attainment of high resource management levels—and branding and certification to garner market recognition for this achievement. In addition, it supports training to create a highly skilled energy efficiency workforce that is accessible to industry.

Industries are uniquely suited to integrated energy strategies, and an integrated approach should be an effective way to help customers meet overall economic and green goals. In alignment with California's preferred loading order, however, the utilities will continue to

aggressively market and support energy efficiency first as the most cost-effective energy resource through education and training, as well as when pursuing strategic energy planning with customers.

1. Nonresidential Audits

Nonresidential Audits, including basic audits, Integrated Audits, and Retro Commissioning (RCx) audits (see the PIP section on Audits for details), provide an inventory of technical project opportunities and financial analysis information that can populate a customer's short- or long-term energy plan, as well as overcome informational and technical customer barriers.

2. Calculated Program

The Calculated program offering provides standardized incentives—as well as comprehensive technical and design assistance—for customized and integrated energy efficiency/DR initiatives in new construction, retrofit, and RCx projects (see CEI sub-program description for details). This sub-program overcomes information, technical, and financial barriers, and because it presents a calculation method that can consider system and resource interactions, will become the preferred approach for supporting the integrated, whole system, and multi-resource management strategies of the Strategic Plan.

3. Deemed Rebates

The Deemed rebate offering provides utility representatives, equipment vendors, and customers an easy-to-use mechanism to cost-effectively subsidize and encourage adoption of mass market efficiency measures through fixed incentive amounts per unit/measure for installed energy-saving projects.

4. Continuous Energy Improvement

Continuous Energy Improvement (CEI), a non-resource sub-program, describes a

collection of strategic planning tools and resources that lay the groundwork for long-term integrated energy planning and provide a platform for launching other utility and non-utility programs and services. Through analysis, benchmarking, long-term goal setting, project implementation support, performance monitoring, and ultimately energy management certification, CEI aims to transform the market away from a "project-to-project" approach toward a continuous improvement pathway. In support of the Strategic Plan, CEI also sets the stage for integration of non-energy resources, such as GHG reduction, water conservation, and regulatory compliance.

D. Statewide Agricultural Energy Efficiency

The Statewide Agriculture Program offers California's diverse agricultural customers a statewide-consistent suite of products and services to overcome the market barriers to optimized energy management. The program targets integrated energy management solutions, including energy efficiency (EE), demand reduction (DR), and distributed generation (DG), through strategic energy planning support, technical support services, such as facility audits, pump tests, calculation and design assistance, and financial support through rebates and incentives. The Program adopts and supports the strategies and actions of the Agriculture and Industrial chapters of the CEESP.

Targeted end-users include agricultural growers (crops, fruits, vegetable, and nuts), greenhouses, post-harvest processors (ginners, nut hullers, and associated refrigerated warehouses), and dairies. Food processors targeted through each utility's program efforts may also include fruit and vegetable processors (canners, dryers, and freezers), prepared food manufacturers, wineries, and water distribution customers. As described in the market characterization summary below, market sub-segments in this Program vary widely and require

targeted strategies.

1. Non-Residential Audits

Nonresidential Audits, including basic audits, Integrated Audits, and Retro-Commissioning (RCx) audits, provide an inventory of technical project opportunities and financial analysis information that can be used to support a customer's short- or long-term energy plan, and overcome both informational and technical customer barriers.

2. Calculated Program

The Calculated program offering provides standardized incentives for customized and integrated energy efficiency/DR projects in new construction, retrofit, and RCx projects, and offers comprehensive technical and design assistance for each. It overcomes information, technical, and financial barriers. As a more customized calculation method that can consider system and resource interactions, it will also be the preferred approach for supporting the integrated, whole system, and multi-resource management strategies of the Strategic Plan.

3. Deemed Rebates

The Deemed rebate offering provides utility representatives, equipment vendors, and customers an easy-to-use mechanism to cost- effectively subsidize and encourage adoption of mass market efficiency measures through fixed incentive amounts per unit/measure for energy saved/projects installed. While Deemed rebates lend themselves well to penetrating the small and medium customer market, they are also a cost effective and efficient way to process large customer projects targeted through large customer strategies.

4. Continuous Energy Improvement

Continuous Energy Improvement (CEI), a non-resource sub-program, describes a collection of strategic planning tools and resources that lay the groundwork for long-term integrated energy planning and serve as a launching platform for other utility and non-utility

programs and services. Through analysis, benchmarking, long-term goal setting, project implementation support, performance monitoring, and potentially access to energy management certification offered through evolving Department of Energy (DOE) and International Organization for Standardization (ISO) efforts, CEI aims to transform the market from a "project-to-project" approach toward a continuous improvement pathway. In support of the Strategic Plan, the CEI approach also sets the stage for non-energy resource integration, such as greenhouse gas (GHG) reduction, water conservation strategies, and regulatory compliance.

5. Pump Test

Because pumps account for an estimated 80 percent of the electric load in California's agricultural segment, the Pump Test sub-program aims to overcome key informational, technical, and financial barriers to pump optimization by offering pump tests, repair incentives, and targeted education, training and technical support for customers and pump companies. Each IOU's database of pump test results will be used in the near-term to target pumps in need of repair as a means to capture savings. However in the mid-term, this pump performance data aggregated at the statewide level will contribute to the development of metrics and targets for pump improvements, in support of the pumping focus in the CEESP.

E. Statewide New Construction Program

The New Construction Program is a statewide program that will continue to support transformation process of California's residential and nonresidential new construction markets consistent with the vision of the CEESP and a more sustainable energy efficient future. Through several Sub Program elements, the New Construction Program aims to ensure:

- Home builders of all production volumes in California will be encouraged to construct homes that exceed California's Title 24 energy efficiency standards by at least 15%;

- Residential new construction will work towards reaching "zero net energy" (ZNE) performance for all single and multi family homes by 2020;
- By 2011, 50% of new homes built in California will be 35% more efficient than 2005 Title 24 standards and 10% will be 55% more efficient ;
- Plug loads will be managed for decline through technological innovation spurred by market transformation and customer demand for energy efficient products;
- Nonresidential new construction will be progressively more efficient and include clean, on-site distributed generation, moving towards Zero Net Energy (ZNE) by 2030.

1. Savings By Design (SBD)

This Sub Program aims for significant energy efficiency improvements in the nonresidential new construction industry, and is designed to overcome customer and market barriers to designing and building high performance facilities. Since 1999, SBD has provided statewide consistency, program stability and savings.

California's Title 24 requirements set some of the most stringent energy regulations in the nation. Exceeding these standard energy performance levels requires a high level of design expertise, technical knowledge, and motivation. The requirements also can be complex and sometimes confusing. Because many in the design field are unaware of the potential savings from energy efficient design or perceive budgetary constraints, they are reluctant to implement energy-efficiency strategies. As a result, energy efficiency is often a lost consideration, abandoned in favor of pursuing the "lower initial cost" option. SBD strives to avoid lost opportunities by assisting customers in moving beyond initial cost considerations and towards the realization of long-term energy cost savings.

Through an integrated design approach (a Whole Building Approach that encourages performance significantly better than Title 24 code by offering a variety of financial incentives) as well as a Systems Approach for simpler facilities where integrated opportunities are limited,

SBD encourages energy efficiency and green building practices in new commercial buildings. These financial incentives are supplemented by a variety of other support activities such as: feasibility studies and pilot projects, training and education, conferences and workshops, scholarships, and program marketing activities. In the 2009-2011 portfolio period, SBD will advance a broader palette of technical and financial resources to aid the proactive design of new facilities in accordance with the most cost-effective energy and resource efficiency standards. SBD will incorporate several new approaches towards integrated design and green building certification in support of the CEESP.

The SBD program at So Cal Gas will be directed to the Municipal utilities that are within So Cal Gas's service territory, such as LADWP, City of Riverside, City of Anaheim and others within the greater Los Angles area. These municipal utilities have been tasked to achieve energy efficiency goals but are severely constrained by budgets and especially, personnel assigned to run and manage them. By offering the SBD program to their customers, we can offer them the benefits of a mature, robust, statewide program offering incentives to both owners and design teams, while making it very cost effective for the municipal utility ("muni") in reaching their energy efficiency goals. To assist them in their efforts SoCalGas proposes running the SBD program in their service territories as a third party program. SoCalGas would promote the SBD program within the design community and to building owners in each municipality and assist those owners throughout the design process in making the buildings as energy efficient and green as possible. SoCalGas personnel would seek out projects and work actively with the various design teams and owners in making energy efficiency a priority. It's envisioned that SoCalGas would use the whole building integrated design approach in working with these projects to maximize energy efficiency and hence, energy savings. SoCalGas would sign incentive

contracts with building owners within each muni and provide incentives for kWh, kW and therms. Upon completion and inspection of these projects, SoCalGas would claim the gas therm savings in their overall EE portfolio and each muni would claim the kWh and kW savings towards their energy efficiency goals. The muni would then reimburse SoCalGas for the incentives paid out for kWh and kW savings and a small administrative fee for program administration.

This would provide a revolutionary and collaborative approach in achieving additional energy savings. In addition, close cooperation among the utilities would provide maximum potential for increasing energy savings that would be cost effective. By implementing this program to their customers the munis benefit from the programs past successes and increasing customer service to their valuable commercial customers.

2. California Advanced Homes Program (CAHP)

The California Advanced Home Program (CAHP) encourages single and multi-family builders of all production volumes to construct homes that exceed California's Title 24 energy efficiency standards by a minimum of 15 percent. This goal will be achieved through a combination of incentives, technical education, design assistance, and verification. With respect to the CEESP (Section 2, Strategy 1-1), the CAHP targets an interim goal of 50 percent of residential new construction to Tier II (2005) level by 2011, and a final goal of 100 percent of residential new construction to "net zero" by 2020.

Through a pay-for-performance sliding scale incentive structure that is based on a whole building approach, CAHP will encourage builders to exceed Title 24 energy efficiency standards by 15% to 45%. Performance Bonus adders, Design Team Incentives and some prescriptive measure incentives will also be included to encourage green building initiatives, energy star appliances, compact homes, and solar thermal installations. In addition, several non incentive

customer services will be offered, including: technical support to Energy Analysts and Design teams, Design Team Assistance, Economic modeling / measure selection support to builders, marketing support and DSM coordination for builders to maximize demand side reductions. CAHP will be closely coordinated with the Zero Net Energy Homes, described below.

3. Zero Net Energy Homes (ZNEH)

The purpose of this Sub Program is to examine a wide array of energy saving technologies, accelerate the market acceptance of new and emerging technologies, explore new solutions, and encourage distinctive approaches in demonstration projects. Participating builders will be encouraged to incorporate environmentalism, economics, and social equity in their design, while integrating landscape into the built environment for human interaction. Each being distinctive, these case studies will be positioned to highlight the underutilized potential of sustainability in residential new construction. IOUs will seek to integrate R&D ideas from Emerging Technologies, PIER, LBNL and other avenues to further assist the projects in advancing sustainability and achieving higher levels of energy efficiency.

4. Manufactured Housing

This Sub Program is designed to promote the construction of new manufactured homes that comply with ENERGY STAR® energy efficiency standards. It targets manufacturers, retailers, and homebuyers of new manufactured homes. The current baseline for manufactured homes is the Housing and Urban Development (HUD) standard specification. The program encourages manufacturers to go beyond HUD and install "right-size" heating, cooling, and ventilation equipment (HVAC), install high-efficiency HVAC equipment, and evaluate homes on a whole-building basis covering windows, insulation levels, and quality installation inspections. The key objectives of this Sub Program are to capture cost effective energy savings and demand reduction opportunities and move the industry towards zero-net energy. Additionally, this Sub

Program aims to move the market segment from 'HUD compliant' to ENERGY STAR and provide savings for customers purchasing energy efficient manufactured homes. The program will also include an education and outreach component.

F. Statewide HVAC Program—HVAC Quality Maintenance Program

This sub-program may represent one of the more creative aspects of the HVAC "Big Bold Energy Efficiency Strategy." It is based on the assumption that there are energy and demand savings achievable through the regular application of quality maintenance procedures applied to existing residential and commercial HVAC equipment. This sub-program intends to (1) quantify those potential savings and (2) develop and implement both a residential and commercial maintenance program focused on comprehensive, continuously improving O&M activities that capture those savings and provide a high ROI to the end-user thus driving the intense level of market transformation of the HVAC industry envisioned by the CEESP.

G. Statewide Codes & Standards

The Codes and Standards (C&S) Program saves energy on behalf of ratepayers by directly influencing standards and code-setting bodies to strengthen energy efficiency regulations, by improving compliance with existing codes and standards, and working with local governments to develop ordinances that exceed statewide minimum requirements.

The C&S Program conducts advocacy activities to improve building and appliance efficiency regulations. The principal audience is the California Energy Commission (CEC), which conducts periodic rulemakings, usually on a three-year cycle (for building regulations), to update building and appliance energy efficiency regulations. C&S also seeks to influence the United States Department of Energy (DOE) in setting national energy policy that impacts California.

1. Building Codes: Advocacy, Extension of Advocacy (EOA) and CASE Studies

C&S advocacy comprises a portfolio level strategy that complements incentive and information offerings in several ways. Since IOU incentive and rebate programs typically capture only a small percentage of the market, a transition to regulatory intervention is essential to maximize portfolio energy savings. This transition to code causes a once high-margin product to become an industry standard; thereby reducing the overall cost to society for energy efficiency. This commoditization effect, in turn, spurs innovation for new high-margin products since most manufacturers and other industry practitioners seek to compete in part on high-margin differentiated products.

2. Compliance Enhancement (CE): Measure-Based and Holistic

The Compliance Enhancement subprogram, whose primary purpose is to increase the number of customers complying with code, is based on the Code Compliance Enhancement Programs Protocol featured on pages 100-103 of California Energy Efficiency Evaluation Protocols: Technical, Methodological, and Reporting Requirements for Evaluation Professionals. Per the evaluator's protocols, Compliance Enhancement Programs require a separate program theory and logic model, and before and after measurements of compliance rates. Hence, a separate logic model for the CE subprogram is included at the end of this document. This subprogram has two elements including measure-specific and holistic.

CE subprogram activities – in that, these are not carried out as extension of advocacy – include two elements based on the CPUC's Evaluator's Protocol for Code Compliance Enhancement Programs: 1) the measure-based element is aimed at codes or standards not adopted as a result of the Program, similar to extension of advocacy efforts, and 2) the holistic compliance enhancement subprogram seeks to improve building department energy code enforcement processes from beginning to end. Compliance improvement responds to the

CPUC's interest in robust implementation of existing standards and support for the CEESP's HVAC Big Bold strategies.

3. Reach Codes (RC): Local Government Ordinances and Green Building Standards

The Reach Codes subprogram will develop and/or support the development of reach codes, or locally adopted ordinances, that exceed statewide minimum requirements. Reach codes are typically codes adopted by local governments and provide a means to test new codes as well as testing the efficacy of increasing the stringency of existing codes at a local level prior to disseminating the code on a statewide basis. Each jurisdiction's experience with local codes can be used to inform the state's process by documenting both the successes and barriers faced for both adoption and implementation.

The Program will encourage all local governments to first optimize compliance with existing codes. In addition to the biggest savings opportunity, sub-optimal compliance with the existing code will erode potential savings from a new code. The reach code subprogram is designed to facilitate mutual support from the utilities and local governments to realize the full savings potential from codes, both statewide, and at a local level. The IOUs will request that prior to adopting any new codes, building department staff attend role-based training as well as relevant measure-specific training (HVAC replacements, controls under skylights, etc.), and to identify, implement and document two actions designed to increase compliance. Examples might include: conducting outreach to market actors in the community, adding or expanding online services, providing a financial incentive to those who submit required compliance documents, or offering rewards such as expedited plan check services for contractors with high compliance rates. Incentive programs may also require acceptance testing to improve energy savings from installed equipment and provide incentives to contractors to participate in advanced

hands on training. Observations of contractor performance at the hands on training can in turn be used to improve the acceptance test methods or materials for the next round of standards.

H. Statewide Emerging Technologies

The mission of the Emerging Technologies Program (ETP) is to support increased energy efficiency market demand and technology supply (the term supply encompassing breadth, depth, and efficacy of product offerings) by contributing the development and deployment of new and underutilized energy efficiency (EE) measures (that is, technologies, practices, and tools), and by facilitating their adoption as measures supporting California's aggressive energy and demand savings goals.

Increased market demand and increased technology supply are reinforcing effects – each working to spur the other. As market demand increases, market-pull leads to technology supply increases. As technology supply increases, changes in perceptions and attitudes, work to stimulate increased market demand.

1. Technology Resource Incubator Outreach (TRIO) Program

TRIO is a statewide program that aims to draw a greater number of providers of desired, energy saving measures into the utility EE programs (and the IDEEA program, for Southern California Edison) by:

- Providing training workshops
- "Mentoring" on energy efficiency
- Coordinating with existing clean tech programs (such as the California Clean Tech Open and various clean tech business clusters)

2. Zero Net Energy Laboratory

PG&E has proposed a Zero Net Energy Laboratory subprogram within the utility's ETP PIP. SoCalGas' ETP will leverage and co-fund activities at the laboratory to gain information on

technologies that could be utilized to achieve the zero energy goals.

Aware of the need for new technologies to meet California's ZNE goals for homes and commercial buildings, vendors are presenting a range of products designed to provide specific energy savings benefits. However, before incorporating such products into customer offerings, independent verification of performance and energy savings claims under a controlled laboratory setting are needed to avoid expending time, money, and resources on offerings that do not provide the expected energy savings and other customer benefits--and put customer satisfaction at risk.

3. Zero Net Energy Demonstration

SoCalGas' ETP will exchange information and collaborate with PG&E on the utility's Zero Net Energy Demonstration Home, as issues related to the consumption of natural gas are identified and potential project ideas are scoped.

Achieving California's ambitious ZNE goal for new homes will require a host of innovations and a shift beyond the single technology approach into whole home solutions. To accomplish this, new technologies, a clear understanding of the evolving performance of integrated technologies, and real-world experience with technologies will be critical for future program successes.

Also needed are resources for education and training homeowners, builders, manufacturers, contractors and others about ZNE homes. These resources need to be sufficiently concrete to raise confidence in the collective ability to achieve the ZNE goal—and sufficiently stimulating enough to spark innovation in the market and market actors. Today, no such resource exists.

4. Technology Centers

This subprogram will leverage and co-fund technology testing at SCE Technology Test

Centers including ZNE test facility for technologies that impact natural gas use. Southern California Edison's TTCs provide unique capabilities for evaluating performance of new technologies. The TTC is currently comprised of three test facilities focused on distinct end uses: Refrigeration, Air Conditioning, and Lighting. These facilities are widely known for their past accomplishments in testing and promoting energy efficient technologies and strategies.

In the 2009-11 program cycle, a fourth test facility will be added to the portfolio to help meet California's new ZNE goal for residential construction, with potential to also address commercial needs. This facility, the Advanced Residential Test Center (ARTC), will be used to investigate the viability of energy efficiency, demand response, smart meters, and on-site renewable generation in meeting the needs of builders and occupants. It will be designed as a flexible facility to accommodate a range of different envelope, space conditioning, lighting, plug load, and renewable technologies. The ARTC will provide the opportunity to examine these technologies on a system level, while individual benefits can be assessed in the existing TTCs.

I. Statewide Workforce Education & Training

The Statewide IOU Workforce Education and Training (WE&T) Program represents a portfolio of education, training and workforce development planning and implementation funded by or coordinated with the IOUs: Pacific Gas & Electric (PG&E), Southern California Edison (SCE), San Diego Gas & Electric (SDG&E), and SoCalGas. Education and training is a vital component to each of the IOU energy efficiency portfolio filings for 2009-2011 and integral in supporting achievement of IOU energy savings targets and the workforce objectives set forth in the Strategic Plan. Workforce Education & Training has become an important crosscutting activity for the IOUs in an effort to not only educate and train current workers, but to prepare future workers to be able to successfully perform the jobs needed to help achieve increased energy savings targets for the IOUs and California's clean energy goals.

1. WE&T Centergies

The WE&T Centergies Sub-Program is generally organized around market sectors and cross-cutting segments to facilitate workforce education and training appropriate to achieve the energy savings, demand reductions and related energy initiatives required of the IOUs. Energy Centers represent the largest component of this Sub-Program group, have many years of experience in creating and disseminating high-quality programs, and provide WE&T curriculum and related deliverables - training courses, seminars, workshops, clean energy technology demonstration, equipment efficiency testing, interactive training exhibits and lectures to promote industry trends and developments for advancing energy efficiency as a professional discipline. Statewide Energy Education and Testing Centers (Centers) are located in the IOU's service territories. For many years, they have served as the IOU's primary delivery channels for mid-stream/up-stream workforce education and training, information dissemination, and education/outreach coordination. IOU administered Third-party, Partnership, Local Government and Emerging Technology programs, Codes and Standards, Heating, Ventilation and Air Conditioning (HVAC), Low Income Energy Efficiency (LIEE), as well as other community-based training efforts are supported by the Energy Centers to sponsor workforce training courses.

The Statewide Building Operator Certification (BOC) Training Partnership, the second component of this subprogram, will continue to play a major role in improving and maintaining California's energy efficient green collar building workforce stock of building engineers, stationary engineers, maintenance supervisors, maintenance workers, facility coordinators, HVAC technicians, electricians, , and others in the facility operation and maintenance field. The IOUs have been collaborating with BOC to offer California building operators competency-based training and certification, resulting in improved job skills and more comfortable, efficient facilities. Operators earn certification by attending training and completing project assignments

in their facilities. Training topics include facility electrical, HVAC and lighting systems, indoor air quality, environmental health and safety, and energy conservation. The IOUs will work with BOC to shape and realign the BOC certification program to be consistent with the CEESP.

