

PUBLIC UTILITIES COMMISSION

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Date: July 30, 2020

To: San Diego Gas and Electric (SDG&E)

From: Peter Lai and Peter Biermayer, California Public Utilities Commission (CPUC)

Cc: R.13-11-005 Service Lists

Subject: MID-YEAR FEEDBACK - 2020 EFFICIENCY SAVINGS AND PERFORMANCE INCENTIVE (ESPI) PERFORMANCE

Table of Contents

I. CPUC Staff Findings 2020 Mid-year Activities Feedback2

 A. Custom Projects Review Overview2

 B. Workpapers Review Overview3

II. Discussion3

 A. Custom Projects Performance Review4

 B. Workpapers Performance Review6

Attachment A: Workpaper Feedback..... 10

Pursuant to Decision (D).13-09-023, D.15-10-028 and D.16-08-019, California Public Utilities Commission (CPUC) Staff and consultants are providing the 2020 Efficiency Savings and Performance Incentive (ESPI) Performance Mid-year Feedback on the investor-owned utilities (IOUs) respective activities as of June 30, 2020. The mid-year feedback focuses on specific accomplishments and issues or concerns identified as part of ongoing workpaper¹ and custom² project reviews. This feedback will help the IOUs address these issues for the remaining year.

I. CPUC Staff Findings 2020 Mid-year Activities Feedback

The following sections of this memorandum provide a description of the findings, including areas of achievement and areas requiring improvement for both custom projects and workpapers review activities.

A. Custom Projects Review Overview

1. Summary of 2020 Mid-year Achievements

This feedback is based on 33 CPUC project review dispositions issued between January and June 2020. SDG&E continues to demonstrate efforts to improve its performance, especially as it relates to process, policy, and program rules. CPUC Staff's observations include:

- **Improvements to document effective useful life (EUL) data for all projects.** Compared to the second half of 2019 where incorrect measure EUL was noted on 50 percent of dispositions, only 1 project (3 percent) was found to have this deficiency in the first 6 months of 2020. SDG&E has made significant improvements to documenting measure level EUL compared to last year.
- **Issues related to Net Impacts remains low.** Similar to the second half of 2019 where only 1 issue was reported, there have been no issues related to program influence documentation in the first half of 2020, demonstrating that SDG&E continues to improve documentation related to program influence.

2. Summary of Areas Requiring Improvement

Areas that were most problematic, frequent, and/or are in need of improvement include:

- **The number of issues regarding gross savings impacts increased.** In the second half of 2019, there were 14 actions required by SDG&E to correct deficiencies (40 percent of total actions) that impacted gross savings estimates on submitted projects. In the first 6 months of 2020 there have been 20 actions identified (47 percent of total actions) to address

¹ A workpaper documents the data, methodologies, and rationale used to develop values for deemed measures. A workpaper is prepared and submitted by program administrators and approved by the CPUC.

² A custom project requires project site specific impact calculations due to a unique characteristic of the measure and/or operation of the measure.

impacts to gross savings. SDG&E must make efforts to perform quality control to uncover issues prior to submitting for review.

- **Documentation discrepancy continues to be an issue.** Documentation issues are still problematic. Although documentation supporting program influence has been good, the fraction of projects with other documentation issues rose from 14 percent in the second half of 2019 to 23 percent within the first 6 months of 2020. SDG&E must improve their review of project documents and resolve discrepancies before finalizing the documentation package to avoid losing points in the final 2020 ESPI scoring.

B. Workpapers Review Overview

1. Summary of 2020 Mid-Year Achievements

SDG&E had one workpaper disposed in the first half of 2020. SDG&E has no other workpapers currently under CPUC staff review and has no workpapers in the workpaper plan development stage. The workpaper specific feedback that can be provided at this time is limited³. The Mid-Year feedback also notes non-workpaper specific observations and clarifies performance expectations for the remainder of the year.

CPUC staff observed strengths in SDG&E's development and management of workpaper submissions in the following area:

- In-depth review and reporting of Database for Energy Efficient Resources (DEER)⁴ anomalies. SDG&E continues to systematically review aspects of DEER and Preliminary Ex Ante Resource database (PEAR)⁵ and report anomalies in a clear succinct manner. This has been beneficial to all stakeholders.
- SDG&E has committed to expanding its leadership role by planning to expand its workpaper development effort and leading the Monthly Joint PA/CPUC meetings.