2. WE&T Connections

The WE&T Connections statewide Sub-Program is organized around downstream and upstream IOU relationships with the educational sector, entry and intro-level community-based training efforts that support workforce development in energy efficiency, energy management and new emerging green careers. This Sub-Program focuses emphasis on education curriculum and related activities that inspire interest in energy careers, new and emerging technology, as well as future skills development to advance the energy initiatives and goals of the state. This Sub-Program involves expanded relationship building to foster curriculum development and related training that are a result of existing and expanding industry needs. IOUs will work with education institutions, labor and communities to nurture interest in green careers by K-12, community college, occupational, vocational, and major university students, as well as assist in growth of low-income and transitional workforce targeted clean energy training programs.

J. Statewide Marketing, Education & Outreach (ME&O)

The purpose of Marketing, Education and Outreach is to increase utility customer awareness and participation in cost-effective energy-saving activities offered by the utilities, as well as to promote behavior changes that result in energy management efforts that save energy and reduce greenhouse gas (GHG) emissions, in coordination with demand response and renewable self-generation options. To be successful, ME&O must move consumers through a transitional process from awareness to attitude change to action.

Californians are currently engaged in a broad public discussion about energy use and its relationship to global warming and the environment. AB 32 set the stage for a statewide

transition to a clean energy future by requiring the reduction of greenhouse gas emissions to 1990 levels by 2020. Across numerous studies, energy efficiency strategies consistently are identified as uniquely able to significantly reduce GHG emissions and do so with a net economic savings. As a result, there is increased awareness among consumers and businesses to do their part. A strategic window of opportunity exists to use ratepayer-funded ME&O to leverage public and private messages on global warming to achieve greater impact on consumer awareness of, and demand for, energy efficient actions.

1. Statewide Marketing & Outreach

The Statewide Marketing & Outreach campaign is a three-firm effort currently implemented under the Flex Your Power brand that has been carefully planned and executed since 2003, with the guidance of and in conjunction with the state's IOUs and the Commission. The campaign plans for which they are responsible are:

Firm	Campaign Plan
Efficiency Partnership (EP)	General Market
Staples Marketing (Staples)	Hispanic Market
Runyon Saltzman & Einhorn, Inc. (RS&E)	Rural-Area Market

The objective is to educate ratepayers about how they can take action on energy efficiency by giving them the necessary tools and information on how to do so. Overall the campaign focuses on providing information resources on purchasing energy efficiency products and services, as well as behavior changes that include conservation and efficiency actions.

Working in collaboration, utilities have taken great care to integrate campaigns and to avoid duplication and overlap among markets. For example, the overriding messages encouraging reduction of energy consumption are essentially the same, all utilities feature and operate under the Flex Your Power brand, and utilities share resources and call to action tools

such as brochures, a Web site (www.fypower.org and www.flexyourpower.org) and toll-free telephone line (1-866-431-FLEX). Conversely, IOUs plan and place media so that each campaign augments the overall effort, and doesn't compete or duplicate mediums. In other words, programs are designed to work in conjunction and are executed accordingly.

2. Strategic Plan Implementation

The goal of the ME&O Strategic Planning effort is to create a culture in California that practices energy efficiency and other demand side management options as a way of life resulting in both short term and long term behavior change. Because many consumers believe that they are already doing everything they can to save energy[10], a concerted effort must be made to convince them that they can, in fact, do more.

In alignment with the CEESP, branding, segmentation and social marketing activities will be key components of both the assessment/creation of California's new DSM brand and implementation of a statewide marketing and outreach plan. The results will inform the Commission's decision regarding the future direction of statewide marketing and outreach which could involve continuing with or broadening the scope of the current statewide marketing and outreach program, or launching an entirely new DSM brand for California in years 2010-2011.

K. Statewide Integrated DSM

The Strategic Plan encourages programs that integrate the full range of demand-side management (DSM) options: energy efficiency (EE), demand response (DR), and distributed generation (DG) as fundamental to achieving California's strategic energy goals.

The IOUs have identified integrated DSM (IDSM) as an important priority. SoCalGas has included separate exhibits on IDSM as well as specific integration activities within each

[10] Statewide Flex Your Power 2007 Tracking Study – Hiner & Partners, Inc.

program implementation plan at the Statewide and local program levels as instructed by the CPUC.

In addition to SoCalGas and other IOUs' individual IDSM activities and pilots, the IOUs are proposing a statewide IDSM effort that will establish a Statewide Integration Task Force (Task Force). Efforts of the Task Force will encompass activities that promote in a statewide-coordinated fashion two specific IDSM strategies identified in the Strategic Plan (e.g. stakeholder coordination (Strategy 1.3) and new technologies (Strategy 1.4)). The IOUs believe that Strategy 1.1—"Carry out integrated marketing of DSM opportunities across all customer classes" should be coordinated with the statewide Marketing, Education and Outreach efforts (see ME&O PIP) and implemented at the local level by the IOUs focused on particular segment and customer-specific strategies. The Task Force will coordinate closely with the Marketing, Education and Outreach statewide team to ensure a consistent approach and the gain knowledge from statewide and local marketing and outreach efforts.

VI. Local Programs

A. Local Institutional Partnerships

Institutional Partnerships are designed to create dynamic and symbiotic working relationships between Investor-Owned Utilities (IOU), state or local governments and agencies or educational institutions. The objective is to reduce energy usage through facility and equipment improvements, share best practices, and provide education and training to key personnel. SoCalGas' 2009-2011 statewide partnership portfolio will focus strongly on supporting the key CEESP goal of Demand Side Management (DSM) integration and coordination, which includes establishing integration procedures, piloting DSM integration programs, and improving regulatory coordination. The 2009-2011 Institutional Partnerships will also concentrate on innovative delivery channels and funding mechanisms to meet current

economic conditions and achieve program integration and savings.

1. California Community Colleges Partnership (CCC)

The CCC/IOU Energy Efficiency Partnership has been a successful collaboration between the California Community Colleges (CCC) and the four Investor-Owned Utilities (IOUs). The CCC is a two-year public institution of higher education that is composed of 110 colleges statewide and organized into 72 self-governing Districts. It serves more than 2.6 million students coming from a wide range of cultural and economic backgrounds, and represents the largest system of higher education in the world. SoCalGas alongside the other IOUs (PG&E, SDG&E and SCE), will continue this collaboration, which started with the 2006-08 CCC/IOU Energy Efficiency Partnership, to share best practices and implement energy efficiency programs and projects for immediate and long-term energy savings and peak demand reduction.

This partnership provides a unique opportunity to deliver cost effective energy savings while leveraging the CCC's local and statewide new construction bond funding. The 2009-11 CCC/IOU Partnership will expand its efforts for the implementation of energy-efficient Retrofits, New Construction Design Assistance facilitated by the Savings By Design program, Demand Response, Retro-Commissioning (RCx), and Monitoring-Based Commissioning (MBCx) projects. The program will also focus its efforts on training and education, which will expand existing education programs by training faculty and staff in best practices on energy efficient technology implementation and energy management.

2. California Department of Corrections and Rehabilitation Partnership (CCDR)

SoCalGas and the California Department of Corrections and Rehabilitation (CDCR) are collaborating to continue the Department of Corrections and Rehabilitation/Investor-Owned Utility (IOU) Partnership for the 2009-2011 cycle. The CDCR/IOU partnership is a customized statewide energy efficiency partnership program that accomplishes immediate, long-term peak

energy demand savings and establishes a permanent framework for sustainable, long-term comprehensive energy management programs at CDCR institutions served by California's four large IOUs.

This program capitalizes on the vast opportunities for efficiency improvements and utilizes the resources and expertise of CDCR and IOU staff to ensure a successful and cost-effective program that meets all objectives of the California Public Utilities Commission (CPUC or Commission). The program also leverages the existing contractual relationship between CDCR and Energy Service Companies (ESCOs) to develop and implement energy projects at CDCR facilities statewide. CDCR is comprised of Adult Institutions, Parole Offices, Community Conservation Camps, and Juvenile Facilities which encompass an estimated 47,714,415 square feet of occupied space.

3. UC/CSU Partnership (UC/CSU)

The University of California, California State University (UC/CSU), SoCalGas and the three other IOUs are collaborating to continue the Energy Efficiency Partnership Program to share energy efficiency best practices and to implement energy efficiency projects for immediate and long-term energy savings and peak demand reduction.

The UC/CSU/IOU Partnership is a natural fit with the goals, objectives and strategies articulated in the CEESP. The partnership was designed to achieve immediate energy and demand savings and establish a permanent framework for sustainable, comprehensive energy management programs. The partnership program is an existing statewide nonresidential program that will continue in the 2009-11 program cycle. It will continue to offer incentives for retrofit projects, monitoring-based commissioning, and training for campus energy managers.

4. State of California Partnership (State of CA)

SoCalGas and the State of California are collaborating to continue the State of

California/Investor-Owned Utilities Energy Efficiency Partnership program for the 2009-11 program cycle. This program's goals include sharing energy efficiency best practices and implementing projects to capture immediate and long-term energy savings and to produce mechanisms for peak demand reduction.

The program will assist the State's agencies to reduce the amount of energy they purchase from the grid by 20 percent by the year 2015, as required by the Governor's Executive Order S-20-04 (i.e. Green Building Initiative (GBI)). Like all Executive Orders, the GBI is an unfunded mandate that requires State agencies to support the Governor's environmental agenda.

Accompanying the GBI is the Green Building Action Plan (GBAP), which contains detailed instructions on how to achieve the mandated energy savings and reduction in demand. In addition to requiring all new construction and large renovations to meet Leadership in Energy and Environmental Design (LEED) silver certification requirements, the GBAP directs the state to benchmark, retro-commission, and retrofit its existing building stock.

B. SoCalGas Local Government Partnerships

SoCalGas' Government Partnership program is complex and multi-dimensional to capture the varied ways that SoCalGas works with governments in its 2009-2011 portfolio. First, local governments are a distinct customer segment that operates with their own unique challenges and needs related to energy efficiency. Second, local governments also serve as a delivery channel for specific products and services when they serve as Local Government Partnerships. Finally, local governments have a unique role as leaders of their communities. Increasingly, local governments are interpreting their moral responsibility for community well-being to include reducing greenhouse gas (GHG) emissions, increasing renewable energy usage, protecting air quality, creating green jobs, and making the community more livable and sustainable.

The Government Partnership program is designed to reach local governments in all of their roles. Depending upon the activity, SoCalGas may play a different role with the local government, ranging from service provider to supporter to equal partner. Governments increasingly engage in strategic planning for GHG reduction not only in their facilities (represented in the municipal GHG inventory) but also in the community (analyzed in the community GHG emissions inventory). Opportunities increase for partnerships with utilities to meet mutual goals of energy reduction. These governments can not only coordinate and integrate demand-side management opportunities in each sector or market they influence, but also effectively leverage and promulgate low-income offerings.

1. Government Facilities

The Government Facilities element will be implemented by most of the unique individual Local Government Partners (LGPs). If an individual LGP has a distinctive or targeted approach to Government Facilities, that LGP's individual PIP will contain additional information. The individual LGPs will primarily target local government facilities/sites that are owned or leased by public agencies including city halls, administrative offices, recreation centers, fire stations, libraries.

Individual LGPs play an important role in assisting local governments (cities, counties and special districts) with retrofitting the facilities that they own and operate to achieve short and long term savings. While all local governments have access to SoCalGas programs and incentives to save energy, SoCalGas' Government Partnership program will work closely with the LGPs to foster government facilities' energy savings and to place these projects in the context of sustainability and climate change initiatives.

2. Strategic Plan Support

The Strategic Plan Support element will be implemented primarily through the unique

program elements of the Emerging Cities coordinating with the Southern California Association of Governments (SCAG) partnership and some components of the individual partners which are specifically designed to actualize the vision set forth in the long term strategic plan: California's local governments will be leaders in using energy efficiency to reduce energy use and global warming emissions both in their own facilities and throughout their communities.

Individual LGPs will also play an important role in furthering the strategic plan. If an individual LGP has a different or targeted approach to Government Facilities, that LGP's individual PIP will contain additional information.

3. Core Program Coordination

The Core Program Coordination element will be implemented to some degree by all of the unique individual Local Government Partners (LGPs). If an individual LGP has a distinctive approach to Core Program Coordination, that LGP's individual PIP will contain additional information. Within Government Partnerships, the unique elements of Emerging Cities will also support the Core Program Coordination element.

Because of their close ties to the community, individual LGPs may identify opportunities to serve customer energy needs through integrated demand side management products including energy efficiency, demand response, low income programs, and codes and standards assistance as well as other utility programs including distributed generation. Such coordination provides customers with comprehensive solutions and minimizes overlap of effort and service. Where the LGP identifies a need that they do not currently service, they can refer participants to programs. The Partnership will provide the participant with contact information for the relevant programs and assistance as required. If program overlap is determined to exist, the Partnership will notify SoCalGas of the program(s) involved and discuss and coordinate efforts so as not to duplicate services and compete for customers.

4. Individual Local Government Partnerships

a. County of Los Angeles Partnership

The 2009 - 11 SCE/SoCalGas/County of Los Angeles Partnership is a continuation of the existing, successful 2004 - 05, and 2006 -08 programs with SCE and SoCalGas. The 2009 - 11 Partnership will build on the lessons learned and will continue to focus on identifying energy efficiency activities in county facilities in support of the recently adopted county of Los Angeles Energy and Environmental Plan.

The Partnership program will support the energy efficiency components of the Energy and Environmental Plan initiatives by identifying projects and strategies to reach the 38 different county departments that the Internal Services Department (ISD) serves. In addition, there are departments and public agencies affiliated with the county (e.g., Public Housing, Sanitation Districts, School Districts, County Metro Transit Authority, Waterworks and Wastewater utilities) that have previously not participated in past Partnership programs. By tailoring outreach and implementing innovative ways to participate (emerging technologies, integration with state-wide pilots, e.g. water districts, and flexible funding) the Partnership will increase energy efficiency participation in these LA County departments.

b. Kern County Energy Watch Partnership

The Kern County Energy Watch Partnership is a continuation of the partnership among the City of Bakersfield, Kern County, SCE, SoCalGas, and PG&E which will be expanded to include the cities of Delano, McFarland, Tehachapi, and California City, and the implementing partner: The Kern County Council of Governments (KCOG).

The Partnership builds upon the success of the Kern County Energy Watch Partnership. The 2009-11 partnership improves SoCalGas' current local government partnering strategy by establishing a disciplined, concentrated approach to create consistency in program offerings and

improve clarity and ease of participation in community partnerships. The Partnership will develop new partners from the additional four incorporated cities and extend the program's reach into the unincorporated communities within Kern County. The Partnership's comprehensive portfolio of activities is designed to seek innovative approaches to energy efficiency by implementing best practices for municipalities and by establishing a wave of energy efficiency activities through focused educational and outreach events. This will also increase effective delivery of technical and financial energy services to residents and businesses.

c. Riverside County Partnership

SoCalGas will join with SCE and the County of Riverside (County) in implementing the Riverside County/SCE/SoCalGas Energy Efficiency Partnership Program for the 2009 - 11 program years. SoCalGas will bring additional resources to the Partnership to expand the County's efforts to enhance electric and gas energy efficiency projects through state-of-the-art new construction and retrofits of existing buildings. This partnership interlocks with the goals, objectives, and strategies articulated in the CEESP.

This is a collaborative effort between utility program managers, county facility managers and other internal organizations. The partnership's goal is to build an infrastructure that delivers cost-effective energy efficiency projects and provides a comprehensive outreach and education element with the goal of raising partner and customer awareness about the benefits of energy efficiency. The partnership's commitment to success during the 2006-2008 program cycle was demonstrated by the implementation of major projects that exceeded title 24 standards.

Projects will adopt a comprehensive approach by including retrofits and there DSM alternatives to include: demand-response, distributed generation (renewable self-generation), solar hot water and water efficiency as applicable.

d. County of San Bernardino Partnership

SCE, SoCalGas and the County of San Bernardino (County) will form a 2009 - 2011 energy efficiency Partnership that will build upon and expand the County's efforts to enhance energy efficiency through state-of-the-art new construction and retrofits of existing buildings.

This Partnership will assist the County in achieving its green policy initiatives to formulate an integrated approach to energy efficiency. This will be a collaborative effort with the aim to build an infrastructure that would efficiently deliver cost effective energy efficiency projects thus reducing the "carbon footprint" created by County facilities. It would also provide a comprehensive outreach and education element with the goal of raising awareness about the benefits of energy efficiency. County facilities will be targeted for the retrofit, retro-commissioning (RCx) and new construction elements.

e. Santa Barbara County Partnership

The Santa Barbara County Energy Efficiency Partnership ("SCEEP") is a joint project of SCE, SoCalGas, the County of Santa Barbara and the Cities of Santa Barbara, Goleta and Carpinteria. SCEEP leverages partner resources to reduce energy use, increase energy efficiency awareness and reduce greenhouse gas emissions, in Santa Barbara County and partnering Cities.

f. South Bay Partnership

The South Bay Energy Efficiency Partnership consists of the City of Carson, the City of El Segundo, the City of Gardena, the City of Hawthorne, the City of Hermosa Beach, the City of Inglewood, the City of Lawndale, the City of Lomita, the City of Manhattan Beach, the City of Palo Verdes Estates, the City of Rancho Palos Verdes, the City of Redondo Beach, the City of Rolling Hills, the City of Rolling Hills Estates, the City of Torrance, South Bay Cities Council of Governments, SCE, and the SoCalGas. The Partnership is implemented by the South Bay Cities

Council of Governments through the South Bay Environmental Services Center.

Through the participation of SoCalGas, the West Basin Water District, and the LA County Sanitation District in the Partnership, a comprehensive and integrated approach to energy efficiency, natural gas efficiency, water efficiency as well as wastewater, storm water and potable water capital projects will be identified and developed ensuring that the municipalities are as energy efficient as possible.

g. San Luis Obispo County Energy Watch Partnership

San Luis Obispo County Energy Watch (SLOCEW) is a joint partnership between the County of San Luis Obispo ("County") and PG&E, and SoCalGas. The Partnership will manage the administration, marketing, integration and implementation components of this Partnership program. Through the SLOCEW Partnership, emphasis will be placed on the outreach to the Cities and Special Districts within San Luis Obispo County to assist them in improving the energy efficiency of the County's facilities and integrating energy efficiency throughout the local communities.

h. San Joaquin Valley Partnership

The SJVELP Program is a Local Government Partnership proposed to be comprised of the County of Tulare and the cities of Exeter, Farmerville, Lindsey, Portersville, Tulare, Visalia, Woodlake, SCE, SoCalGas, the implementing partner: The San Joaquin Valley Clean Energy Organization (SJVCEO), and potentially Pacific Gas & Electric.

The Partnership's comprehensive portfolio of activities is designed to seek innovative approaches to energy efficiency in California's central valley environment; to increase adoption of energy efficiency measures and best practices within their municipality and community by continuing a "culture" of energy efficiency through focused educational and outreach events; and

to increase the effective delivery of technical and financial energy services to residents and businesses. ME&O activities will consist of staff training, SCE's Mobile Education Unit at home shows, fairs and farmers market nights, technical training at the local collages, marketing and co-branding with SCE core programs, and evaluate implementing an AB 811 financing mechanism for citizens of Tulare County.

i. Orange County Cities Partnership

The Orange County Energy Partnership (OCEP) will optimize opportunities for several Orange County jurisdictions, including Huntington Beach, Fountain Valley, Costa Mesa, and Westminster. Through this Partnership, the program will deliver short and long-term energy savings in municipal buildings, and commercial buildings and the residential sectors. OCEP will help promote energy efficiency to a level not yet achieved in these cities. Opportunities to provide information and education targeted to the specific demographics in these communities will be seamlessly integrated with resource programs that develop hard savings.

j. ICLEI – Local Governments for Sustainability, U.S.A., Inc. (ICLEI), the Institute for Local Government (ILG) and the Local Government Commission (LGC)

SoCalGas is offering assistance to help local governments reduce their carbon footprint through increased energy efficiency. This offering will primarily be delivered through the non-profit organizations, ICLEI – Local Governments for Sustainability, U.S.A., Inc. (ICLEI), the Institute for Local Government (ILG) and the Local Government Commission (LGC). This collaborative effort is structured to leverage the unique resources, assets, relationships, communications channels, programs, training, models and tools brought by each non-profit organization to support the CEESP. This is a statewide local government strategic element support effort among the four investor-owned utilities.

ICLEI will help local government (LG) participants in SoCalGas' service territory

understand the linkages between energy efficiency and greenhouse gas (GHG) reduction/AB32 compliance. ICLEI will deliver in-person and online trainings to facilitate LG understanding of requirements under AB32, learn about principles and methodologies for conducting GHG inventories and setting GHG reduction targets, as well as developing and implementing climate action plans (CAPs). ICLEI will also provide access to templates and tools that detail the components of GHG inventories and CAPs and provide training on mitigation strategies for reducing GHG emissions in both local government operations and community-scale activities and facilities.

k. Community Energy Partnership (CEP)

The CEP's 2009-2011 program builds upon the CEP's successful, award-winning model originated in 1992 by enhancing the leadership role of cities in energy management. Over the past 16 years, the CEP has evolved from the Irvine Energy Efficiency Initiative to a ten cities program that defines a true partnership between local governments and utilities focused on achieving energy savings and behavioral change in residential, non-residential and the municipal sectors.

This approach pursued will allow the CEP to be flexible in the customization of solutions to overcome challenges and exploit opportunities faced by local governments. In doing so, local governments will be able to develop individualized action plans for achieving both local and statewide goals and targets. Through this framework, the CEP program supports local governments who are willing to commit and sustain the appropriate level of participation and resources to effectively initiate programs that address the main issue areas for local government action that are identified in the CEESP.

l. Desert Cities Partnership

The Desert Cities Partnership Program is a new local government partnership in SCE's, and SoCalGas' partnership portfolio. The Desert Cities Energy Partnership includes the Coachella Valley Association of Governments ("CVAG"), SCE, and SoCalGas with cooperation from Imperial Irrigation District. CVAG is a local government agency, including 10 cities, Riverside County, and three tribal governments (collectively referred to as Jurisdictions) as its members. CVAG will partner with SCE, and SoCalGas for this partnership. CVAG will coordinate education and outreach efforts, a valley-wide marketing program, as well as related administrative and reporting activities. Through its existing communication network, CVAG will provide outreach to the member jurisdictions and the larger Coachella Valley community about energy efficiency. SCE, and SoCalGas will provide energy information, technical assistance, and assist the jurisdictions with implementation of municipal facilities retrofits and energy efficiency upgrades. The IOUs will provide resources and support, as available, for training, events, and marketing programs.

m. Ventura Country Regional Energy Alliance

The Ventura County Regional Energy Alliance ("VCREA") consists of nine Cities and one County. The Cities of Camarillo, Fillmore, Moorpark, Ojai, Port Hueneme, Santa Paula, Thousand Oaks, and Ventura along with Ventura County are members of the Alliance. The Alliance implements its program of comprehensive energy savings organized through a single energy office for public agencies and non-profit service providers.

VCREA Board of Directors is composed of elected officials from various public agencies and provides the policy and leadership for the program. The Board has been instrumental in building an ethic of energy efficiency in the region that has led to friendly competition among

public agencies and greater desire among community activists to have their own local "green councils" to take action. VCREA is not a mandated public agency, but rather an outcome of collaboration among regional leaders concerned specifically with energy issues.

n. Palm Desert Energy Partnership Demonstration Program

The Palm Desert Energy Partnership Demonstration Program (the "Project") presents a model for the community energy partnerships that brings the City of Palm Desert (the "City") and its energy utilities, SoCalGas and SCE, together in a partnership in which each of the partners brings its experience, expertise and resources to bear on the task of saving energy. The facilitating partner for this demonstration project is The Energy Coalition, which also advises the partners on partnership principles. This partnership between the City, its energy utilities and the facilitating partner provides the foundation for a long-term energy partnership commitment and a five-year, comprehensive demand-side management campaign.

California benefits from this powerful partnership model because the city's residents and businesses are empowered to become reliable providers of cost-effective, environmentally-advantaged, demand-side management energy resources that help meet the states growing energy needs. In return, the city's citizens and businesses reap the economic benefits of their participation in a comprehensive program that helps them save energy and money.

C. Comprehensive Home Performance Program (CHPP)

SoCalGas' Whole House Performance Pilot Program will be implemented as a joint utility program with SCE's Comprehensive Home Performance Program. The program will be a new to SoCalGas' 2009-11 residential energy efficiency portfolio, based on the SCE's successful 2006-08 IDEEA Comprehensive Home Performance Delivery Program. In accordance with the California Energy Efficiency Strategic Plan (CEESP), this program advances comprehensive

energy efficiency measures, including: whole house solutions, visual monitoring and displays, performance standards, local government opportunities, and DSM integration.

The Whole House Performance Program (WHP) delivers comprehensive improvement packages tailored to the needs of each existing home and its owner. The WHP solicits, screens, and trains qualified residential repair and renovation and HVAC contractors to deliver program services such as performing whole-house diagnostics by proposing a comprehensive improvement package, and then completing the recommended improvements. The program also includes marketing activities to help educate customers on program services and provide additional customer leads to trained contractors. Furthermore, the program will provide consistent standards and professional identity in association with the national Home Performance with ENERGY STAR® program.

D. Local Non-Residential Incentive Partnership

The mission of the Local Non-Residential Incentive Partnership (LNRP) is to provide integrated energy, resource and emissions conservation solutions to California industry and to encourage and enable a higher degree of energy-efficiency market penetration by increasing the amount of comprehensive high efficiency measures being installed.

The LNRP provides incentives for energy-efficient retrofits or replacements of existing equipment at SoCalGas customer sites. Participants may be either customers or energy-efficiency service providers (EESP's) acting as project sponsors for activities at customer sites. To qualify, a project must save a minimum of 1,000,000 therms per year. Associated energy, resource such as water, sewerage and emissions, and GHG savings will be considered when evaluating a project for funding. A project may consist of a single project at a single site, or may be aggregated from multiple projects belonging to a single customer, and may include a variety of measures.

E. On-Bill Financing (OBF)

The On-Bill Financing Option is designed primarily to facilitate the purchase and installation of comprehensive, qualified energy efficiency measures by customers who might not otherwise be able to act given capital constraints and/or administrative and time burdens. It is designed to build on the success of the 2006-2008 program cycle offering. SoCalGas proposes to establish a $3.5 million sustainable loan pool from non-PGC ratepayer funds to fund loans during 2009, 2010 and 2011.

Approved customers will be eligible to receive a full rebate or incentive from the participating programs and to finance the balance of qualified energy efficiency measures. Loans are not transferable. Partial or non-payment of loans could result in shut-off of utility service and turned over for collection.

G. Strategic Development and Integration

In order to create market transformation in California, SoCalGas is committed to the vision and goals outlined in the California Energy Efficiency Strategic Plan. This plan includes customer segmentation and targeted program development and the integration of EE/DSM and emerging high efficiency technologies coupled with innovative and comprehensive program design and theory. A focused team of qualified resources has been identified to support these activities and drive the direction of the programs through innovation and the inclusion of best practices. This team will be dedicated to this activity and will act as a coordinating entity by collaborating with regulatory, program, technology and other staff.

The team will be specifically responsible for overseeing activities associated with achieving strategic plan goals and ensuring that the strategic plan itself is updated so that it provides relevant guidance and direction on a continuous basis. The team will be responsible for:

- Cooperatively developing milestones toward achieving strategic objectives and evaluating the progress of programs toward these milestones as well as meeting sector goals.
- Facilitating the evolution of program design to ensure support of the long term strategic vision and direction.
- Researching, identifying and supporting incorporation of best practices in both current and future programs.
- Providing guidance and acting as an ongoing information source for pilot programs, integration activities and program innovations associated with emerging technologies, best practices, and market awareness.
- Representing SoCalGas in Strategic Planning activities. This includes the representation of SoCalGas at all California Strategic Planning meetings. SoCalGas subject matter experts will provide input as the plan evolves in order to keep it current and valuable. The team will share lessons learned and successful strategies with the other IOUs.
- Incorporating stakeholder input in the long-term planning process, collaborating with other utilities and the CPUC to conduct public workshops such as an annual California Energy Efficiency Summit.
- Acting as a liaison between external parties and internal staff to ensure that there is a complete and ongoing feedback loop with lessons learned and recommendations being fully shared and leveraged.
- Ensuring that, as specific objectives emerge and the plan evolves, lessons learned are available for incorporation into existing programs as well as for future planning.
- Collaborating with the Emerging Technologies group to ensure that cutting edge technologies are quickly adopted and incorporated into the programs thru 2011 and beyond.
- Working in partnership with, and providing information and guidance to, program sector management to ensure that interim milestones and approaches are directed toward the long-term vision.

H. Sustainable Communities Case Studies Program

SoCalGas' Sustainable Communities (SC) program provides the framework for the design and building of communities that support the environment through energy- and resource-efficiency. SC helps to enhance quality of life by protecting and preserving natural resources and improving economic development. Incentives and other assistance are available to developers, building owners, and design teams that construct highly energy-efficient buildings with sustainable design, and long-term energy-efficiency.

This highly innovative program will be SoCalGas' flagship program providing the path for all other programs in meeting California's long-term energy efficiency goals, including zero net energy homes by 2020. This program will enable market transformation resulting in measurable energy efficiency, integrated demand response, distributed generation, renewables and natural resource savings while optimizing long term ecological, social and economic health of California. It accomplishes this by comprehensively integrating the "vertical" development (buildings and their components) with the "horizontal" development (land and utility and transportation infrastructure) over the full planning horizon. This holistic approach to program design and implementation is coupled with a new management model and evolutionary improvements in energy, water and air quality savings over the project life.

V. SoCalGas Third Party Programs

A. California Sustainability Alliance

The California Sustainability Alliance is an innovative cross-cutting market transformation program designed to increase and accelerate adoption of cost-effective energy efficiency. Key strategies are to:

- increase demand for energy efficiency by increasing understanding of the costs and benefits of energy efficiency and sustainability;
- increase voluntary adoption by creating value for market leaders and early adopters through a comprehensive program of awards, rewards and recognition;
- increase effectiveness and cost-effectiveness of energy efficiency programs by packaging them with complementary "sustainability" measures (e.g. climate action, water efficiency, renewable energy, smart land use, waste management, transportation management) to leverage complementary program delivery channels, and use existing marketing, education and outreach channels to increase the frequency and strength of energy efficiency and sustainability messages;
- increase and accelerate adoption of energy efficiency by engaging the assistance of expert advisors to overcome major barriers in high potential undersubscribed sectors;
- provide comprehensive approaches such as whole building, portfolio and system approaches that achieve energy savings faster and more cost effectively while minimizing lost opportunities, and
- simplify and streamline energy efficiency adoption through one-stop shopping for technical and financial assistance.

B. Community Language Efficiency Outreach (CLEO)

The Community Language Efficiency Outreach Program (CLEO) is a highly targeted residential energy efficiency marketing, outreach, education and training program specifically targeted to the Vietnamese, Indian, Chinese and Korean (VICK) speaking customers of SCE and SoCalGas. The Program strategy is unique in that it is a 100% in-language strategy, which serves a key role in overcoming the English as a second language market barrier and targets hard-to-reach, low and medium income customers. In 2009-2011 the program will continue to target the Vietnamese, Indian, Chinese and Korean and will also expand the Program to target the Hispanic (Spanish speaking) and the hard-to-reach, low and medium income customers in the

African American Communities.

The Program will market SoCalGas efficiency programs and offer energy efficiency education and training using local ethnic media (TV, radio, and newspapers), and community events. The Program's marketing efforts garner interest and lead to participation in CLEO residential seminars and energy audits. CLEO will target SoCalGas customers in the areas of Los Angeles, San Bernardino, and Orange Counties with high concentrations of Asian, Hispanic and African American customers.

C. Energy Challenger

The 2009-11 Energy Challenger program will build on the existing 2006-08 Program with a goal to engage 2,000 new small and mid-sized businesses in a web-based energy audit/business assessment (delivered through the SoCalGas website). Energy Challenger is a software application that seeks to empower business customers to self- assess their energy management needs and prepare an action plan for improvement in less than 10 minutes. The Program will consist of an on-line business energy assessment/audit hosted by EnVinta that provides each participant with an automated report and action plan. The report will include links to the SoCalGas' rebates, programs and services. The contractor will also be responsible for conducting marketing and recruitment.

The program will provide a platform to enable businesses to identify their priority energy management needs and to be directed to the most appropriate services/rebates for their needs. Energy Challenger will offer a web-based energy assessment tool tailored to stimulate interest in programs, rebates and services. The tool has demonstrated a high success rate (over 80% of businesses that start the assessment, finish and receive an action plan).

D. PACE Energy Savings Project (PACE Energy Efficient Ethnic Outreach Program)

The PACE Energy Savings Project (PACE ESP) is a multi-ethnic outreach program that actively promotes the energy efficiency programs of SoCalGas to residential and small business customers who belong to the Chinese, Korean, Hispanic, and Vietnamese communities. In 2009-2011, the program proposes to expand its outreach to the Filipino community and other geographical areas including Orange, Riverside, San Bernardino, and Ventura Counties. In addition, the program will take its outreach efforts to "the next level" by encouraging target small businesses to take more concrete steps to saving energy as well as conducting follow-through and follow-up activities to determine the extent to which customers practiced or employed energy savings in their homes or work places.

E. Gas Cooling Retrofit

This Program will encourage customers in SoCalGas' service territory to purchase and retrofit inefficient gas cooling units by offering information on the newer technology and incentives for gas cooling units up to 100 tons in size. This program would support the effort to not increase the electrical peak demand and total energy usage. The primary target market will be small commercial customers who currently have old gas cooling units and the secondary market would be residential. The program will pay an incentive of .80 per therm saved to either the customer or the upstream channel. Marketing focus will continue to be expanding its distribution channels by increasing CEC certified products and working with current and new manufacturers.

F. HERS Rater Training Advancement

The Program will promote, develop, and deliver training to currently certified Home Energy Rating System (HERS) raters and energy analysts involved in new housing in Southern

California Gas service territory. The curriculum will address technical and administrative elements of Home Energy Ratings, and will cover both current issues and changes based on Title 24 requirements taking effect in 2009.

The program rationale begins with the need for HERS Rater Training Advancement that incorporates new codes and standards, green building and zero net energy technologies and practices, and provides raters comprehensive and consistent tools and information. By providing training advancement opportunities through web-based and classroom instruction, the utility seeks to improve and align HERS Rater skill sets to: (a) include the long-term focus on whole-building energy efficiency opportunities; (b) integrate and digest local, regional and state building codes, statutes and programs such that builders and developers can count on HERS raters for current information and appropriate recommendations; and (c) engage and equip the HERS rater profession as emissaries in the deployment of new energy efficiency technologies and adoption of voluntary building standards in the near term.

G. LivingWise™

LivingWise (LW) is a school-delivered residential energy savings program that is currently sponsored through collaboration between SCE and SoCalGas, along with additional water agency funding for more than 50% of program locations. The Program is run by Resource Action Programs (RAP) and provides a proven blend of classroom activities and take-home retrofit and audit projects which students complete as homework assignments with their parents and families. Audit data and installation reports are collected via surveys, which are returned to teachers and forwarded to the LW Program Center for tabulation and storage. LW is used at the 6th Grade level in California to best align with State Learning Standards, and is offered to eligible teachers as an elective program. Teacher enrollment is very high, and overall participant program satisfaction (including parents) is excellent.

H. Multi-Family Direct Therm Savings

The Multi Family Direct Therm Savings Program, marketed and branded as "*Energy Smart*", is a field sales and direct installation program for multi family dwellings and apartment buildings. The Multi Family Direct Therm Savings Program will help deliver energy savings to multifamily customers located in Los Angeles, Ventura, and Santa Barbara counties during the 2009-2011 program period.

Since there are two contractors implementing similar programs for multifamily customers in SoCalGas territory, each contractor has been assigned specific counties in which to market their program.

I. Multi-Family Solar Pool Heating

The Multi Family Solar Pool Heating Program aims to encourage large apartment building owners, condominium and homeowners associations as well as property managers to install solar pool heating system for their swimming pools or if it is not practical to do so, to replace their old pool water heaters with more efficient technologies. The program will be directed to the larger apartment complexes with swimming pools that are heated throughout the year.

J. Multi-Family Home Tune-Up

Through the Multi-Family Home Tune-up Program, Contractor will help deliver energy savings to multifamily customers located in Orange, San Bernardino, Riverside, and parts of San Luis Obispo, Fresno, Kern, Kings, Tulare and Imperial counties during the 2009-2011 program period.

Since there are two contractors implementing similar programs for multifamily customers in SoCalGas territory, each contractor has been assigned specific counties in which to market their program.

K. OnDemand Efficiency

The baseline target segment is multifamily residence apartment complexes with central boilers and a time clock or no control. The program will achieve savings by making direct offers to known decision makers in the identified market niche. There is a large pool of older multi-family apartment buildings in SoCalGas' service territory (estimated to be nearly ¼ of California's roughly 4.1 million multi-family units). Many of these buildings (25-50%) have central boilers serving individual buildings on the properties. While other programs address boiler efficiency, the OnDemand Efficiency Program is targeted at the delivery mechanism (re-circulation system).

L. Comprehensive Manufactured and Mobile Home

The residential Comprehensive Manufactured and Mobile Home Program ("CMHP") has been designed to complement the SoCalGas Residential Energy Efficiency Portfolio by reaching manufactured and mobile home customers, where there is a rich potential for cost-effective energy and demand savings. The Program is run by Synergy Companies. This is a targeted market that is not generally reached by statewide mass-market programs. Manufactured homes are defined as factory built, pre-fabricated housing, mobile homes, and homes within mobile home type communities, but does not include homes traditionally built entirely at the construction site.

M. Portfolio of the Future

The Portfolio of the Future (PoF) is designed to leverage and enhance SoCalGas' Emerging Technology (ET) efforts by identifying and accelerating the market adoption of emerging technologies that can significantly improve end-use energy efficiency in southern California. It will do so by:

- Helping to validate the technology, demonstrate the benefits, build the necessary market infrastructure, and promote and encourage early adoption by concurrently providing assistance, defining the value proposition, and addressing market barriers,
- Building awareness regarding the benefits from the emerging technologies and setting the stage for including some of the emerging technologies in the next cycle of (2012–2014) energy efficiency programs; and
- Leveraging SoCalGas resources and those of other utilities (including municipal utilities, water utilities, Southern California Edison (SCE), San Diego Gas and Electric (SDG&E) and Pacific Gas and Electric Co. (PG&E)), NCI, potential R&D partners (including the U.S. Department of Energy, CEC PIER, NYSERDA), private equity, and venture capital funds), the utilities' customers, other state and federal agencies, and local governments.

N. Program for Resource Efficiency in Private Schools (PREPS)

The Program Resource Efficiency in Private Schools (PREPS) program will target private K–12 schools, colleges and universities, preschools, and trade and technical schools throughout SoCalGas' service territory. The primary goal of PREPS is to capture therm savings within the private school sector. Another goal to educate end-users on cost-effective energy efficiency measures and practices to improve overall building operations and comfort. This will be achieved through a practical and comprehensive approach by identifying, evaluating, and supporting the installation of specific and applicable energy efficiency measures within these market segments.

O. SaveGas Hot Water Control with Continuous Commissioning

This program addresses gas savings in SoCalGas' service territory by implementing domestic hot water (DHW) control systems in hotels, motels, resorts and senior care facilities plus other associated hot water end uses (e.g. on-site kitchen and laundry facilities). A typical equipment arrangement consists of a hot-water storage tank, a hot-water boiler which includes a

circulation pump, a loop or network of piping to supply the heated domestic hot water to the facilities guest rooms / dwelling units, and a recirculation pump on the return line from the piping loop.

P. Small Industrial Facility Upgrades

The Small Industrial Facility Upgrades Program will assist SoCalGas' small industrial customers in becoming more energy efficient and productive through the adoption of existing, including low-penetration, technologies. The program will target small industrial customers with annual gas usage less than 50,000 therms. The Program will offer proven measures currently used in SoCalGas' Local Business Energy Efficiency Program (BEEP) and Express Efficiency Program Rebate Program (EERP). These measures include calculated custom process improvements for heat recovery, process equipment replacement, and equipment modernization, furnace and oven improvements, and excess air reduction. The Program will also include deemed measures such as boilers, water heaters, and steam trap replacements, along with insulation improvements.

Q. Steam Trap and Compressed Air Survey

The Program for Steam Trap and Compressed Air Survey (SCAS.) will provide compressed air and steam audits and evaluations to small, medium, and large industrial customers throughout SoCalGas' territory. All customers of SoCalGas with air and steam systems will be eligible to participate in the program. Targets will be industrial customers, but other qualifying facilities including governmental, institutional, and military facilities may also participate if they meet the program requirements. This program is designed for a range of industrial customers from small to very large industrial processes with gas consumption greater than 50,000 therms per annum.

R. Upstream High Efficiency Gas Water Heater Rebate

The Program for Upstream High Efficiency Gas Water Heater will provide comprehensive services to establish and maintain an upstream rebate system, (i.e. distributors/wholesalers) to reduce or altogether remove the price differential between the standard and high-efficiency gas water heaters in SoCalGas' service territory. The primary objective of the program is to support and complement SoCalGas' existing Single Family Residential Energy-Efficiency Rebate Resource Program by stimulating plumber and contractor participation in energy efficiency rebates. This program is to be implemented for replacement market only and only storage gas water heaters, 50 gallons or smaller with an Energy Factor of 0.62 or higher, will qualify.

VI. Third-Party Programs

SoCalGas' Third Party Programs ("3P") are a diverse set of resource and non-resource programs offered by outside vendors to its customers. The budget allocated to these programs will meet or exceed the Commission's requirement that utilities dedicate at least 20 percent of their energy efficiency budgets to 3P programs, but SoCalGas has unallocated 3P funds that will be used for: 1) To supplement existing high performing 3P programs; and for a future competitively bid programs to fill targeted portfolio needs. However, specific proposed budgets and goals as of this filing are not final because these amounts remain subject to completion of contract negotiations with vendors. A complete list of third party programs that were identified for potential implementation (pending final Commission approval of program budgets and negotiations) are available in the 3P program implementation plan in Appendix B.

SoCalGas' 2009-2011 program cycle includes three types of 3P programs: competitively bid programs, renewed programs, and potentially renewed programs. Renewed programs are

those 2006-2008 third-party programs that have demonstrated the ability to meet program goals and/or deliver cost effective energy savings. Potentially renewed programs are those relatively new third-party programs that SoCalGas chose to evaluate further in the first quarter of 2009 for possible renewal. Competitively bid programs are those that SoCalGas selected through requests for proposals ("RFPs") to complement these programs and planned core utility programs.