2. Summary of Areas of Improvement

CPUC Staff highlights the following direction for improvement:

- SDG&E's single workpaper submission in the review period was submitted late and not in the new statewide workpaper format. Subsequent workpaper submissions should adhere to previous directions for submissions.
- SDG&E is on track for submitting fewer workpapers than any other PA by a wide margin which may leave gaps in program offerings. SDG&E depends on deemed savings to achieve

³ Specific workpaper feedback is reserved for workpapers that have completed the review cycle through the disposal, which includes approval or rejection through a disposition or interim approval.

⁴ The Database for Energy Efficient Resources contains information on selected energy-efficient technologies and measures.

⁵ The Preliminary Ex Ante Resource database contains proposed updates to DEER for vetting before being finalized in DEER.

its goals⁶ and it should be active in workpaper development to ensure deemed savings measures are relevant and accurate.

- SDG&E is expected to make progress on the priority industry standard practice research and to complete one or more study before the end of the year.

II. Discussion

The following sections of this memorandum provide a detailed description of the findings, including, areas of achievement and areas requiring improvement for both custom projects and workpapers.

A. Custom Projects Performance Review

Each year, CPUC Staff reviews a selected sample of custom project energy efficiency program applications. The review findings and directions to the IOUs are presented in documents referred to as “dispositions”. This feedback is based on 33 CPUC project review dispositions issued between January and June 2020.

The comments below are organized by the five metric areas prescribed in D.16-08-019. No scores are provided for these metrics in the mid-year memo. All feedback provided at this time is qualitative.

1. Timeliness of Submittals

SDG&E complied with Public Utilities Code 381.2 (Senate Bill 1131) guidelines for submitting documentation before the 15 business days required, with the majority of projects submitted earlier than required. No projects were found to be late meaning SDG&E is complying with CPUC requirements under this metric.

2. Content, Completeness, and Quality of Submissions

Out of the 33 project dispositions issued in the first 6 months of 2020 CPUC staff noted several deficiencies including projects that will result in a loss of ESPI points under this metric. However, there appears to be a downward trend in issues overall from 2019. Deficiencies noted include Savings By Design Program’s EnergyPro software modeling issues including ineligible variable refrigerant flow system modeling, insufficient measurement and verification (M&V) plans associated with Normalized Metered Energy Consumption projects, and analysis assumptions that impacted eligibility and gross savings estimates. SDG&E must work to correct these issues to avoid a potential loss of ESPI points under this metric.

CPUC staff also noted that six projects were missing required documentation and necessary information to move the review forward. This is an increase compared to the second half of 2019 where only three projects were noted to have this deficiency. In addition, several projects were

⁶ Based on the 2020 Annual Budget Advice Letter filed last year for program year 2020, deemed measures account for about one-third of SDG&E’s portfolio savings, exclusive of codes and standards savings.

missing information related to accounting for solar systems on-site, potentially impacting savings.

SDG&E demonstrated improvement related to clear scoping of projects and submitting documentation related to demonstrate program influence. Both areas were deficiencies noted in the second half of 2019 that were no longer found in the first six months of 2020. This demonstrates that SDG&E is making an effort to provide clear program influence documentation to CPUC staff for review.

Table 1 below summarizes the 43 action items identified across 33 dispositions issued between January 1, 2020 and June 30, 2020.

Table 1: Summary of Categorized Action Items for Custom Projects

Issue Area	Action Categories	Summary of CPUC Staff	Summary of CPUC Staff	Total	Percent of Total
		Required Action by the PA:	Notes or Instructions:		
Issues Related to Gross Savings Impacts	Analysis assumptions	8	8	16	39%
	Calculation method	5	9	14	34%
	Calculation tool	1	1	2	5%
	M&V plan	6	3	9	22%
	Revise to match CPUC savings estimate	0	0	0	0%
	Subtotals	20	21	41	59%
Process, Policy, Program Rules	Eligibility	6	0	6	38%
	EUL/RUL	1	3	4	25%
	Incentive calculation	1	0	1	6%
	Measure cost	1	0	1	6%
	Measure type	2	0	2	13%
	Self generation	2	0	2	13%
Subtotals	13	3	16	23%	
Documentation Issues	Missing documents	4	0	4	40%
	Missing required information	6	0	6	60%
	Subtotals	10	0	10	14%
Other Issues	Other 1 - Discrepancy between project documentation and bimonthly upload	0	1	1	33%
	Other 4 - Documentation Discrepancy	0	2	2	67%
	Subtotals	0	3	3	4%
Grand Total		43	27	70	100%