A. Third Party Program Competitive Process

1. Introduction

SoCalGas' selection of third-party programs for the 2009-2011 program cycle includes three groups of programs. These are competitively bid programs, renewed programs, and potentially renewed programs. SoCalGas elected to renew 2006-2008 third-party programs that have demonstrated the ability to meet program goals and deliver cost effective energy savings. In addition, there are some relatively new third-party programs that SoCalGas elected to evaluate further during in the first quarter of 2009 for possible renewal. To complement these programs and the planned SoCalGas core IOU programs, SoCalGas issued general and targeted third-party program RFPs and selected those programs determined most likely to achieve the stated goals.

Significant effort was made to reach out to entities in both the energy efficiency industry and in the regional community at large. SoCalGas believes the solicitations and proposal submittals it received as part of this third-party process are representative of the expertise, skill, and innovation available in the marketplace. Therefore, the third-party contribution to SoCalGas' portfolio represents the more innovative and cost-effective offerings in the marketplace. SoCalGas' energy efficiency programs achieve the objectives set forth by the Commission, such as pursuit of cost-effective energy efficiency opportunities over both the short- and long-term and focus on programs that serve as alternatives to more costly supply-side resource options ("resource programs").

SoCalGas' competitive bid selection process is fully compliant with the Commission's decision, D.05-09-043.

(1) SoCalGas conducted its competitive bid selection process using the selection criteria adopted for SoCalGas in D.05-09-043 Attachment 6.

(2) SoCalGas worked closely with its PRG in developing both its selection criteria and selection process and in reviewing the findings and recommendations of the procurement process. SoCalGas addressed all PRG concerns and reached a consensus on its final selections.

(3) SoCalGas' final 2009-2011 portfolio consisting of its own programs, partnerships, and these proposed selected third-party programs is cost effective and will meet or exceed the Commission's established energy savings and demand reduction goals.

It should be noted that the specific savings assumptions and other cost-effectiveness assumptions that these selected third parties used in their proposals have not been updated to conform with the 2008 DEER updates and therefore after their inputs have been adjusted to conform with Commission's final decision on the utilities cost effectiveness inputs, their proposal may change. The specific program savings goals and budgets will be negotiated after this filing is approved. No contracts will be executed until the Commission renders its approval of SoCalGas' 2009-2011 Energy Efficiency Program Application.

2. Peer Review Group Participation

Representatives of SoCalGas' Peer Review Group (PRG) were designated to monitor the bid evaluation process, as described in D.05-01-055. The PRG was in general agreement with SoCalGas' competitive bid solicitation process. They reviewed and offered numerous recommendations regarding the RFP wording, bid scoring protocols, and portfolio review. SoCalGas incorporated PRG recommendations into its bid process and will continue to seek PRG input subsequent to this filing and regularly during program implementation and

administration.

3. Flight Structure of Solicitations

In an effort to improve the third-party solicitation process, SoCalGas established a phased approach to issuing and reviewing the RFPs. It was SoCalGas' intent that such a phased process would reduce the challenges faced by vendors responding to more than one RFP and thus increase the quality of both the proposed programs and the received proposals. Each phase was called a flight. The four flights and the corresponding RFPs issued during each flight are listed below. The first three flights issued RFPs for resource programs only and Flight 4 was for non-resource programs. In addition, Flight 1 was comprised of two stages. Stage 1 was a request for vendors to submit an abstract of their proposed program. Stage 2 was a request for a those vendors who passed the Stage 1 evaluation to submit full proposals. During Stage 2, the bidders were expected to provide SoCalGas with fully-developed program proposals, along with the necessary documentation to substantiate proposed energy savings (E3 Calculators, DEER-related materials, and/or work papers). SoCalGas believed that first reviewing abstracts would reduce the overall preparation burden on the marketplace.

Table 1-11: Description of RFP Stages

Flight 1 - Stage 1	State-wide General Request For Abstracts	
	SoCalGas Local Innovative (DEEP) Requests For Abstracts	
Flight 2	State-wide Targeted Request For Proposals	Energy Efficiency Program for Entertainment Centers K-12 Private Schools and Private Colleges Audit and Retrofit Program Manufactured Housing Program – New Construction
	SoCalGas Targeted Requests For Proposals	Point-of-Sale Instant Rebate Program Multifamily Home Tune-Up Comprehensive Multifamily Retrofits ARM Comprehensive Upgrade (Automotive Repair & Maintenance) Commercial Launderers EE Upgrade FLU – Facility Laundry Upgrade Program Spa-N-Salon EE Upgrade Program Food Service EE Upgrade Program Controls & Sensors Surveys and Installations
Flight 3	: SoCalGas Targeted Requests For Proposals	Small Industrial Facility Upgrades Industrial Mover Upstream Energy Efficiency Equipment Manufacturers Incentive Gas Cooling Retrofit Solar Pool Covers
Flight: SoCalGas Non-Resource Requests For Proposals		New Construction Kiosk New Construction HERS Raters Training Online Industrial Energy Efficiency Training Modules Steam Trap and Compressed Air Survey
Flight 1 - Stage 2	State-wide General Request For Proposals	
	SoCalGas Local Innovative (DEEP) Requests For Proposals	

4. Statewide General Program Solicitations

SoCalGas participated in the Statewide General RFP process. The intent of this solicitation was to offer the marketplace the ability to standardize programs across the state and potentially leverage economies of scale to the benefit of both the vendors and the ratepayers. This solicitation did not define the design or implementation method of the program, but rather

gave bidders the opportunity to propose any cost effective program that would complement SoCalGas' existing portfolio.

5. Innovative Program Solicitations

SoCalGas also demonstrated its willingness to explore new and innovative program designs through solicitation of innovative program proposals. To encourage innovative program design, the scoring criteria for this RFP removed the Reliability of Savings criterion and instead assessed the degree of innovation.

6. Targeted Solicitations

In its Application A.05-06-106, SoCalGas identified targeted Resource areas it believes would yield innovative and cost-effective programs through the competitive bid process. These areas were considered underserved through the existing utility portfolio. SoCalGas sought targeted Resource proposals for the areas listed above under Flights 2, 3, and 4.

7. Bid Submission and Preparation Process

The objective of SoCalGas' activities prior to receipt of proposals in response to the various RFPs was to maximize the value of the third-party competitive bidding process for both the marketplace and ratepayers in the following manner:

- Help foster the expansion of a market of third-party EE program providers
- Maximize the exposure of the competitive bidding process to encourage a broad industry response
- Provide education and feedback to vendors to increase the quality of their program design and proposal content

The following subparagraphs summarize the third-party bid submission and preparation process implemented by SoCalGas. Many of the activities described were repeated for each flight.

Summary of the Development of the Solicitation Process

In late 2006, the IOUs and the local PRGs met to discuss the process by which a statewide solicitation could be conducted. As reflected in the Energy Division report, the IOUs and the PRGs agreed to various approaches to a statewide solicitation including the agreement that the IOUs were to commit to a statewide solicitation process beginning 2009-11.

In July 2007, the IOUs began discussions regarding the solicitation planning process by sharing "lessons learned" from prior solicitations. IOUs also shared these past "lessons learned" with their individual IOU PRGs during their local solicitations conducted during the 2006-08 period. The "lessons learned" were used to improve the 2009-11 solicitation process. Lessons learned addressed the bidders, outreach and pre-notification, the RFPs, the bid stages, technical documentation, scoring processes and criteria, and other key elements of the solicitation process. The lessons learned and related solutions were incorporated into the design of the 2009-11 solicitation.

During this time it was also determined that in order to meet a 2008 filing date and program rollouts in the fourth quarter of 2008, the solicitation process would have to begin immediately. The typical two-stage solicitation process takes approximately eleven (11) months from beginning to end. Therefore, the IOUs realized that the typical schedule would have to be significantly compressed in order to meet the 2008 filing date.

During July through September 2007, the IOUs continued to meet (face-to-face and via conference calls) with a focus on understanding the individual IOU procurement process and ways to find commonalities among the different IOU's procurement approaches (e.g., online systems, RFP requirements, bidder's conferences, technical documentation workshops, scoring, and evaluation processes, etc.).

Through this process, the IOUs closely coordinated, and operated joint working groups for each of the following issues: statewide program identification, statewide general and local innovative RFPs, scoring and weights, online procurement system and portal development, and procurement/solicitation process coordination.

Additionally, the IOUs past experience has been that contracts held at a local level allow each utility greater control over the program activities and provides the needed oversight to ensure ratepayer funds are managed properly.

IOUs coordinated the outreach and bid pre-notification, created a joint statewide online portal for bidder registration, Proposal Evaluation and Proposal Management Application (PEPMA) for solicitation updates and bid submission. The IOUs also held statewide bidder's conferences and technical workshops, and offered the first statewide energy efficiency solicitation. While the IOUs continuously seek to improve and increase coordination, the IOUs believe that their efforts reflect significant improvement and a high degree of coordination amongst the IOUs.

D.07-10-032 allowed the IOUs to use the scoring criteria from the 2006-08 cycle as the basis for 2009-11 scoring. In addition, it required "the utilities to conduct third-party solicitations in time for inclusion in their energy efficiency portfolio applications", which was originally due May 15, 2008. This direction made the early launch of the solicitations a priority.

9. Questions and Answers

During the Stage 1 solicitation process, bidders were asked to submit any questions about the RFP (Abstract) and/or the process. SoCalGas posted responses to bidders' questions. The nature of the questions ranged from bid process timelines to clarification on specific bid program requirements.

10. E3 Calculator Workshop

To increase the quality of the proposals and subsequent programs, bidders were required to participate in an E3 Calculator workshop sponsored by SoCalGas. The purpose of the workshop was to familiarize bidders with how the E3 Calculator tool works and the inputs required. The workshop was held via a web conference on several occasions to increase the ability to reach perspective bidders. Several hundred vendor representatives participated in the E3 Workshops and the Bidders Conferences held by SoCalGas as part of this competitive bid process.

11. Evaluation Criteria

These scoring criteria were as follows:

Table 1-12: Flight 1 – Stage 1, Statewide General Resource Programs for Residential, Non-Residential, Cross-Cutting

Criteria	Weights
Proposal Responsiveness	Pass/Fail
Program Implementation and Feasibility	50%
- Feasibility	35%
- Portfolio Fit	35%
- Comprehensiveness	15%
- Reliability of Savings	15%
Cost Efficiency	30%
Skills and Experience	20%

Table 1-13: Flight 1 – Stage 1, Local Innovative Resource Programs for Residential, Non-Residential, Cross-Cutting

Criteria	Weights
Proposal Responsiveness	Pass/Fail
Program Implementation and Feasibility	50%
- Feasibility	35%
- Portfolio Fit	35%
- Comprehensiveness	15%
- Innovation	15%
Cost Efficiency	30%
Skills and Experience	20%

Table 1-14: Flight 2, Statewide and Local Targeted Resource Programs for Residential, Non-Residential, Cross-Cutting

Criteria	**Weights**
Proposal Responsiveness	Pass/Fail
Program Implementation and Feasibility	35%
- Feasibility	35%
- Comprehensiveness	25%
- Reliability of Savings	30%
Cost Efficiency	30%
- $/net kWh and $/net therm	25%
- Levelized Cost	25%
- TRC	25%
- PAC	25%
Skills and Experience	25%
Supplier Diversity and Misc.	10%

Table 1-15: Flight 3, Local Targeted Resource Programs for Residential, Non-Residential, Cross-Cutting

Criteria	**Weights**
Proposal Responsiveness	Pass/Fail
Program Implementation and Feasibility	35%
- Feasibility	35%
- Comprehensiveness	25%
- Reliability of Savings	30%
Cost Efficiency	30%
- $/net kWh and $/net therm	25%
- Levelized Cost	25%
- TRC	25%
- PAC	25%
Skills and Experience	25%
Supplier Diversity and Misc.	10%

Table 1-16: Flight 4, Non-Resource
Non-Resource Programs for Residential, Non-Residential, Cross-Cutting

Criteria	**Weights**
Proposal Responsiveness	Pass/Fail
Program Implementation and Feasibility	35%
- Feasibility	50%
- Marketing Approach	25%
- Innovation	25%
Budget Evaluation	30%
- Implementation Cost Efficiency	60%
- Administration Efficiency	40%
Skills and Experience	25%
Supplier Diversity and Misc.	10%

Table 1-17: Flight 1 Stage 2, Statewide General Resource Programs for Residential, Non-Residential, Cross-Cutting

Criteria	**Weights**
Proposal Responsiveness	Pass/Fail
Program Implementation and Feasibility	50%
- Feasibility	35%
- Portfolio Fit	35%
- Comprehensiveness	15%
- Reliability of Savings	15%
Cost Efficiency	30%
- $/net kWh and $/net therm	25%
- Levelized Cost	25%
- TRC	25%
- PAC	25%
Skills and Experience	10%
Supplier Diversity and Misc.	10%

Table 1-18: Flight 1 Stage 2, Local Innovative Resource Programs for Residential, Non-Residential, Cross-Cutting

Criteria	**Weights**
Proposal Responsiveness	Pass/Fail
Program Implementation and Feasibility	50%
- Feasibility	35%
- Portfolio Fit	35%
- Comprehensiveness	15%
- Innovation	15%
Cost Efficiency	30%
- $/net kWh and $/net therm	25%
- Levelized Cost	25%
- TRC	25%
- PAC	25%
Skills and Experience	10%
Supplier Diversity and Misc.	10%

12. Bid Evaluation Process

The competitive bid process involved multiple steps with several review cycles by SoCalGas Program Management, Engineering, Supplier Diversity, and Supply Management that allowed for a complete, equitable, and standardized process that included quality control checks. In addition, SoCalGas hired an independent consulting group to coordinate the third-party proposal review tasks and ensure that each proposal was treated in a fair and consistent manner. The goal of the overall process was to ensure that the solicitation process moved forward in an efficient manner for both the participating vendors and SoCalGas staff and that the awarded third-party programs provided the best portfolio fit to meet SoCalGas' long term energy efficiency plan and the Commission's goals.

The final step in the selection process was to present a summary of the evaluation process and the results of the SoCalGas management review to the PRG. During this meeting, SoCalGas presented its findings and award decisions and explained the rationale for those decisions. The

PRG then made suggestions that modified SoCalGas' original awards or concurred with SoCalGas' recommendations. The outcomes of these meetings and thus the final award outcomes are summarized below.

13. Results of Competitive Third-Party Solicitation Process

In total, SoCalGas received 109 abstracts and proposals. Ten proposed programs were selected for award. The details of this selection are described below by flight.

1. Flight 1 - Stage 1

a. Initial Results

SoCalGas received proposal abstracts from vendors for both the Statewide General and Local Innovative solicitations. The results of the Flight 1 – Stage 1 review process were as follows:

- 29 Abstracts Received
  - 17 Statewide General
  - 12 Local Innovative
- 4 Abstracts failed the Responsiveness Evaluation
- 3 Abstracts were Not Reviewed
  - 1 was a duplicate submittal
  - 2 were non-resource and thus need to be submitted in Flight 4
- 22 Abstracts were Reviewed
- 15 Abstracts were Recommended – Ask to submit full proposal under Stage 2
  - 10 Statewide General
  - 5 Local Innovative
- 7 Abstracts were Not Recommended – Not invited to submit a full proposal for Stage 2

To arrive at these results, SoCalGas scored each abstract using the approved criteria documented in the above. SoCalGas decided that those bidders whose proposed programs scored a zero on the cost effectiveness criterion would not be invited to submit a full proposal, but that all other bidders would be invited to participate in Stage 2. This decision was made with the goal of encouraging increased marketplace participation in third-party programs and with the

hope that in submitting full proposals, vendors would refine and improve their proposed programs.

b. Peer Review Group Input

The PRG met with SoCalGas on February 8, 2008, to review the Flight 1 - Stage 1 results. SoCalGas presented the final scores and rankings from the Stage 1 bid review process. The PRG was concerned that SoCalGas' standard to pass to Stage 2 was not stringent enough. The PRG recommended that a minimum total score be established as an additional passing standard to increase the quality of the proposals submitted during Stage 2. Based on a review of the individual program scores, the PRG recommended and SoCalGas agreed that proposed programs need a 50% total score to be invited to Stage 2. This change modified the final Flight 1 – Stage 2 results as shown below:

- 22 Abstracts were Reviewed
- 6 Abstracts were Recommended – Ask to submit full proposal under Stage 2
  - 4 Statewide General
  - 2 Local Innovative
- 16 Abstracts were Not Recommended – Not invited to submit a full proposal for Stage 2

2. Flight 1 - Stage 2

a. Initial Results

SoCalGas received proposals from the vendors who had passed Stage 1 for both Statewide General and Local Innovative solicitations. The results of the Flight 1 – Stage 2 review process were as follows:

- 6 proposals were received
  - 4 for the State-wide General RFP
  - 2 for the Local Innovative RFP
- None failed the Responsiveness Evaluation
- 1 proposals was selected for award
  - 1 from the Local Innovative RFP

The final selection criteria used for the two RFPs in this flight were to fill an existing utility portfolio gap or to provide any truly innovative energy efficiency measure or implementation methodology. The most common reason for not selecting proposed programs was that they overlapped with existing SoCalGas EE programs or existing third-party programs

b. Peer Review Group Input

The PRG met with SoCalGas on April 22, 2008, to review the Flight 1 - Stage 2 results. SoCalGas presented the final scores and rankings from the review process. The PRG asked questions about each proposal and discussed each proposal's score and possible fit within the SoCalGas portfolio. The PRG concurred with SoCalGas' decisions and made no changes to those shown above.

3. Flight 2

a. Initial Results

SoCalGas received proposals from vendors for both Statewide and Local Targeted solicitations. Flight 2 was comprised on targeted RFPs. Thus, in general, each program was designed to fill a gap in SoCalGas' current EE portfolio. For this reason, SoCalGas awarded contracts the bidder best able to provide a cost-effective program that filled such a gap. In five cases, no award was made because no proposed program met these criteria. The results of the Flight 2 review process were as follows:

- 3 RFPs did receive a proposal response
- 22 proposals were received
- 2 failed the Responsiveness Evaluation
- 20 proposals were reviewed
- 4 proposals were selected for award

b. Peer Review Group Input

The PRG met with SoCalGas on April 10, 2008, to review the Flight 2 results. SoCalGas presented the final scores and rankings from the review process. The PRG asked questions about each proposal and discussed each proposal's score and possible fit within the SoCalGas portfolio. The PRG concurred with SoCalGas' decisions and made no changes to those shown above.

4. Flight 3

a. Initial Results

SoCalGas received proposals from vendors for additional Local Targeted solicitations. Flight 3 was comprised on targeted RFPs. Thus, in general, each program was designed to fill a gap in SoCalGas' current EE portfolio. For this reason, SoCalGas awarded contracts to the bidder best able to provide a cost-effective program that filled such a gap. In one case, no bids were received. In two other cases, no award was made because no proposed program met these criteria. The results of the Flight 3 review process were as follows:

• No proposals were received for one RFPs
• 5 proposals were received for the other four RFPs
• None failed the Responsiveness Evaluation
• 5 proposals were reviewed
• 2 proposals were selected for award

b. Peer Review Group Input

The PRG met with SoCalGas on April 10, 2008, to review the Flight 3 results. SoCalGas presented the final scores and rankings from review process. The PRG asked questions about each proposal and discussed each proposal's score and possible fit within the SoCalGas portfolio. The PRG concurred with SoCalGas' decisions and made no changes to those shown above.

5. Flight 4

a. Initial Results

SoCalGas received proposals from vendors for Non-Resource solicitations. Flight 4 was comprised on targeted Non-Resource RFPs. Thus, in general, each program was designed to fill a gap in SoCalGas' current EE portfolio. For this reason, SoCalGas awarded contracts to the bidder best able to provide a cost-effective program that filled such a gap. One proposed program was selected for each of the four RFPs. The results of the Flight 4 review process were as follows:

• 9 proposals were received for the four RFPs issued
• None failed the Responsiveness Evaluation
• 9 proposals were reviewed
• 4 proposals were selected for award

b. Peer Review Group Input

The PRG met with SoCalGas on April 22, 2008, to review the Flight 3 results. SoCalGas presented the final scores and rankings from review process. The PRG asked questions about each proposal and discussed each proposal's score and possible fit within the SoCalGas portfolio. The PRG concurred with SoCalGas' decisions and made no changes to those shown above.

B. Third-Party Program Renewal Process

1. Introduction

In addition to the competitive bidding process, SoCalGas successfully implemented a review and assessment of its existing 2006 – 2008 EE third-party programs and renewed those programs that were judged likely to provide cost effective energy savings that were in line with SoCalGas and CPUC objectives during the 2009 – 2011 period.

2. Renewal Results

As a part of SoCalGas' commitment to allocate 20% of the 2009-2011 Energy Efficiency Program Funds and CPUC Savings Goals to be contracted with third parties, SoCalGas selected eight (8) 2006-2008 third-party programs for renewal in the 2009-2011 program cycle. These eight programs total $22.6 million in funding during this 3-year period. These programs and funds are in addition to those selected under the competitive bidding process. No contracts will be executed until the Commission's final decision.

3. Renewal Selection Process

The objective of SoCalGas' renewal selection process was to identify existing third-party programs that are likely to provide cost-effective energy savings during the 2009-2011 program cycle in a manner that met the following general guidelines:

- Leverage utility knowledge and experience of the market, vendor, and program to allow for a more informed assessment of future performance potential.
- Assess all existing programs in a fair and equitable manner.
- Minimize "rebid" and assessment effort for both the vendor and the utility but in a manner that does not sacrifice a fair and accurate process.

The outcomes of the renewal selection process was a decision on each current 2006 – 2008 third-party program to renew, re-bid, or discontinue the program for the 2009 – 2011 program cycle. The renewal selection process was comprised of three basic steps, a review and assessment of the existing programs, submission of 2009 – 2011 plans, and evaluation of those plans.

4. Review and Assessment of 2006 – 2008 Programs

In late 2007, SoCalGas developed a standard set of evaluation questions. These questions, which are listed below in the following subsection, were distributed to the appropriate SoCalGas Program Managers. The program managers documented their responses to each

question and used these responses to provide an overall recommendation to renew or not. Below are the renewal assessment questions:

- Program Goals and Achievements, Including Commitments: Is program at or ahead of contracted/revised forecast? If not, does implementer have a solid plan to meet goals?
- Program Cost: Is proposed program PAC Levelized Cost equal to or less expensive than original forecast? If not, did program change substantially from forecast to increase comprehensiveness or incorporate new delivery strategies?
- Cost-Effectiveness: Is TRC greater than or equal to original forecast? If not, did program change substantially from forecast to increase comprehensiveness or incorporate new delivery strategies?
- Actual Installed Measure Mix: Does the actual measure mix vary substantially from the forecasted measure mix? Particularly, is the actual mix less comprehensive, or does the end-use split vary dramatically from forecast?
- Customer Satisfaction /Program Quality: Does program have outstanding complaints from customers or other implementers, or outstanding inspection fails, excluding very recent issues that implementer hasn't had reasonable opportunity to resolve yet?
- Coordination/Vendor Relationship: Is existing coordination agreement working well? Is implementer pro-actively coordinating with other programs and stakeholders, including utility account representatives and programs, other third party programs, and local government partnerships? Is the vendor cooperative, responsive, and meeting needs? Are their responses timely?
- Regulatory and Reporting Compliance/Audits: Are implementer's reports accurate and on-time? Is implementer in compliance with all regulatory requirements? Is the implementer responsive to audit data requests? Are audit requests accurate and on-time?
- Are program/project savings claims clear, well documented and defensible?

5. Portfolio Fit

SoCalGas EE Managers reviewed the existing third-party programs to assess their fit with the 2009-2011 portfolio objectives. Those programs that would be consistent with those goals were determined appropriate for renewal or re-bid. Two major factors determining portfolio fit where the appropriateness of the program given the customer profile of the SoCalGas service territory and the overlap of the program with other planning utility or third-party programs.

6. Evaluation Criteria

SoCalGas EE Managers used the Program Manager's assessments as input to the final renewal selection process. The evaluation criteria for the renewal selection process were a combination of quantitative and qualitative criteria. These criteria were not scored but rather evaluated. An important aspect of the renewal criteria is the inclusion of the SoCalGas Program knowledge of the relevant market segment conditions and the status, progress, and challenges faced by the current program. The final decisions to renew, re-bid, or discontinue were based upon evaluations of these criteria. The renewal evaluation criteria were as follows:

Table 1-19: Renewal Evaluation Criteria Resource Programs for Residential, Non-Residential, Cross-Cutting

Criteria	Threshold Level(s)
Savings Performance: Program has or is on-track to meeting savings goals	>70% of 3yr Goal
Budget Performance: Funds spent are reasonable given savings levels	% Savings Goal / % Budget > .8
Program Assessment: PM assessment of ongoing potential of the program	Good potential

Note, all renewal quantitative evaluation criteria values were evaluated as of December 31, 2007 and again on March 31, 2008.

Table 1-20: Renewal Evaluation Criteria

Non-Resource Programs for Residential, Non-Residential, Cross-Cutting

Criteria	Threshold Level(s)
Goal Attainment: Program has completed all or most of the task expected	Most task completed
Budget Performance: Funds spent are reasonable given tasks completed	< 90% of 3-year Budget Spent
Program Assessment: PM assessment of ongoing potential of the program	Good potential

7. Submission and Review of Proposed 2009 – 2011 Programs

After completing the evaluation process, SoCalGas invited those vendors operating the programs that passed the renewal evaluation to submit implementation plans and E3 calculators for the 2009-2011 program cycle. SoCalGas Program Management and Engineering staff reviewed those plans. If the plans were found to be both reasonable and cost effective, then SoCalGas selected them for renew negotiations.

8. Potential Additional Third-Party Renewals

In addition to the seven 2006 – 2008 third-party programs renewed as part of the process described above, SoCalGas has recently initiated an additional 6 programs. These programs were started between the fall of 2007 and spring of 2008. Because these programs have just begun, there is insufficient information to determine if they should be renewed for the 2009 - 2011 program cycle. SoCalGas plans to evaluate these programs mid-year during the 2009 Bridge Funding period and use the same evaluation criteria as used for the other 2006-2008 third-party programs. These programs have the potential of adding an additional 6 million therms of savings to the SoCalGas portfolio.

Overall, SoCalGas believes that continuation of successful current third-party programs will contribute to achieving cost effective energy savings for the customers of the SoCalGas service area.

VII. Local Government Partnerships

SoCalGas is working in Partnership with municipalities to deliver energy efficiency programs to residential and commercial customers through the Local Government Partnership ("LGP") marketing channels. The LGP program is a multi-faceted approach in that SoCalGas works with various city, county, and "quasi-government" departments to promote energy efficiency, energy conservation, and demand response. These collaborative programs are designed to enhance energy efficiency program offerings as well as serve as a marketing channel for projects to complement the portfolio.

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.

SoCalGas Partners include:

- Bakersfield/Kern County Energy Watch (KCEW)
- City of Costa Mesa, Fountain Valley, Huntington Beach and Westminster (Orange Cities Energy Partnership)
- City of Palm Desert (Palm Desert Energy Partnership Demonstration Program)
- ICLEI-Local Governments for Sustainability, Local Government Commission (LGC) and Institute for Local Government (ILG)
- Los Angeles County
- Riverside County
- San Bernardino County
- San Luis Obispo Energy Watch (SLOEW)
- Santa Barbara County (South Coast Energy Efficiency Partnership)
- South Bay Cities Council of Governments (SBCCOG)

- The Energy Coalition (Community Energy Partnership)
- Tulare County and City of Visalia
- Ventura County Regional Energy Alliance (VCREA)
- In addition, SCE and PG&E are co-utility partners in these local partnerships. The programs are designed to address both gas and electric efficiency. As such, some of the references contained in the program implementation plans are for SCE's electric related scope and such scope is not included in SoCalGas' partnership activities.

Program components include:

- Support for municipal facility retro fit for energy efficiency improvements,
- Strengthened building energy codes and enforcement,
- Land use planning and design
- Emerging technologies
- Energy Plan development
- Education and Outreach
- Comprehensive commercial retrofit
- Comprehensive mobile home direct install
- Residential and non-residential energy surveys
- CFL bulb recycling programs
- Green Building program
- Peer to Peer
- Staff training program
- Permit expedite and fee reduction programs

A. Local Government Partnerships Process

In 2006-2008, SoCalGas had a mixture of partnerships that consisted of statewide

government entities, local governments and "quasi-governments".[11] This section describes SoCalGas' proposal with respect to local government partnerships only. SoCalGas' statewide and local institutional partnerships are discussed in other parts of this testimony. The statewide and local institutional partnerships were not subject to the selection criteria developed for local governments.

1. Proposed Partnership Structure and Statewide Consistency

SoCalGas' proposed local government partnership structure for 2009-2011 continues to build upon the successes of the 2006-2008 local government partnerships. D.07-10-032 (at page 88) recognizes that: "These entities ay provide expertise the utilities do not have or better access to target groups and local communities. Local governments may be able to combine utility programs with their own complimentary, more comprehensive energy strategies." In addition, the Chapter 12—Roles of Local Governments explores a range of strategies that local governments can implement "to promote energy efficiency technologies and practices within their communities, in their own facilities and with their peers." Concurrently, as the CEESP was being developed, SoCalGas and the other utilities worked with the PRG to develop selection criteria for 2009-2011 local government partnerships that would reflect the strategies proposed for local governments in the CEESP. SoCalGas' 2009-2011 portfolio plans to continue existing successful partnerships, expand its partnership portfolio with additional new local government partnerships, and expects to develop additional partnerships during the three-year cycle subject to potential budget constrains. This proposed portfolio of local government partnerships was developed with extensive consultation with the PRG as directed by the Commission (D.07-10-032 at page 106) and is consistent with the intent of D.07-10-032 and the Policy Manual

[11] In agreement with the PRG, the IOUs define "quasi-government" to be a "non-profit that works directly with government entities, government associations, joint powers authorities, statewide associations, etc."

RuleVI.5.

The overarching structure of the local government partnerships is consistent statewide with regards to program offering, eligibility, expectations, and results of the program. In 2006-2008, SoCalGas considered its approach to local governments more as a "pilot" effort, working with only select cities, counties and quasi-governments. For 2009-2011, SoCalGas is taking a broader approach to working with local governments by offering a "portfolio" of program elements. These elements range from basic support activities for local governments who are not yet capable of supporting a fully-developed partnership effort, to those that are. In fact, a key component of the LGP proposal is an effort at both the local and statewide levels to help develop local governments along this continuum. This was loosely described as a "tiered" approach during the planning process. While the details or extent of programs may vary among the utilities, each IOU offers programs to local governments at different points along the energy efficiency learning curve. Each IOU has programs available for all cities, counties and quasi-governments in their territory to assist local governments in participating in energy efficiency. Each IOU has a Partnership program that provides resources to Partners (selected via a consistent process with identical selection criteria) to provide assistance in marketing utility programs, to deliver products and services and to achieve saving savings and other goals.

D.07-10-032 OP 13 requires that the IOUs explain efforts undertaken to expand the LGP effort for the 2009-2011 program cycle. In addition to providing expanded offerings to local governments, which as noted above are intended to ensure al local governments have access to more tailored EE services, SoCalGas advertised the "call for abstract" ("CFA") process (described below in Section b below) to as many local government entities as possible. This included sending the CFA to every city and county in its service territory, as well as known

quasi-government groups.

The proposed partnerships for 2009-2011 are presented in detail in the attached PIP (see Appendix B). The PIP is a summary of the various Abstracts (response to the CFA) submitted by the prospective partner. At this point in the selection process, all of the selections are preliminary and depend upon successful negotiation of a partnership agreement. The Abstracts will need to be expanded to provide specific details of the partnerships to meet the expectations of the PRG guidance. Consequently, the final PIP for each specific partnership is expected to vary somewhat from what is shown, and SoCalGas plans to submit the final individual local government PIPs to the CPUC based on the final contracts.

2. Criteria and Process

D.07-10-032 directed the PRG to oversee the development of the selection criteria and the subsequent selection of LGPs for the IOUs.[12] This section describes the process of creating the selection criteria, the process created for selecting LGPs, and the role of the PRG in each process. The Guidance Document (note sure what the correct reference is for Appendix A) further requires the IOUs Applications to describe the criteria and process used in developing LGPs, the recommendations received from the PRGs and how the utilities responded to these recommendations in the selection process.

a. Criteria Development

The process for selecting Partners was developed jointly by the IOUs with PRG input to be consistent statewide. This involved an agreed-upon process to develop selection criteria, where several meetings were held with local governments for their input, and included much back-and-forth with the PRG. Although this process for selection was relatively structured, the

[12] D.07-10-032, page 106 and OP 30.

process was not a competitive solicitation process (like the third party solicitations).

Based on suggestions from the workshops held in late January, the IOUs drafted selection criteria, which were reviewed by the PRG during a meeting in February. The IOUs revised the criteria based on this input, and shared a final draft with the PRG on February 22, 2008.

The IOUs implemented the following recommendations of the PRG:

6. Define a Quasi Government Partnership as "non-profit that works directly with government entities, government associations, joint powers authorities, statewide associations, etc.)."
7. To be eligible for a partnership, all applicants must meet the definition of a partnership, which is Governments, Government Associations, and Quasi-Government groups (a non-profit organization that works directly with government entities, government associations, joint powers authorities, statewide associations, etc.).
8. Add a criterion to evaluate the degree to which the submitted abstracts demonstrate "Innovation and Reflects Strategic Planning."
9. Clarify the Criteria definitions and sub-criteria descriptions (e.g. define "Skill and Experience" Criteria to include experience with "related projects").
10. Weight the criteria in a manner similar to the Third Party selection process, including increasing the weighting for "Innovation and Reflects Strategic Plan" and decreasing the weighting for "Feasibility."
11. Send the draft Criteria to existing Partners for feedback.

The IOUs believe the final criteria, weighting and scoring process was mutually agreed by the IOUs and the PRG. The IOUs and PRG supplemented the criteria with a jointly

developed definition of Partnership eligibility: New partnerships will be with government or quasi-government (non-profit that works directly with government entities, government associations, joint powers authorities, statewide associations, etc.) only. The final list of criteria included:

- Cost Efficiency
- Skill and Experience
- Demonstrated Commitment
- Municipal Facility Buildings
- Feasibility
- Integrated Approach
- Comprehensiveness
- Innovation and Reflects Strategic Plan

b. Selection Process

The process for selecting potential LGPs was based on the desire to make it as easy as possible for all interested parties to submit proposals, recognizing the need to be fair and consistent to all parties. After the criteria were finalized, the IOUs and the PRG agreed to issue a Call for Abstracts ("CFA"), whereby a schedule and scoring criteria were communicated to potential parties. The CFA included the following input from the PRG:

1) Require existing Partners to comply with CFA Criteria.
2) Require private sector firms and others who do not fit the definition of partner to change the proposed structure.

3) Edit the CFA language and format (e.g. length of Partners Abstracts and further clarity to Criteria definitions).

4) Score existing partners on the selection criteria.

5) Require both existing partners and potential new partners to submit abstracts that reflect the selection criteria and the guidelines in the call for abstracts.

6) Send a pre-announcement to local governments and agencies alerting them to the selection process and the upcoming CFA.

7) Send all abstracts submitted by prospective local government partners to the PRG for review.

Once parties submitted their proposals, SoCalGas reviewed and scored each proposal using a 4 person team. SoCalGas submitted a summary sheet of the abstracts, together with copies of all submitted Abstracts) to the PRG on March 19,2008. SoCalGas participated in a meeting with the PRG on March 27, 2008 to review the Abstracts, discuss evaluation scores, and receive input on which direction to steer the partnerships as they developed specific program implementation plans for the three-year cycle.

c. Review by Peer Review Group ("PRG")

This section describes the role of the PRG in the review process for selecting the initial LGPs for the IOUs (in addition to what's noted above). The IOUs worked closely with the PRG throughout the Partnership development and selection process. Regarding the selection of Partners for the 2009-2011 period, the PRG made, and SoCalGas implemented, the following recommendations:

- Identify in the May 15 filing partnerships selected for 2009-11 and include a fund for additional partnerships, including new partnerships to be developed over the course of the program cycle and for current applicants whose proposals need additional work and focus to develop a successful partnership.
- Ask partners to provide a future work plan regarding municipal buildings to supplement the information that most provided in the abstract regarding past work on municipal buildings.

d. Energy Efficiency Policy Manual

This section describes how the process of LGP selection and development meets the requirements regarding LGPs as contained in the EE Policy Manual. In the latest edition of the Policy Manual (reference), Section IV describes two areas relevant to Partnerships: Item #5 and Item #6. Item #5 refers to the role of the partner in program design, development planning and implementation. SoCalGas believes that the abstract solicitation process described above follows the intent of Item #5, and plans to ensure further compliance with this Item as contracts are negotiated and the programs are implemented. Item #6 refers to standard contact language. The 2009-2011 contract "templates" will be substantially similar to 2006-08 templates that were developed to meet policy requirements that address the rights and responsibilities of the partners, program flexibility, information sharing, intellectual property ownership, reimbursement turn-around, and dispute resolution. Modifications may be made to reflect the individuality of the different partnerships, and to clarify existing language.

VIII. Summary of Energy Efficiency Market Transformation Strategies

SoCalGas believes its entire portfolio is designed to contribute to market transformation at various stages in the process. At the earliest stage, our Emerging Technology program helps to incubate new technologies that have are either just emerging from R&D development to

commercialization or products that have not been successfully commercialized due to poor marketing support and/or lack of credible energy savings tests. The Emerging Technology organization has an ongoing effort to identify these products, analyze the missing value proposition and project manage appropriate pilot tests to confirm or refute their value. Successful products are immediately presented to the impacted segment manager for incorporation into our program portfolio. Shower Start is a good, recent example of this transition where this product was tested in late 2007 and early 2008 and is now being included in our residential programs.

The program management staff then shepherds the product through the commercialization process with the ultimate goal of handing off to Codes and Standards. The commercialization process involves analyzing the target market for the product and evaluating the optimal price and promotion options to increase market penetration. The options, depending on the type of product, include adding it as a measure in the Single Family Energy Efficiency Program or the Non-residential Standard Energy Efficiency Program and promoting it through retailers and other mass market outreach efforts such as through our Local Government Partnerships, or including it in the non-residential Custom Energy Efficiency Program and marketing it through Account Executives and vendors/contractors that serve that segment, or including it in our Residential/ Nonresidential New Construction programs and marketing it directly to architects and builders. Alternatively, the product may warrant a specialized program to target a niche market which may warrant a contract with a third party to directly market the product as a stand-alone measure to a specific sub-segment of our customer base. A good example of a product moving through this process is tankless water heaters which have been included in our incentive programs for the past program cycle and are gradually increasing

market acceptance to where they are beginning to be considered for inclusion in new construction standards by some progressive cities.

Ultimately, a successful product will achieve increasing market acceptance, lower costs through mass production, verified reliability through market testing and then be ready for consideration as a code or standard. Our Codes and Standards organization is charges with taking these mature products and, if appropriate for inclusion in a building or appliance code, completing case studies appropriate for use in a code or standard proceeding (i.e. Title 24 or Title 20). These case studies are used in the regulatory proceedings to provide evidence that the product is ready for code because of its demonstrated cost effectiveness, reliability and acceptance in the marketplace.

It is clear to SoCalGas that identifying a specific component of our program portfolio as a "market transformation" strategy, fails to recognize the breadth of the continuum of effort necessary to achieve true market transformation. Our goal for all of our programs is to continually feed the pipeline of energy efficiency products to our customers, move products through market acceptance and into codes where 100% of the savings opportunities can be achieved. We believe our proposed portfolio is well designed to achieve that goal.

IX. On-Bill Financing and Other Financing Opportunities

The CEESP cites leveraging various financing opportunities in order to stimulate and expand investments in energy efficiency.[13] SoCalGas has been promoting financing options to its residential multi-family and selected commercial customer groups (including local governments) through its 2006-2008 On-Bill Financing (OBF) program. This program has been successfully implemented in 2006-2008, and with the experience gained as well as the

[13] California Energy Efficiency Strategic Plan, June 2, 2008, page 3-8.

information provided by study results of other successful OBF programs, SoCalGas has made modifications to improve program design and encourage more participation in its OBF Program; these changes occurred in 2006, 2008, and 2009 through the Advice Letter Filings and PAG Notification Process. For the next program cycle, SoCalGas is only proposing changes to the funding mechanism for the loan pool. Additionally, SoCalGas is exploring other financing opportunities including potentially partnering with financial institutions to increase financial assistance to customers, especially hard-to-reach customers.

A. PY 2006-2008 OBF Program

SoCalGas proposed a robust OBF pilot effort for the 2006-2008 program cycle, which was approved by the Commission in D.05-09-043. The OBF pilot was originally envisioned to be implemented in two phases: Phase I was intended to be a two-year effort covering the initial development of the program, including making changes to the billing systems, creating marketing materials and efforts, and rolling out the program. Phase II was envisioned as a proposal for the "next generation" of OBF that would be based on the learning experience of Phase I.[14] Due to unforeseen issues that occurred during the development and "beta" testing periods, SoCalGas requested and received approval for an extension of Phase I until the end of 2008.[15] Additionally, that extension deferred the Phase II "proposal" to be included as part of the 2009-2011 program filing. During Phase I, as SoCalGas gained experience and received market feedback, it filed for and was authorized to revise its OBF Tariff, Rule No. 40, to increase the loan cap, update credit requirements, and expand project eligibility[16]. In Decision 07-10-032, the Commission directed the California IOUs to propose On-Bill Financing programs for

[14] Spasaro Testimony, A.05-06-011, page 6.
[15] Advice Letter 3753, effective 7/13/2007.
[16] Advice Letter 3673, effective 11/30/2006

institutional customers[17] for the 2009-2011 cycle.[18] Accordingly, in May 2008, SoCalGas moved forward with an expanded offering for institutional customers by launching a "pilot institutional program" with a longer payback period and higher loan ceiling. Additionally, in December 2008, SoCalGas requested and was granted approval to amend its OBF Tariff to further broaden customer participation.[19] At end of 2008, SoCalGas proposed its "next generation" OBF program in a PAG Notification Letter and implemented it in January 2009.

At this point in its evolution, SoCalGas believes it is offering an extremely robust OBF program, and is not considering any additional changes to the program. The "next generation loan pool", however, is being proposed in this Application (contained herein).

B. 2006-2008 Program Summary and Results

The OBF Program Phase I included using a manual system and fine-tuning of the program's operational requirements. The automated billing process was developed concurrently. SoCalGas met this program's milestones. Most notably, the automated billing system was operational in September 2007. This success was due to the commitment of several internal SoCalGas departments, Billing, IT, Accounting, Customer Services, Technical Services, and Customer Programs to provide a fully functional OBF process and system.