3. Proactive Initiative of Collaboration

Commission Staff found that SDG&E made significant efforts to bring measures, projects, or studies forward for discussion prior to review. In addition, they continue to take an active and engaged lead in statewide collaboration efforts as champions of several statewide initiatives, most notably the custom project Standardized Technical Review template and Savings by Design weighted EUL calculator. SDG&E proactively participates in the custom projects review stakeholder subgroup meetings⁷. SDG&E also brought several early opinions forward, including a standardized Program Influence and Free Rider form and early review of M&V results at a large commercial customer site.

4. PA's Due Diligence, Quality Assurance, and Quality Control (QA/QC)

Project and measure level disposition performance results reviewed under Metric 2 are used as a proxy for the level of QA/QC occurring by the PA. SDG&E has decreased the overall number of deficiencies in the first six months of 2020 compared to the second half of 2019, showing an increase in the effectiveness of QC processes. Additionally, the number of dispositions proceeding without exception is weighed against those requiring resubmissions or resulting in rejections. Out of the 33 dispositions issued from January 2020 – June 2020, 16 projects (48 percent) proceeded without exception, 16 projects (48 percent) were allowed to proceed with exceptions as noted, and 1 project (3 percent) was rejected. Comparatively in the second half of 2019 SDG&E had 3 rejections, (12 percent) 11 projects (42 percent) proceed without exception, and 12 projects (46 percent) proceed with exceptions as noted. While there is a slight increase in the percent of applications ready to proceed without exception, (48 percent in 2020 compared to 42 percent in 2019) there is also a decrease in the percent of rejections from 12 percent in 2019 to 3 percent in 2020. This demonstrates that SDG&E is improving the quality of submissions overall as more are now passing without exceptions.

5. PA's Responsiveness

CPUC Staff assessed the time series of rejections and expectations, the alignment of program policy and procedures with the number of actual rejections and exceptions based on eligibility and attribution, and the adaption to changes in rules over time. For dispositions issued in the first six months of 2020 CPUC Staff found that projects exhibited a slight upward trend in terms of project performance over time (i.e. project submissions had fewer issues when submitted later in 2020 compared to earlier in the year). This demonstrates that SDG&E is making efforts to improve project submissions that are in line with CPUC policy.

B. Workpapers Performance Review

SDG&E had one workpaper disposed in the first half of 2020, therefore there is limited workpaper specific feedback that can be provided at this time. This single submission was a workpaper (Water Energy Nexus) that establishes methods for claiming additional energy savings from measures that reduce water usage due to reduced pumping energy. The Mid-Year feedback also notes non-

⁷ The stakeholder subgroups grew out of the March 16, 2020 Custom Projects Review Stakeholder Engagement Meeting to help further streamline the overall custom projects review process.

workpaper specific observations and clarifies performance expectations for the remainder of the year.

SDG&E has no other workpapers currently under CPUC review and has no workpapers in the workpaper plan development stage. Unless there is a substantial uptick in workpapers submitted by SDG&E, the year-end score may largely reflect this single workpaper and without further evidence of contributions to workpaper development, there is little basis for augmenting scores with Process Adder points.

The comments below are organized by the five scoring metric areas created in D.16-08-019. The narrative includes observations related to the workpaper development process as well as direction for future workpapers.

Specific workpaper feedback is provided in tables in Attachment A, at the end of this document. The first table, the Workpaper Detailed Review Table provides feedback on the submitted workpaper. The second table, the Workpaper Submissions Table lists the workpaper submitted by SDG&E during the review period. The Staff acknowledges that workpaper development may have been supported by multiple PAs; however, at the time of this mid-year review, feedback is directed to the submitting PA, with the assumption that they have led the development.

1. Timeliness of Submittals

SDG&E submitted one workpaper during the review period and it did not meet expectations for this metric. The Water Energy Nexus a Phase I⁸ workpaper had a January 1 due date, but it was not submitted until April. SDG&E has met other deadlines for submission of other deliverables, like Workpaper Submittal Plans updates, in the review period.