Account Executives have been the primary channel for customer participation and coordinating measure installation. The Account Executives and customers provided feedback on program requirements which SoCalGas used to continually streamline the procedures to increase both customer satisfaction and participation. Key accomplishments of OBF include:

- Completion of billing system to allow for monthly billing of loan charges

[17] Tax-payer funded government institutions such as cities, counties, etc
[18] D. 07-10-032, Page 92
[19] Advice Letter 3936, effective 1/16/2009.

- Internal policies and procedures completed
- Successful On Bill Financing collaboration with Express Efficiency and Business Energy Efficiency Programs
- 100% Inspection pass rate
- No loan defaults to date
- Successfully installed, financed and billed 9 gas-only projects
- Program Participation Statistics:

    13 projects in financing process

    $215,177– Approved for financing pending installation

    $310,162 – Issued loans

    8% - Institutional customers

    15% commercial customers

    46% agricultural customers

    31% industrial customers

C. Lessons Learned From the Implementation Phase

The 2006-2008 program cycle provided SoCalGas with the following key lessons:

- Customers who are aware of and qualify for On Bill Financing have been very eager to take advantage of the interest free financing to help with their capital constraints.
- On-Bill Financing requires on-going collaboration with internal departments including: IT, Billing, Accounting, Technical Services, Incentive and Rebate programs as well as Customer Services.

- SoCalGas' gas-only OBF Program faces special challenges, for instances, most projects have very long lead time, often takes months, sometimes more than a year, for a project from planning to installation.
- Most gas-only applications have very long payback periods based on energy savings. This limits access to gas-only OBF to only the most cost effective gas projects such as heat exchange project, industrial process improvement projects, retro-commissioning projects, or greenhouse curtain projects.
- There is a lack of a lighting equivalent measure for gas projects in terms of qualifying payback periods for OBF, therefore SoCalGas' gas-only OBF has not been able to attract many contractors/vendors to participate in OBF. However, those vendors whose cost effective gas equipment can meet the payback period requirement have shown enthusiasm in utilizing OBF to help encourage their customers to undertake energy efficiency upgrades.
- Coordination with Local Government Partnerships is key to driving energy efficient upgrades within institutional customer sites.[20]

D. Investigation of Other Financing Strategies

SoCalGas investigated other program strategies statewide and energy efficiency financing programs in the New England area. While program offerings and concepts are relatively consistent, eligible customers, loan funding sources and processes vary somewhat across programs. Key successful strategies include:

- Interest-free or low interest loans
- Managing default for ratepayers by:

  performing credit checks (or payments history with utility)

  Allowing only low-risk customers to qualify (municipalities, etc.)

[20] SoCalGas recently expanded project eligibility for institutional customers during 2006-2008 program cycle to help ease financial and time constraints that frequently delay equipment installation.

Aiming for bill-neutrality

Non-transferable loans

- Reducing administrative burden by maintaining a loan minimum

E. Modifications to 2006-2008 Program

OBF provides interest-free, unsecured, on-the-utility-bill financing for purchase and installation of qualified energy efficiency measures offered through various energy efficiency programs offered by the Utility. The 2006-2008 OBF program as approved in Decision 05-09-043 contained the following guidelines:

- 10% reduction (capped at $500) of rebate/incentive;
- Loan amount: $5,000 to $25,000 per meter;
- Maximum loan term is five years for government segment and three years for business and multifamily segments
- Up to $5 Million of loan funds from utility working cash available during 2006—2008;

In 2006, SoCalGas made the following program requirement changes via Advice Letter 3673 and PAG approval:

- Loan amount: $5,000 to $50,000 per meter;
- Maximum loan term is five years for all market segments

In 2008, SoCalGas proposed and received approval through the PAG Notification Process to implement a pilot institutional program with the following specific changes to the 06-08 program guidelines:

- Maximum Project Payback and loan terms: 10 years *or useful measure life* (whichever is shorter)
- Maximum Loans Amount - 100,000 per meter

In January 2009, with approval from PAG, SoCalGas implemented its 2009 OBF Program with the following specific changes to the 2006-2008 OBF program requirements:[21]

(1) Eliminate the requirement of reduced rebate/incentive.

(2) Raise the loan cap from $50,000 to $100,000 per meter for non-institutional customers/multifamily customers and from $100,000 to $250,000 per meter for taxpayer-funded institutional customers.

F. Proposed OBF Loan Pool

SoCalGas proposes to create a new two-way balancing account for the loan pool, funded at $3.5 Million from a refundable non-Public Purpose Program funds. For the 2006-2008 program cycle and the 2009 bridge funding period, the loan pool funding was borrowed from SoCalGas' working cash as a way to jump-start the program. Now that SoCalGas has a better sense of the loan funds needed to support the program, SoCalGas proposes to establish a ratepayer-funded loan pool to meet the anticipated demands during 2009-2011 program cycle. Once established, this loan pool is expected to be sustainable, as the loan repayments will be recycled to fund additional loans (i.e., a "revolving" fund). Also, at the beginning of the next program cycle, as part of the efforts to transition OBF loan pool from utility working cash to ratepayer funding, SoCalGas intends to transfer the remaining loan balances of existing loans to the newly created ratepayer-funded loan pool. SoCalGas requests $3.5 Million for this loan pool. No cap is proposed for this loan pool as SoCalGas believes that OBF is contributing to a cost effective portfolio by providing positive support to energy efficiency rebate/incentive

[21] To support these program changes, SoCalGas filed Advice Letter 3936 to revise Rule No. 40 On-Bill Financing Program to remove all references to rebates/incentives to allow energy efficiency programs which do not offer rebate/incentives such as Emerging Technology Program to work with OBF as well as remove the restriction that OBF only serves core customers. This Advice Letter was approved with an effective date of 1/16/09.

programs and should be allowed to grow as needed. This will create a sustainable loan pool with non-Public Purpose Program ratepayer funds. Since the loans are intended to be paid back (minus defaults), the loan pool should not be a "cost" to the EE programs. Loan defaults, on the other hand, are costs to the program and will be charged to PPP funds with corresponding credits to the loan pool through accounting entries as they occur.

To track the loan pool funding, SoCalGas proposes to establish the On-Bill Financing Balancing Account ("OBFBA"). The OBFBA is an interest bearing, two-way balancing account, which will track the difference between ratepayer funding and actual loans provided to customers participating in SoCalGas' OBF program. The two-way balancing account will afford SoCalGas the flexibility it needs to ensure the loan program will adhere to the requirements of its commercial lender's license exemption. If approved, SoCalGas would file a Compliance Advice Letter within 90 days of the effective date of the decision on this program to establish the OBFBA. Cost of loan defaults will be charged to Demand Side Management Balancing Account. The authorized funding will be collected through gas transportation rates and allocated to customers based on Equal Percent of Base Revenue ("EPBR"). The balance in the OBFBA will be amortized as necessary to recover any under collections associated with actual loan funding above the authorized annual funding requirements embedded in rates in connection with SoCalGas' annual regulatory account balance update filing for gas transportation rates effective January 1 of the following year. After repayment of all loans and termination of the On-Bill Financing Program, the disposition of the over collection balance in the OBFBA will be refunded to ratepayers in connection with SoCalGas' annual regulatory account balance update filing or address the balance in the SoCalGas ' next energy efficiency proceeding.

G. Residential Financing Opportunities

D.07-10-032 Conclusion of Law 25 states, "…The Utilities should … to assess the opportunities for on-bill financing program for residential customers." First, it is important to note that SoCalGas does offer OBF to certain multi-family ("MF") residential customers (i.e., MF owners who do not reside on premise). While this is certainly a limited portion of the residential market, SoCalGas was hoping this would allow it to preliminarily gauge residential demand for OBF.[22] So far, no inroads have been made into this market segment. Nonetheless, SoCalGas will continue to offer OBF to this customer segment, and include the multifamily market segment in its continuing investigation of residential financing programs.

Second, consumer/residential financing has more involved lending laws than commercial, which appear to be an administrative burden to comply with, including: lending law timelines, Fair Credit Reporting Act, loan statement format requirements versus utility bill design, Truth in Lending Act, Fair Debt Collection Act, Safeguards Rule, and loan repayment terms. The extensive reporting, disclosure, and compliance requirements associated with consumer debt potentially increases program administration costs. While SoCalGas is subject to the commercial versions of those laws, they appear to be less onerous than the consumer lending laws. The Department of Corporations in its Release 60-FS ("Release"), issued on 7/14/2006, determined that the investor-owned utilities are not "engaged in the business" of a finance lender or broker under Financial Code Section 22100 of the California Finance Lenders Law ("CFLL") when making commercial loans under the conditions described in the Release.[23] Therefore, the

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[22] Spasaro testimony, A. 05-06-011, page 10.

[23] The Release sets specific limitations to lenders, borrowers, and loans with respect to financing programs offered by the public utilities. As stated on page 2 of the Release, the exemption is specific to commercial, non-residential customers including governmental agencies and owners of residential multi-family units who do not live on the premises and that loans are not to be used for personal, family or household purposes.

IOUs are not required to obtain a finance lender or broker license under the CFLL when engaged in these financing activities "for energy efficiency purposes." Without this commercial lender license exemption from the Department of Corporation, SoCalGas may have been subject to a potentially large annual license fee (and a bond). The Release specifically noted that it did not apply to consumer lending.

Third, offering OBF more broadly to the residential market raises certain issues. Residential energy efficiency project payback periods tend to be very long and not likely to meet the project payback limit required for OBF loans. Increasing the payback period requirement to allow more projects to qualify could result in risky loans, as the risk of defaults increases with longer loan terms. Another potential issue for residential markets is the non-transferability of OBF loans. This is another program requirement intended to reduce defaults, and minimize administration costs, as the utility has no credit or payment information on the new owner of the financed equipment. In addition, the alternative of requiring the loan to be paid in full upon moving could very well counteract the benefit of the "no upfront capital cost" and make the program less appealing to residential customers. Furthermore, it could even increase default rates, especially in a down real estate market where many people are forced to move due to inability to meet mortgage obligations. SoCalGas believes that controlling defaults is especially important in the residential markets based on results of other utility residential financing programs, some with default rates up to 20%.

The above considerations are related to SoCalGas' opportunities to being a financial lender for the residential segment. However, SoCalGas promotes other types of financing for residential customers. SoCalGas is one of the major sponsors of "The Energy Loan", a Fannie Mae special product developed to provide homeowners with an unsecured finance option for

specified energy efficient home improvements. This program is administered by Viewtech, an experienced lender with utility-sponsored programs in the nation and has been instrumental in the development of contractor quality control standards and processes; developing unique and proprietary quality control techniques specific for service-conscious utilities. Additional information on this program can be found at http://www.energyloans.org/main.htm.

SoCalGas will continue to include multifamily housing in its OBF offering and will continue to investigate financing programs for residential markets. Two main options are being considered and evaluated:

- AB811: This legislation would allow cities to use the property tax bill and "assessment districts" to create a way for property owners to finance qualifying energy efficiency and photovoltaic equipment (via the California Solar Initiative program). SoCalGas strongly supports AB811 as a way to more broadly finance energy efficiency equipment.
- Partnering with a bank/ financial institution: SoCalGas is researching the possibility of partnering with banks or other funding institutions to offer energy efficiency financing to residential customers. Partners may help minimize utility risk and lower transaction costs while offering financing options to customers and projects outside SoCalGas' current commercial lender license exemption from the Department of Corporations.

H. Additional Financing Options

1. CEC's Energy Efficiency Financing Program

In additional to SoCalGas' activities above, SoCalGas will also work with customers to take advantage of the CEC's Energy Efficiency Financing Program which provides financing for schools, hospitals and local governments through low-interest loans for feasibility studies and the installation of energy-saving measures.

2. Issuing "Energy Efficiency" Bonds

As noted above, AB 811 allows cities to use the property tax bill to create a way for property owners to finance qualifying energy efficiency and photovoltaic equipment (via the California Solar Initiative program). AB 811 was initiated by the City of Palm Desert as a way to help achieve the ambitious energy savings goals of the Palm Desert Demonstration Partnership program (with Southern California Gas Company and Southern California Edison). SoCalGas strongly supports AB811 as a way to more broadly finance energy efficiency equipment, and plans to promote it with other cities. To implement AB811, cities would offer bonds though "assessment districts" (the source of the loan funds), and then offer their constituents low-interest loans that could be paid back on their property tax bills. The key target market would be residential property owners. While these bonds/loans would be available to solar PV equipment, it would be SoCalGas' intent to focus on energy efficiency measures in support of SoCalGas' goals.

3. Partnering with Financial Institutions

SoCalGas is very supportive of partnering with financial institutions to provide energy efficiency loans to customers in an efficient and effective manner to supplement the on-bill financing option. In particular, SoCalGas recognizes that financial institutions have the loan program expertise (credit scoring, etc.) to be a significant player in helping to facilitate upfront equipment costs. SoCalGas sees this partnership arrangement as the future to providing customer solutions to high upfront cost energy efficiency investments. With the current troubles in the banking community regarding the subprime and housing crisis, SoCalGas intends to move prudently and in more of a pilot-niche market approach to these partnerships, and promotes on-bill-financing as its primary vehicle for financial solutions until a more stable and robust financial market returns.

In this regard, SoCalGas is working with SDG&E to pursue conversations with local, minority owned banks that market to small businesses in low income areas. The discussions have explored potentially partnering to offer Energy Efficiency (Green) Loans and also Renewable Loans to small commercial businesses. The goal is to provide greater dollars available for investment in Green Loans and support the CEESP statement (at page 3-8), to identify existing needed tools, instruments and information necessary to attract greater participation of capital markets in funding efficiency transactions. Also, specifically noted was the goal of providing financing alternatives for hard to reach customers in addition to utility's on-bill financing option.

4. Green Energy Systems

SoCalGas has in some instances encountered new and existing customers who are presented with the opportunity to maximize the energy savings on a major energy systems project they are planning (*e.g.* chiller system, boiler, co-generation), but for reasons such as scarce capital or perceived risk elect not to make the investment in the highest efficiency option. This results in a lost opportunity for energy savings for the 20 to 30-year life of the equipment. In order to avoid this lost opportunity, SoCalGas proposes the development of a "Green Energy Systems" ("GES") program, pursuant to which they would have the ability to own or finance these large energy systems. Utility-owned or financed projects would be required to maximize the use of cost effective equipment. The customer would then pay, in concept, a surcharge that is lower than the incremental energy savings they are experiencing and would thus have a positive cash flow.

Under GES, SoCalGas will seek to identify projects with the following characteristics:

- The project is of sufficient size to warrant the effort (>$2,000,000 investment)
- The building is intended to be owner occupied or owner managed
- The HVAC system is a central plant configuration

If an appropriate project is identified and the owner is willing to enter into a contractual agreement with SoCalGas to own and operate the building's HVAC central plant, SoCalGas will file an advice letter for approval of incremental capital and maintenance costs for the project and will demonstrate that the project meets the following criteria:

- The project is cost effective as a stand alone energy efficiency project and delivers incremental energy savings beyond what the building owner would otherwise have installed
- The capital requirement is between $2,000,000 and $20,000,000
- The savings associated with the project will count toward determination of SoCalGas' Minimum Performance Standard but would not count toward determination of its Performance Earnings Basis

If approved, SoCalGas will sub-contract out the design, construction and operation of the facility but will serve as its project manager to ensure that it is constructed and operated at the design efficiency levels.

X. Coordination of Program Delivery and Marketing/Outreach and Integrated with Other Demand-Side Management Programs

On March 7, 2008 the Energy Division conducted a workshop to explore IDSM ideas and to address potential issues/challenges of integrating various demand-side management programs so that they collectively produce greater results. Subsequently the *Joint Assigned Commissioners' Ruling Providing Guidance on Integrated Demand-Side Management in 2009-2001 Portfolio Applications* ("Joint ACR") was issued in April 11, 2008. The Ruling provides

guidance to the utilities regarding integrated demand-side management ("IDSM"), Marketing, Education & Outreach ("ME&O"), Zero Net Energy ("ZNE") and other IDSM pilot projects and operational improvements. Additionally, on April 21, 2008 Assigned Commissioner's Ruling Requesting Comments on Proposed Energy Efficiency Measure for the California Solar Initiative Program, was issued to further the discussion how best to integrate/coordinate energy efficiency efforts with CSI.

This section of the testimony presents SoCalGas' current and proposed integration activities across various program portfolios in different Commission proceedings, Energy Efficiency ("EE"), Low Income Energy Efficiency ("LIEE"), Demand Response ("DR"), Advanced Metering Infrastructure ("AMI") Distributed Generation ("DG"), and California Solar Initiatives ("CSI"). SoCalGas submitted its 2009-2011 LIEE application (A.08-05-025) on May 15, 2008. SoCalGas notes that it is not the program administrator of the electric EE, DR, DG and CSI program portfolios and they are currently assigned to SCE for most of our service territory and with PG&E and SDG&E in smaller portions of our service territory. Although, these various proceedings are currently independent of each other, the CEESP provides vision and strategy to leverage these various program efforts to ensure the realization of the aggressive BBEES laid out by the Commission in D.07-10-032.

This section can be considered a "stand alone" chapter as required by the April 11 Joint ACR. This comprehensive presentation of SoCalGas' IDSM efforts across the different proceedings is being presented for the first time in this EE application as the EE application is the last application to be submitted to the Commission.[24] This was to ensure that all EE activities and programs addressing IDSM were fully vetted and developed prior to it being submitted in

[24] The May 5th ACR and June 2nd ACR reset the due dates for the 2009-2011 EE application from May 15 to June 2 and finally to July 21.

other proceedings.[25] In the following sections, SoCalGas addresses various aspects of its IDSM efforts in the order of priorities laid out by the April 11 Joint ACR.

A. Comprehensive and Coordinated Marketing, Packaging and Delivery (Coordination)

This section discusses the various integrated outreach and education of customers that optimizes utility engagement with customers.

1. Customer Programs Organization

Currently, SoCalGas' Customer Programs organization is responsible for its Energy Efficiency Programs. The department was reorganized in 2006 such that these programs reside respectively by sector with a Residential segment supervisor, a Commercial segment supervisor, an Industrial segment supervisor and a New Construction segment manager. Moving forward into 2009, SoCalGas is enhancing its comprehensiveness by restructuring how it designs and manages its program. In the past its programs were managed across the residential and non-residential markets uniformly. Beginning in 2009, the program managers will be responsible for segments rather than specific programs. The goal is to be even more knowledgeable about the needs of customer segments (residential owners and renters; non-residential manufacturing, agricultural, hospitality, foodservice, institutional, etc) and increase market penetration through segment specific marketing and outreach. This additional step of segmentation enhances the company's ability to design program and communications materials geared towards managing the customer's energy needs in a comprehensive manner rather than the traditional piecemeal of offering independent programs. This approach will encourage segment program managers to first understand a customer's energy needs and offer assistance consistent with the loading order

[25] On July 1, 2008, SoCalGas submitted "Response of Southern California Gas Company to Assigned Commissioner's Ruling Ordering Large Investor-Owned Utilities to Comply with Prior Commission/Commissioner Directives" in which SoCalGas discusses various LIEE integration efforts with EE .

of the Energy Action Plan. Employees will receive proper training and have opportunities to improve their jobs skills to effectively manage the market segments assigned to them.

2. Marketing, Education and Outreach ("ME&O")

a. SoCalGas-specific ME&O Communication Strategies

SoCalGas' messaging strategy will coordinate, where appropriate, with SCE to present IDSM as the complete energy management solution that can help customers save energy, as well as manage their energy costs. This effort is intended to improve customers understanding of "energy management" as a whole in regards to how EE/LIEE, DR and CSI[26] can work together. Some of SoCalGas' specific communications strategies:

- For general awareness communications, "un-brand" programs and instead focus messaging on program benefits (e.g., SoCalGas is simplifying its nonresidential programs to move away from traditional program names such as Express Efficiency but work closely with customers to identify incentive opportunities.) This ultimately leads to better customer segmentation, personalized communication and messaging that is relevant
- For program-specific promotions, "match" programs together in terms of appropriateness for the customer and focus on benefits (e.g., low-income energy efficiency customer programs, segmentation of commercial customers and targeting residential customers using other segmentation tools such as Prism codes).
- Where appropriate, SoCalGas will coordinate with SCE to provide project solutions that are bundled to aggressively include EE, LIEE, DR and CSI opportunities. This will focus communications on customer benefits and industry segment needs; not programs. SoCalGas will provide energy management "packaged" solutions for each industry segment. Example: "Get the complete Energy Management Solution tailored for your business.

[26] SoCalGas will coordinate with SCE to optimize customer contacts with regards to these programs, although SoCalGas does not offer DR and CSI programs.

- SoCalGas will begin using the "Go Green. Save Green" theme that has proven successful at SDG&E. This will include all communications to reinforce how taking advantage of these programs can help them achieve their "green" goals (GHG emissions reductions, conservation, approval of their customers, and other benefits) while also saving money in the long run.
- Expand EE and LIEE in-home education to residential customers that will include information on GHG reductions.
- New Construction programs will work cooperatively with SCE and continue to work with various industry participants to encourage comprehensive solutions in new homes and buildings that incorporate not only EE measures, but also DR technologies (programmable smart thermostats, Auto DR) and CSI opportunities. This approach is essential to meeting the Commission's BBEES towards net zero energy new construction homes and building.
- Local Government Partnerships LGPs provide opportunities to communicate the IDSM message not only to their own organization but to their peers and their constituency through communication avenues unique to them.
- EE Third Party programs also present opportunities to provide IDSM messaging and customer education materials to general residential customers, LIEE customers and nonresidential customers. Third Party program providers are encouraged to co-brand and co-market with SoCalGas and other Third Party providers where multiple program opportunities exist.

b. Statewide ME&O

- EE statewide ME&O is primarily implemented through Flex Your Power with additional ME&O efforts for hard-to-reach customers. On the other hand, DR statewide ME&O is implemented through Flex Your Power Now! These two programs are complimentary since it provides a common platform that allows customers to associate "Flex Your Power" with managing energy through energy efficiency incentive programs, conservation messages and during critical peak times.

- As part of CEESP, the Commission intends to develop a statewide brand and web portal that could encompass not only EE but all other aspects of IDSM to have a centralized location for IDSM information. SoCalGas will actively participate in this activity.

3.Customer Relations Management Tool ("CRM")

CRM is a comprehensive information technology tool that is designed to integrate and optimize the administration of all energy efficiency programs at SoCalGas. Some of the functionality of the system includes rebate and incentive processing, online enrollment, consolidated results tracking and reporting, automated energy savings calculations, customer equipment database, marketing plan development and market segment development. This integrated tool will facilitate the ongoing development and management of integrated DSM programs at SoCalGas.

B. Operational Improvements (Program Delivery Coordination to Enable System Integration)

1. Exemplary Specific Programs That Offer IDSM Audits

The following list of programs that SoCalGas has proposed in its LIEE, DR and EE applications are not meant to be an exhaustive list of programs that offer IDSM.

- Home Energy Comparison Tool ("HECT") is an online tool that compares a residential customer's energy usage to other customers who have similar demographics in their neighborhood and used in conjunction with SoCalGas' Home Energy Efficiency Survey provides EE recommendations for customers to reduce their energy use. Customers without on-line access can avail themselves of this service by calling SoCalGas' call center.
- Home Energy Efficiency Survey ("HEES") is a comprehensive multi-lingual energy audit tool designed to reach a wide range of residential customers via online, phone or direct mail. The audit results provide customers with suggested EE recommendations to reduce their energy use and energy costs.

- PEAK Student Energy Actions ("PEAK") program, offered by SoCalGas in partnership with SCE and The Energy Coalition, is a standards-based program focused on DR and EE that educate children about energy usage and management and provides them with tools to "practice" learnings at home. SoCalGas proposed continuing this program in its DR application.
- SoCalGas has committed to working with SCE to deliver combined EE and DR audits. SoCalGas will be adding green house gas emission inventory calculators to the audit process in 2009.
- SoCalGas' Mobile Energy Van (EE) which provides on-site training for large customers and assists customers in identifying their integrated energy management opportunities.

2. IDSM Coordination of Incentive Programs

- SoCalGas is working with the SCAQMD to jointly fund a program to promote early replacement of water heaters. The objective of the joint project is to capture energy savings and reduce NOx emissions within the LA basin.
- For the 2009-2011 SoCalGas Energy Efficiency Third Party Contractor Programs, both EE and LIEE personnel will collaborate to determine which residential contractor programs could have LIEE integrated into the program. As third party contracts are negotiated in the following months, SoCalGas will discuss with the EE-selected third parties (which will be submitted to the Commission in SoCalGas 2009-2011 EE application on July 21, 2008), the third parties capacity and incremental budget requirements to incorporate LIEE outreach, education and services into their proposed EE program. Additionally, SoCalGas will provide training and education to third party contractors who are not currently participating as LIEE contractors. This will ensure that LIEE customers are either offered or made aware of the portfolio of energy savings programs and services that are available to them and the benefits that can be achieved from program participation, i.e., energy savings, greenhouse gas reduction and other benefits.
- SoCalGas requests CPUC approval to include gas fuel renewable projects in its EE programs. We have experienced several opportunities to increase the efficiency of

digester gas production facilities that would ultimately reduce the amount of natural gas used at the facility. We have not funded these projects because they may use the digester gas to fuel an existing cogeneration facility. However, by allowing these projects to participate in SoCalGas' EE programs we will achieve energy savings integrated with GHG emission reductions through the use of renewable energy.

- SoCalGas also requests CPUC approval for customer use of available Waste Heat Recovery Systems and Steam Backpressure Turbines for use as Customer energy efficiency measures throughout the State of California.

As energy efficiency matures, and long term measures are installed, there is a constant reduction in energy efficiency program opportunities for California IOUs to promote, and for customers to implement. In addition, IOU energy efficiency programs have stayed relatively constant in their structure and scope over the past several program cycles.

Add to this, increasing energy savings requirements placed on the California IOUs as well as the increasing legislative mandates placed on California industry to reduce Greenhouse Gas Emissions (GHG's), and it becomes apparent that to accomplish the energy savings goals and meet the GHG reduction requirements, energy efficiency programs should take a broader "total resource" conservation approach to energy efficiency, including energy reductions that may be achieved at the Power Plant level.

Several significant energy efficiency opportunities that are widely recognized but are currently not eligible to participate in IOU incentive programs include cross-cutting waste heat recovery generation opportunities, back pressure steam turbine generation, and turbo expander generation energy efficiency opportunities.

Cross-cutting waste heat recovery opportunities use waste heat that would otherwise be rejected to the atmosphere to provide "free" fuel to drive a process. The processes that can be driven include absorption refrigeration/cooling operations and heat recovery steam generators

(HRSG) that can generate steam to drive steam turbines. The steam turbines can then provide continuous shaft power to drive pumps, fans, chillers, air compressors and electric generators. Since most of these applications are dominated by electricity, an HRSG driven system offers the additional benefits of reduced electric load congestion and reduces stress on the electric transmission grid.

Back pressure steam turbine (BPST) projects offer customers the ability to generate shaft work on site for pumps, fans, air compressors, refrigeration systems, and power generation. Benefits of installing back pressure steam turbines within a high pressure boiler system include; reduced electric grid congestion and demand reduction, and fuel savings when compared to the fuel required to produce the equivalent shaft work or power at a central power plant.

In addition, these types of cross-cutting energy efficiency projects can be significant energy savings measures, GHG reduction tools, permanent demand reduction measures and highly effective total resource conservation measures. They can also be implemented on a statewide basis across all IOUss.

C. Optimization (Technology & Systems Integration)

1. EE/DR Emerging Technologies (ET)

SoCalGas' and SDG&E's EE and DR Emerging Technologies programs are implemented by the same organization under their Technology Development department. This strategic organizational decision allows SoCalGas to effectively foster technology investment and development that supports both EE and DR in a more integrated fashion. SoCalGas expects that through these efforts the commercialization of strategic EE and DR measures will be expedited so that they become more accessible to customers. This integrated group can significantly contribute to the development of communication standards of various communicating devices that would allow customers to manage their energy remotely such as Home Area Networks and

smart appliances.

The EE and DR portfolios budgets have identified separate ET budgets.

2.Codes & Standards

SoCalGas and SDG&E have an integrated Codes & Standards organization that participates in both DR and EE proceedings. The organization operates with separate EE and DR budgets but is able is to promote, through CASE studies and active participation in CEC proceedings, the next generation of California Title 24 codes and standards that incorporate integrated systems that provide both EE and DR benefits.

3. SMART METERS

SoCalGas is currently asking the Commission to approve its use of smart meters in its service territory. If the use of smart meters is approved for our service territory, we will develop EE programs to utilize smart meter technology and incorporate them into our portfolio at that time.

D. Statewide Integrated DSM

The CEESP encourages programs that integrate the full range of demand-side management (DSM) options: energy efficiency (EE), demand response (DR), and distributed generation (DG) as fundamental to achieving California's strategic energy goals.

The IOUs have identified integrated DSM (IDSM) as an important priority. SoCalGas has included separate exhibits on IDSM as well as specific integration activities within each program implementation plan at the Statewide and local program levels as instructed by the CPUC.

In addition to SoCalGas and other IOUs' individual IDSM activities and pilots, the IOUs are proposing a statewide IDSM effort that will establish a Statewide Integration Task Force (Task Force). Efforts of the Task Force will encompass activities that promote in a statewide-

coordinated fashion two specific IDSM strategies identified in the Strategic Plan (e.g. stakeholder coordination (Strategy 1.3) and new technologies (Strategy 1.4)). The IOUs believe that Strategy 1.1—"Carry out integrated marketing of DSM opportunities across all customer classes" should be coordinated with the statewide Marketing, Education and Outreach efforts (see ME&O PIP) and implemented at the local level by the IOUs focused on particular segment and customer-specific strategies. The Task Force will coordinate closely with the Marketing, Education and Outreach statewide team to ensure a consistent approach and the gain knowledge from statewide and local marketing and outreach efforts.

E. Proposed IDSM Pilot— Sustainable Community Case Studies

SoCalGas, together with SDG&E, will be working with a Master Community Developer on a development with a long build out schedule to serve as a test bed for integrating proven and emerging technologies for EE with the goal of promoting sustainable design and ZNE.

The objectives of the pilot are: develop cross-cutting Integrated Program Design; provide comprehensive energy management solutions designed into the development; stimulate Market Transformation in community design and marketing techniques; and leverage upstream energy savings in SoCalGas' infrastructure design, thereby yielding multiple benefits for ratepayers and other stakeholders.

1. Develop cross-cutting Integrated Programs Design:

- Performance-based program embraces residential (SFD, SFA and MFA) and non-residential (retail, office, schools) in one program
- Includes multiple stakeholders incentives (e.g., master developer, builder, end-user, trade and supply chain partners, and public-sector)
- Integrates horizontal (infrastructure), vertical (green buildings) and people/ratepayers (education, training) needs

- Anticipated implementation across program-cycles

2. Provide comprehensive energy management

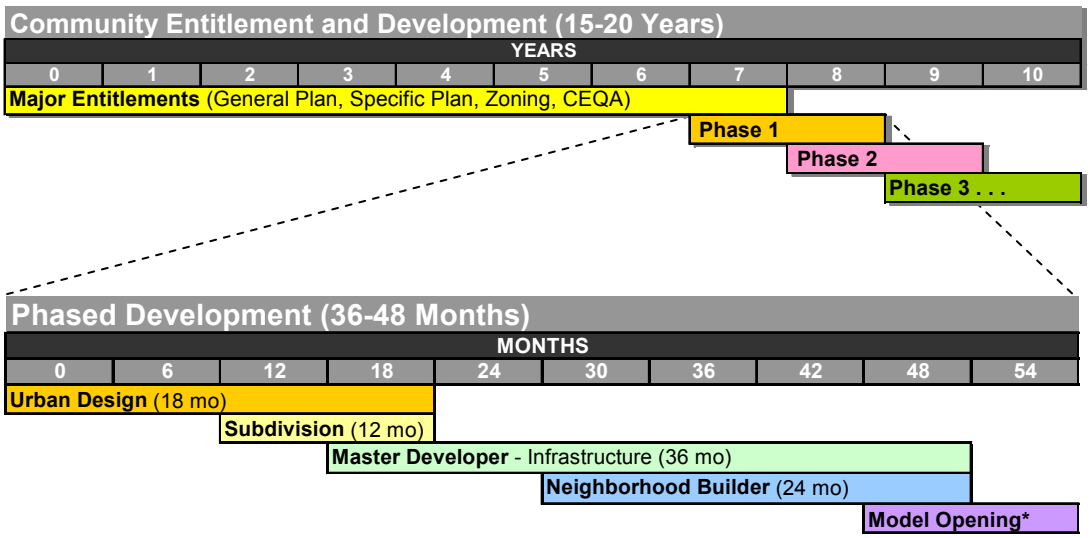
- Promote connectivity of "Smart Home" once SoCalGas' AMI is approved.
- Leverages upstream (infrastructure) and downstream (building) synergies
- Incorporates integrated horizontal (land use) and vertical (buildings) design optimization
- Integrates emerging and proven technologies
- Provides feedback loops for end-users (e.g., in-home displays)

3. Provide integrated sustainable communities incentives

- Includes multiple stakeholders (master developer, builder, end-user, design, trade and supply chain partners, and public-sector)
- Integrated computer modeling
- Performance-based metrics (energy, water, waste, air quality, and Gags)
- Pre-development, construction, post-construction
- Education and training of stakeholders
- Design Assistance
- Streamlined processing
- Market research and analysis
- Monitoring and verification

Below is the project's projected timeline.[27] We are currently at approximately year 5 in the process:

[27] The current timeline may be impacted by the current housing market housing conditions.



SoCalGas' requested budget for the 2009-2011 program cycle is limited to funding the initial preparation work including analysis and evaluations of the proposals. It is possible that within the program cycle, new homes and small commercial business buildings may be completed but it is not anticipated that there will be a large number of these buildings. If the project accelerates quicker than the timeline shown above and SoCalGas requires additional funding, SoCalGas will request additional funding from the Commission through the Advice Letter process.

F. Strategic Development and Integration

In order to create market transformation in California, SoCalGas is committed to the vision and goals outlined in the California Energy Efficiency Strategic Plan. This plan includes customer segmentation and targeted program development and the integration of EE/DSM and emerging high efficiency technologies coupled with innovative and comprehensive program design and theory. A focused team of qualified resources has been identified to support these activities and drive the direction of the programs through innovation and the inclusion of best practices. This team will be dedicated to this activity and will act as a coordinating entity by

collaborating with regulatory, program, technology and other staff.

The team will be specifically responsible for overseeing activities associated with achieving strategic plan goals and ensuring that the strategic plan itself is updated so that it provides relevant guidance and direction on a continuous basis. The team will be responsible for:

- Cooperatively developing milestones toward achieving strategic objectives and evaluating the progress of programs toward these milestones as well as meeting sector goals.
- Facilitating the evolution of program design to ensure support of the long term strategic vision and direction.
- Researching, identifying and supporting incorporation of best practices in both current and future programs.
- Providing guidance and acting as an ongoing information source for pilot programs, integration activities and program innovations associated with emerging technologies, best practices, and market awareness.
- Representing SoCalGas in Strategic Planning activities. This includes the representation of SoCalGas at all California Strategic Planning meetings. SoCalGas subject matter experts will provide input as the plan evolves in order to keep it current and valuable. The team will share lessons learned and successful strategies with the other IOUs.
- Incorporating stakeholder input in the long-term planning process, collaborating with other utilities and the CPUC to conduct public workshops such as an annual California Energy Efficiency Summit.
- Acting as a liaison between external parties and internal staff to ensure that there is a complete and ongoing feedback loop with lessons learned and recommendations being fully shared and leveraged.
- Ensuring that, as specific objectives emerge and the plan evolves, lessons learned are available for incorporation into existing programs as well as for future planning.

- Collaborating with the Emerging Technologies group to ensure that cutting edge technologies are quickly adopted and incorporated into the programs thru 2011 and beyond.
- Working in partnership with, and providing information and guidance to, program sector management to ensure that interim milestones and approaches are directed toward the long-term vision.

G. Making IDSM a Success

Currently these different components of IDSM are in several regulatory proceedings with different policy objectives and rules. Different methodologies for measurement and verification, and cost effectiveness are in place for each of these programs. However, as we analyze and incent these customer projects that present themselves through these IDSM efforts, it will be become imperative that new approaches to valuation and measurement will need to be developed. For example, customers would prefer that these integrated project cost effectiveness are analyzed at the project level and not as individual components. For instance, in a joint EE/DR project, the customer would most likely be persuaded to install the integrated system if the project sponsor could do a payback analysis that identifies the consolidated savings from the project. This would require new methodologies to determine energy savings and demand reductions and cost effectiveness.

In order for IDSM to succeed, new and improved cost effectiveness analysis tools need to be developed that will value integrated projects. Determining energy savings and demand reductions for integrated projects may be more efficient than trying to determine benefits incrementally. Finally, the Commission may need to begin integrating proceedings, not only on a funding cycle basis but also procedurally. SoCalGas welcomes the integration of the LIEE and EE proceedings in one Rulemaking.

XI. Proposed Training Programs In Support of Strategic Plan Vision

The goal of a statewide WE&T Strategic Planning Program is to ensure California's workforce is sufficiently trained and engaged to contribute in achieving the state's energy efficiency potential. WE&T Strategic Planning is a joint IOU program that serves as a planning support and administrative function to accomplish the greater California WE&T long-range activities and goals.

In order to meet the state's growing workforce demand, a concerted planning effort with a wide variety of initiatives and multiple funding sources beyond ratepayer funds is required. Such an effort will demand the collaboration and involvement of secondary and post-secondary education leaders, technical and professional organizations, state agencies, economic and labor development organizations, utilities, and construction and manufacturing businesses that deliver energy efficiency solutions. The IOUs will support the larger statewide effort, and will help facilitate ongoing development of WE&T activities through their WE&T Strategic Planning Program.

As activities to further develop the WE&T, SoCalGas will continue to offer education and training through its ERC and other success education and training programs in its portoflio.

SECTION 2
PROPOSED FUNDING REQUEST AND FUND-SHIFTING PROPOSAL ARE REASONABLE

I. Program Portfolio Funding Levels

SoCalGas' proposed 2009-2011 energy efficiency program portfolio budget are intended to fund energy efficiency programs that will achieve the Commission's energy savings and demand reduction targets as well as supports progress towards the realization of the long-term goals and specific strategies and actions identified in the CEESP. In addition, to providing program budgets, the Commission requires that a minimum of 20 percent of the entire portfolio of programs be allocated for the competitive bid solicitation.[28] SoCalGas interprets this to be 20 percent of the total budget allocated for implementing all programs, excluding: (1) the EM&V budget; and (2) SoCalGas' proposed funding for activities associated with SoCalGas' support of CEESP. SoCalGas has budgeted a minimum of 20 percent of the total program budget for its competitive bid solicitation. Depending on Commission's approval and final negotiations with the selected program bids received during the solicitation process, SoCalGas' allocation for non-utility programs may increase from the minimum allocation.

The following budget categories and definitions were used to breakdown the program budget:

1. Administrative Costs

Administrative Costs are costs that are incurred by the program administrator and third party implementers required to manage the programs. These include the following subcategories:

- Other Administrative Costs include managerial and clerical labor, including payroll taxes and vacation/sick leave, human resources support and development, travel and

[28] D. 05-01-051 at page 94 and Policy Rule VI.3.

conference fees. These include administrative costs incurred by third party program implementer or any subcontractor to the program.

- Overhead and General and Administration Costs includes program support for regulatory reporting, IT services & support, reporting databases, EM&V/ED data request responses, TPI bidding process, CPUC financial audits, regulatory filings support and other ad hoc support required across all programs. Regulatory support **does not** refer to the IOU's corporate Regulatory and Legal Functions. These functions are not covered by EE funds.

2. Marketing and Outreach Costs

Marketing and Outreach costs are costs incurred by the program to provide promote the program and energy efficiency, in general. These include items such as advertising, brochures, program collateral, seminars and the labor incurred in the marketing of the program.

3. Direct Implementation Costs

Direct Implementation Costs include rebates, incentives paid to customers, installation and services, including labor, any hardware and materials required for installation, and the labor and material costs incurred for rebate processing and inspections.

4. Evaluation, Measurement and Verification ("EM&V") Costs

EM&V costs are the labor and material costs incurred to conduct process and measurement studies required to evaluate the program. SoCalGas only provides the EM&V budget at the portfolio level and not at the program level pending further direction from the Commission.

SoCalGas' Table 2-1 below provides the Proposed Portfolio program budgets by program category and by program year. Detailed program budgets can be found in Appendix F Table 4.1.

Table 2-1: Proposed 2009-2011 Proposed Program Budgets

		2009	2010	2011	2009-2011
Category	**Program Name**	**Budget**	**Budget**	**Budget**	**Budget**
	SW Core Program Subtotal	$105,574,875	$109,479,497	$113,818,625	$328,872,997
	Partnership Program Subtotal	$3,992,188	$3,998,276	$3,983,835	$11,974,299
	Local Core Program Subtotal	$8,221,104	$8,462,313	$8,807,755	$25,491,172
	Third Party Program Subtotal	$29,447,042	$30,485,021	$31,652,553	$91,584,615
Program	Total Program Budget	$147,235,209	$152,425,107	$158,262,768	$457,923,084
LIEE	LIEE - Low Income EE (LIEE)	$0	$0	$0	$0
EM&V	EM&V - Evaluation Measurement & Verification	$11,778,817	$12,194,009	$12,661,022	$36,633,848
	Total Portfolio Budget	$159,014,027	$164,619,116	$170,923,789	$494,556,932

II. Proposed 2009-2011 Energy Efficiency Fundshifting Guidelines

For the 2006-2008 program cycle, the Commission recognized and approved the need for IOU program administrators to have flexibility "to make decisions, without undue restrictions or delays, so they can effectively manage their portfolios to meet or exceed the Commission's savings goals cost-effectively."[29] The proposed fund shifting guidelines "Guidelines" are an extension of the fund shifting guidelines approved for 2006—2008 energy efficiency programs. In the 2006—2008 program cycle, the Commission recognized and approved the need for IOU program administrators to have flexibility to use their knowledge of evolving market conditions and technologies to maximize energy savings. Additionally these Guidelines are needed to provide the IOU program administrators with flexibility to manage the 2009-2011 portfolio, adapt to changing market conditions, and optimize resource potential to meet the hard line energy savings and demand reduction targets, annually and cumulatively. SoCalGas fund-shifting and program flexibility proposals are consistent with those of PG&E, SCE and SDG&E.

SoCalGas proposes selective modifications to the current Guidelines to language contained within the 2006-2008 Guidelines for 2009-2011.

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[29] D.05-09-043, dated September 22, 2005, Section 8.9 Fund Shifting Guidelines, p. 144.

A. Proposed Modification of Fund-Shifting Proposals to Align With the Other IOUs and Accommodate the Strategic Plan

In Decision (D.) 05-09-043, the CPUC adopted fund-shifting rules to provide the utilities with flexibility in managing their EE portfolios over each program cycle, within certain parameters. In Decision 07-10-032, the CPUC affirmed those fund-shifting rules for 2009-2011 programs as well as addressed rolling budget cycles and encumbering funds from subsequent budget cycles.

For 2009-2011, SoCalGas requests that the CPUC modify the fund-shifting rules from D.05-09-043 to facilitate incorporation of the Strategic Plan and the 12 statewide programs. Accordingly, SoCalGas requests that Resource/Non-Resource Program categories be defined as: 1) Residential- Residential; 2) Non-Residential – Commercial, Agricultural, and Industrial; and 3) Crosscutting (New Construction, IDSM, Workforce, Education, and Training; Local Integration Programs; On-Bill Financing; Lighting Market Transformation, HVAC and Local Government Partnerships).

In addition, SoCalGas requests that all programs exempted from the PEB be subject to the existing fund-shifting rules for the ET category. Since the Strategic Planning-oriented items are focused on emerging policies and technologies, it is appropriate for these activities to be subject to the same fund-shifting rules as ET. See Appendix D for these proposed changes to Table 8 from D.05-09-043.

1. Funding Proposal Reflects Rolling Budget Cycle as Set Forth in D.07-10-032

In Decision 07-10-032 (p. 95), the CPUC permitted the IOUs for the 2009-2011 cycle and beyond to "spend next-cycle funds in the current budget cycle (once the next-cycle portfolio has been approved) to avoid interruptions of those programs continuing into the next cycle and for start-up costs of new programs." The CPUC then lays out rules for spending next-cycle

funds. Unfortunately, this process does not avoid the interruptions from program cycles since the IOU portfolio is typically not approved until September or October of the year prior to the start of the program cycle and in multiple instances portfolio approval has been delayed beyond October (as is the current case). Well before September or October, third-parties and government partnerships, as well as core program, managers are requesting assurance that incentives and programs will be available for the next year (next cycle). Moreover, IOUs are allocating resources to ensure timely start for the next program cycle. SoCalGas requests that this procedure be revised to allow utilities to spend up to 15 percent of the next-cycle funds prior to the next-cycle portfolio being approved. This revised process will allow the IOUs to facilitate the rolling-budget concept envisioned by the CPUC. Accordingly, SoCalGas requests authority from the CPUC to spend up to 15 percent of next-cycle funds in the year prior to a new cycle.

2. Proposal for Encumbering Funds from Subsequent Budget Cycle Is Reasonable

SoCalGas is concerned that the "Funding Projects with Lead Times Beyond Three Years" process laid out by the CPUC in D.07-10-032 (pp. 97-98) cannot be implemented as written. While the process for encumbering funding laid out by the CPUC is reasonable and provides adequate guidance for SoCalGas to commit funds from the next program cycle to fund programs that will not yield savings in the current cycle, it requests that long-term projects that require funding beyond the 3-year program cycle be specifically identified in the utility portfolio plans. In addition, the utility portfolio plans are required to include an estimate of the total costs broken down by year and associated energy savings. SoCalGas cannot predict the expected energy saving projects that will be committed during the 2009-2011 program cycle at this time. These long-term projects will be identified as SoCalGas works with its customers in promoting EE opportunities. SoCalGas proposes to identify these long-term projects as well as the dollar value

of the encumbered funds, up to 20 percent of the value of the current program cycle budget as stated in D.07-10-032, in its quarterly reports to the CPUC. This will allow the CPUC to review the encumbered funds on a regular basis and will facilitate SoCalGas' pursuit of projects that will produce energy savings beyond the current program cycle.

SECTION 3
PROPOSED EVALUATION, MEASUREMENT AND VERIFICATION PLANS AND BUDGETS

I. Introduction

Consistent with D.07-10-032 9 (at page 110), SoCalGas' budget proposal includes a set aside of 8 percent of its total portfolio funding for both utility and Commission-managed EM&V studies, policy support, and strategic planning projects. SoCalGas recommends that consistent with the 2006—2008 EM&V allocation, 6 percent be allocated for the Commission staff budget and 2 percent for the IOU budget. However, because of the substantially larger budget amounts in the 2009 – 2011 program cycle, SoCalGas is unconvinced that a total set-aside of 8 percent of each IOU's total portfolio budget for both the IOU and ED portions of the budget, is necessary. The EM&V budget is $36.6 million under its Proposed Portfolio. Therefore, SoCalGas recommends that following the approval of the 2009—2011 program portfolios, that the utilities work closely with Commission staff and CEC staff to develop appropriate EM&V plans and budget requirements. Similar to the 2006-2008 process, SoCalGas recommends that the utilities submit advice letters for approval to provide public review and formal Commission approval.

This section of my testimony will describe general plans for SoCalGas' own energy efficiency process evaluation and market analysis projects.

To provide continuous feedback to the 2009-2011 Energy Efficiency programs and improve the programs through the three-year cycle, SoCalGas will conduct various process evaluations and program/measure-specific market analysis. Additionally, SoCalGas may coordinate with the other IOUs to conduct the studies required by California Title 20 over the next three years: Residential Appliance Saturation Study ("RASS"), Commercial End Use Study ("CEUS") and the Industrial End Use Study ("IEUS").

SoCalGas proposes to group programs based on target markets or customers to facilitate evaluations but still allowing for "program-specific"' analyses as required. Some of the objectives for evaluation or analysis are:

- to review the broad market segments and the programs being offered to help determine if the programs being offered are optimally designed;
- to determine if there are unnecessary overlaps between the programs, if significant parts of the market are being missed by the program designs, and/or if the targeted markets should be defined differently

Since program funding is for three years, ongoing feedback by the process evaluations will be beneficial for continuous improvement of the program design and implementation. In order to meet this objective, SoCalGas anticipates issuing evaluation RFPs in the first quarter of 2010 that combine both Process Evaluations and Market Analysis for each of the groups identified, although additional RFPs may be developed to address unanticipated program needs through the program cycle. At this time, SoCalGas' proposed grouping of programs into Process Evaluations and Market Analysis is as follows:

Group 1: Residential Programs

Group 2: New Construction Programs (subset for residential and nonresidential)

Group 3: Partnership Programs

Group 4: Non-Residential Programs

Group 5: Statewide Programs: will include programs where projects are embarked on jointly with the other IOUs and other stakeholders:

II. SoCalGas-Specific Program Activities

In addition to the above groupings, over the course of the funding cycle SoCalGas anticipates identifying specific needs for certain programs to be studied in order to optimize

program achievements. While many of the programs and specific areas of research are unknown at this time, SoCalGas believes there will be a need to study program components that aren't materializing as anticipated. Therefore, as these issues occur, SoCalGas will select a contractor and submit to the CPUC's ED for approval to conduct the study as required per the California Evaluation Energy Efficiency Protocols[30] ("Protocols").

A. Process Evaluations of Standard Portfolio

The process evaluation consists of in-depth examinations of the design, delivery, and operations of energy programs in order to improve the ability of the program to achieve energy savings and accomplish other program goals. The California Evaluation Framework[31] (Framework) defines a process evaluation as:

> "A systematic assessment of an energy efficiency program for the purposes of (1) documenting program operations at the time of examination, and (2) identifying and recommending improvements that can be made to the program to increase the program's efficiency or effectiveness for acquiring energy resources while maintaining high levels of participant satisfaction.[32]

Certainly, the primary reason for conducting process evaluations is to identify and recommend changes in a program's operational procedures or systems that can be expected to improve the program's efficiency or cost-effectiveness. These recommendations need to be developed so that they support the program or the program's operational practices consistent with the program theory or with recommended change to the program theory.[33]"

The goals of Process Evaluations, as articulated in Chapter 8 of the Framework, include:

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[30] "Process Evaluation Protocol in the California Energy Efficiency Evaluation Protocols: Technical, Methodological and Reporting requirements for Evaluation Professionals," prepared for the California Public Utilities Commission by The TecMarket Works Team, April 2006.

[31] "The California Evaluation Framework," prepared for the California Public Utilities Commission and the Project Advisory Group, June 2004 by the Tec Market Works team.

[32] Ibid, p. 207

[33] Ibid, p. 209.

- Improve program performance with respect to internal administration, promotional practices, program delivery, incentive levels, and data management,
- Provide information to regulators and other interested parties that energy programs are being implemented effectively and modified or refined as necessary,
- Provide a means of improving customer satisfaction and identifying market threats and opportunities,
- Provides a means of contributing to industry-wide knowledge in order that other providers may improve their programs,
- Improve program implementation efficiency,
- Assess market segments and targeting of specific segments,
- Improve the quality of measures installed,
- Identify program design issues,
- Providing an accounting of program progress, and
- Examine special issues (measure life, program comprehensiveness, etc.)

Additionally, the Process Evaluation Protocol in the Protocols identifies key issues to be considered:

Program Design

- Program design, design characteristics and design process;
- Program mission, vision and goal setting and its process,
- Assessment or development of program and market operations theories and supportive logic models, theory assumptions and key theory relationships – especially their casual relationships; and
- Use of new or best practices.

Program Administration

- Program oversight and improvement process;

- Program staffing allocation and requirements;
- Management and staff skill and training needs;
- Program information and information support systems; and
- Reporting and the relationship between effective tracking and management, including both operational and financial management.

Program Implementation and Delivery

- Description and assessment of the program implementation and delivery process;
- Quality control methods and operational issues;
- Program management and management's operational practices;
- Program delivery systems, components and implementation practices;
- Program targeting, marketing, and outreach efforts;
- Program goal attainment and goal-associated implementation processes and results;
- Program timing, timeliness and time-sensitive accomplishments; and
- Quality control procedures and processes.

Market Response

- Customer interactions and satisfaction (both overall satisfaction with key program components and including satisfaction with key customer-product-provider relationships and support services);
- Customer participant energy efficiency or load reduction needs and the ability of the program to provide for those needs;
- Market allies interactions and satisfaction;
- Low participation rates or associated energy savings;
- Market allies needs and the ability of the program to provide for those needs;

- Reasons for overly high free-riders or too low a level of market effects, free-drivers or spillover; and
- Intended or unanticipated market effects.[34]

B. Quantitative Baseline and Market Transformation Information

Market Transformation has not been a major focus of the California energy efficiency programs since the energy crisis. Consequently, relatively little attention has been given in recent years to identifying and gathering data on indicators of change towards market transformation. For some programs or sub-programs that promote a single end use or measure, there may be some data available for this purpose, probably from industry sources, that we have not yet identified. For many of the programs, however, this kind of long-term, consistent, and expensive data collection has not been done in California.

The utility program planners have worked closely with their respective EM&V staffs and with each other to identify available information and propose potential metrics that can be used for the program implementation plans. Each utility and each program has some data available, but attempts to distill the limited available information into a common set of agreed-upon metrics have proved far more difficult to accomplish at this time and instead suggest a means of developing meaningful indicators. At the June 19, 2009 Energy Division-sponsored Performance Metrics Workshop, there was discussion of development of performance metrics after the July 2nd supplemental application filing. SoCalGas believes that it is important to ascertain whether or not metric tracking should be funded by EM&V and should be part of the final submittal of EM&V proposed projects and budgets.[35]

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[34] Protocols, pp. 135-136

[35] Energy Division staff indicated at the June 17, 2009 EM&V workshop that there will be a submittal of final EM&V plans and budgets similar to the 2006-2008 EM&V process.

The utilities will develop meaningful baseline and market transformation concepts and metrics for programs that do not currently have them, and then propose to design and administer studies to gather and track consistent, reliable and valid baseline and market effects data. SoCalGas would propose to use the program logic models and "The California Evaluation Framework (2004)" as guides, and to begin this work after approval of the Application using funding provided for Evaluation, Measurement & Verification.

SoCalGas expects that the baseline studies: (1) adequately describe the operation of markets that are targeted by a program; (2) confirm our tentative identification of measurable parameters that would indicate changes towards greater efficiency in the market(s) and that are likely to be affected by the program; and (3) gather the current values of those parameters, to serve as baselines against which future market movement can be tracked.

C. Title 20 Saturation Study Requirements

Title 20 of the California Code of Regulations §1343 requires electric and gas utilities to conduct saturation surveys for its Residential, Commercial and Industrial customers for the purpose of estimating end-user energy requirements. These studies are typically referred to as the Residential Appliance Saturation Study ("RASS"), Commercial End Use Study ("CEUS") and Industrial End Use Study ("IEUS"). Data and analyses from these studies are not only useful for statewide evaluation of energy requirements but also provide program management staff necessary information to improve their program design and determine market opportunities. SoCalGas will work with CEC staff and other utilities to determine the optimum study plans and efficacy of conducting statewide saturation surveys.

D. Statewide and National EM&V Organization Activities

SoCalGas, together with PG&E, SCE and SDG&E, have coordinated/sponsored statewide EM&V activities, meetings and forums that allow a wide variety of stakeholders to

participate and be informed of ongoing utility EM&V activities and state-of-the-art EM&V practices and coordinate statewide utility EM&V activities. An example of this is the California Measurement Advisory Council ("CALMAC"), which the utilities alternate chairing. The utilities also provide support for maintaining the CALMAC website (http://calmac.org/) which houses all measurement and evaluation studies sponsored by California since 1994.

The California utilities also provide support/sponsorships of national evaluation activities, examples of which are: Efficiency Valuation Organization that sponsors, among other things, the International Performance Measurement and Verification Protocols ("IPMVP"), Consortium for Energy Efficiency ("CEE") Energy Star Awareness Surveys, American Council for an Energy-Efficient Economy ("ACEEE") Summer Study, etc.

E. EM&V Strategic Planning Activities

SoCalGas has proposed several strategic planning activities in support of the California Energy Efficiency Strategic Plan. These are discussed in Chapter 2. SoCalGas proposes to conduct appropriate EM&V studies to establish baselines, market transformation-type studies and evaluate the effectiveness of its pilot proposals. SoCalGas will work with the other utilities and Commission staff to review and finalize study designs and determine whether statewide studies can be conducted for these strategic planning activities.

F. SoCalGas EM&V Staffing Requirements

SoCalGas will require staffing in order to conduct and manage its own internal EM&V studies; manage out-sourced EM&V Process Evaluation and Market Assessment studies; provide required data by the Load Impact contractors selected by Energy Division Staff; respond to data requests from outside parties, provide input to Energy Division evaluations and studies; participate in CPUC sponsored workshops and forums; manage Statewide Studies; and provide feedback to program implementers.

III. Energy Division-Managed Studies

D.05-01-055 establishes that Energy Division staff will be responsible for "program and portfolio-related impact studies"; and research and analysis in support of Commission Policy Oversight. These activities are also to be funded through the utilities Energy Efficiency portfolio budgets. As stated above, SoCalGas is assuming a 6 percent allocation of the EM&V budget similar to the 2006-2008 evaluation. A more refined EM&V budget for ED and the utilities is expected to be established once the utilities, Energy Division and CEC staff have had an opportunity to review the needs of Commission-approved 2009-2011 program portfolios.

SECTION 4
REVENUE REQUIREMENTS AND COST RECOVERY

I. Overview

SoCalGas in this amended filing presents a portfolio that incorporates revisions in response to various CPUC directives. The 3-year funding levels proposed by SoCalGas' for the 2009-2011 Program Portfolio is $494,556,932.

The increased costs for 2010 will also include a true-up of the authorized 2009 bridge funding revenue requirement adopted in D.08-10-027[36] recorded in its Energy Efficiency 2009-2011 Memorandum Account ("EMMA") [37]offset by any available overcollections recorded in its balancing accounts for program years prior to 2009. SoCalGas' approved 2009 bridge funding is $7,203,063.

In order to meet the adopted savings and demand reduction goals and to support the CEESP, SoCalGas is proposing the following annual program budgets of $159,014,027, $164,619,116, $170,923,789 for 2009, 2010 and 2011, respectively. These budgets were determined based on the program designs and the targeted measures.

In order to meet the adopted goals, SoCalGas is proposing to use the gas public purpose program ("PPP") surcharge funds authorized through Assembly Bill 1002. Currently SoCalGas collects $86 million in 2009 rates. Any "shortfall" will be addressed by increasing the level of PPP funds collected. The Gas Surcharge is updated annually through an advice letter request filed in October to establish the PPP surcharge rates effective January 1 of the subsequent year.

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[36] D.08-10-027, Decision Adopting Bridge Funding for 2009.

[37] The Energy Efficiency 2009-2011 Memorandum Account (EEMA) was established pursuant to Decision (D.) 08-10-027 and approved through Advice Letter 3912. The purpose of the EEMA is to record the difference between the revenue requirement adopted for the 2009 Bridge Funding period and the revenue requirement requested and eventually approved in SoCalGas' 2009-2011 Energy Efficiency Application (A.) 08-07-022. Upon Commission approval of the EEMA balance incorporated in 2010 rates, the EEMA will no longer be necessary as the collection of these funds will be recorded in SoCalGas' Demand Side Management Balancing Account (DSMBA). The EEMA will be eliminated effective at that time.

The following table shows the annual budget requirements for the Proposed Scenario, the projected available funds in the Demand Side Management Balancing Account and the current levels of authorized gas PPP funding:

Table 4-1: Proposed Portfolio--Available Funds or Shortfalls for 2009 through 2011 Programs

	Current	Projected		
	2009 Rates	2010 Rates	2011 Rates	Total
	$86,436,756	$164,619,116	$170,923,789	$421,979,661
2009 Revenue Requirements Adjustment		$36,288,636	$36,288,636	$72,577,272
Pre-2009 Balancing Account Overcollections		($22,600,000)	($22,600,000)	($45,200,000)
Adjusted Revenue Requirement	$86,436,756	$178,307,752	$184,612,425	$449,356,933
Increase (Decrease) From Prior Year		$91,870,996	$6,304,673	
Percentage Increase (Decrease) From Prior Year		106.29%	3.54%	

Assumptions:
Authorized Revenues in Gas PPP Surcharge rates for Energy Efficiency
(1) Assumed 2009 Authorized Bridge Funding in PPP rates for Energy Efficiency.
(2) Includes balancing account interest through December 31, 2008.

II. Natural Gas Allocation Methodology and Rate Design Proposal

SoCalGas will allocate natural gas energy efficiency program costs using the allocations currently in place.

Tables 4-2 and 4-3 below show the 2010 through 2011 PPP surcharge rate impacts compared to present rates.

Table 4-2: PPP Surcharge Class Average Rate Change-2010

SOUTHERN CALIFORNIA GAS COMPANY
PPP Surcharge Update for 1/1/2010

	Customer Class	CARE Customers 2009 ¢/th (b)	CARE Customers 2010 ¢/th (c)	CARE Customers % Change (d)	Non-CARE Customers 2009 ¢/th (e)	Non-CARE Customers 2010 ¢/th (f)	Non-CARE Customers % Change (g)
	Core						
1.	Residential	3.706	5.145	39%	5.074	7.822	54%
2.	Commercial/Industrial	4.455	9.006	102%	6.380	11.684	83%
3.	Gas Air Conditioning	5.429	11.083	104%	6.553	13.761	110%
4.	Gas Engine	N/A	N/A	N/A	6.505	11.677	80%
5.	Natural Gas Vehicle	N/A	N/A	N/A	2.379	2.678	13%
	Noncore						
6.	Commercial/Industrial	N/A	N/A	N/A	2.807	3.628	29%

		2009 M$	2010 M$	Rev Change M$	% Change %
7.	Total PPP Revenue	272,410	364,281	91,871	33.7%

Table 4-3: PPP Surcharge Class Average Rate Changes--2011

SOUTHERN CALIFORNIA GAS COMPANY
PPP Surcharge Update for 1/1/2011

	Customer Class	CARE Customers 2009 ¢/th (b)	CARE Customers 2011 ¢/th (c)	CARE Customers % Change (d)	Non-CARE Customers 2009 ¢/th (e)	Non-CARE Customers 2011 ¢/th (f)	Non-CARE Customers % Change (g)
	Core						
1.	Residential	3.706	5.243	41%	5.074	7.921	56%
2.	Commercial/Industrial	4.455	9.319	109%	6.380	11.996	88%
3.	Gas Air Conditioning	5.429	11.471	111%	6.553	14.149	116%
4.	Gas Engine	N/A	N/A	N/A	6.505	11.991	84%
5.	Natural Gas Vehicle	N/A	N/A	N/A	2.379	2.678	13%
	Noncore						
6.	Commercial/Industrial	N/A	N/A	N/A	2.807	3.660	30%

		2009 M$	2011 M$	Rev Change M$	% Change %
7.	Total PPP Revenue	272,410	370,586	98,176	36.0%

SECTION 5
WITNESS QUALIFICATIONS

My name is Athena M. Besa. My business address is 8335 Century Park Court, Suite 1200, San Diego, California 92123-1257. I am employed by San Diego Gas & Electric Company as the Customer Programs Policy and Support Manager in the Customer Programs Department for SDG&E and SoCalGas. In my current position, I am responsible for the measurement of energy efficiency, demand response and customer assistance programs; regulatory reporting requirements, energy efficiency forecasting and the financial management of the Customer Programs department.

I attended the University of the Philippines in Quezon City, Philippines. I graduated with a Bachelor of Science degree in Statistics in 1983, and a Master of Science degree in Statistics in 1986. I have completed coursework at University of California, Davis towards a Doctorate degree in Statistics.

I was hired by SDG&E in 1990 in the Load Research Section of the Marketing Department. Since that time I have held positions of increasing responsibility in the Department. I have been in my present position for five years. I have previously testified before this Commission in several AEAPs and the PY2000/2001 Energy Efficiency Program Application Proceeding.

The purpose of my testimony is to sponsor Chapters 1, 2, 3, and 4 of this Application Exhibit and the Appendices A, B, C, and D.