CPUC staff expects SDG&E to communicate interim deliverable, workpaper submission and re-submissions to the CPUC staff and consultant Workpaper Review Team in a timely fashion through the monthly Workpaper Submittal Plan or through workpaper plan updates. Workpaper submission dates should be accurately forecasted out one month in advance of the submission and any workpaper submitted either before or after the forecasted date in this report will impact the ESPI score for this metric. Occasionally, the CPUC staff will request SDG&E to modify its planned submission schedule to levelized workloads during periods of heavy submissions.

2. Content, Completeness, and Quality of Submissions

The Water Energy Nexus workpaper did not perform well in this metric. SDG&E provided a briefing in 2019 on the policy behind the workpaper and the Water Energy Nexus (WEN) tool, which was very helpful. However, the workpaper expired at the end of 2019, so that it could be resubmitted in the uniform statewide format, but SDG&E resubmitted it in the old form. SDG&E was directed to resubmit the workpaper in the format required for statewide workpapers.

Any subsequent workpapers SDG&E submissions should clearly articulate the proposed methods and include step-by-step methods or procedure descriptions. SDG&E's proposed approach should

⁸ Phase I is updated workpapers affected by DEER resolution or for new workpapers to be included in the next two years and must be submitted by January 1.

provide accurate results for the population addressed by the measure. All relevant related or past activities and submittals (previous workpapers, dispositions, etc.) should be appropriately disclosed or discussed.

SDG&E has an important responsibility to identify new technologies and delivery methods, and to develop workpapers where a deemed option makes sense. SDG&E has no new workpapers in development. The CPUC staff encourages the continued development of new measure workpapers to ensure innovative measures. Unless there is a substantial uptick in workpapers submitted by SDG&E, the year-end score may largely reflect this single workpaper.

PG&E on behalf of the PAs has developed a joint master list of measure industry standard practice (ISP) research topics in compliance with CPUC Resolution E-4939. SDG&E's is expected to complete one or more ISP study(s) this year in support of the mandate to regularly review the portfolio and conduct ISP research for priority measures.

3. Proactive Initiative of Collaboration

SDG&E is expected to engage with CPUC staff in early discussions on unique or high profile, high impact measures before program commitments. Where a workpaper plan is warranted, a workpaper plan should be used as a vehicle for managing the CPUC staff engagement.

Because SDG&E has typically led straightforward workpapers developments, there has been limited need to engage with CPUC staff prior to workpaper submission. SDG&E engaged the CPUC initially with the Water Energy Nexus workpaper, however, there has been no follow-up since the workpaper was rejected in April 2020.

4. PA's Due Diligence, Quality Assurance, and Quality Control (QA/QC)

The Water Energy Nexus workpaper did not perform well in this metric. The workpaper was not submitted in the expected statewide workpaper template format and SDG&E was directed to resubmit the workpaper.

In any subsequent workpapers, SDG&E is expected to fully QC workpapers and other interim deliverable documents before submitting them, including those of their contractors. The Ex Ante Data (EAD)⁹ tables and narratives should be consistent and free of errors. The workpaper should be submitted following submission protocols for location within Workpaper Archive (WPA) in the website www.deeresources.info and attachments, such as the workpaper coversheet.

CPUC Staff expects that the SDG&E will submit a workpaper plan and schedule early in the development process and that the schedules are managed to meet deadlines. CPUC Staff also expects that when SDG&E leads a workpaper, they will continue to coordinate with other PAs to ensure each statewide submission is complete from the perspective of all PAs.

5. PA's Responsiveness

The Water Energy Nexus workpaper reflects mixed performance for this measure. The workpaper is unique, which adds to its complexity. However, SDG&E had used the wrong format and was

⁹ The EAD tables document the assumptions for each measure included in the workpaper.

directed to resubmit the workpaper. A revised workpaper has not been submitted to date, nor has SDG&E engaged CPUC staff in resolving issues that maybe preventing the resubmission of the workpaper.

This metric is intended to score SDG&E's leadership in the continuous improvement of programs through the introduction of new workpapers, proactively identifying workpapers that have dated elements, and nominating irrelevant workpapers for sunseting. It also reflects SDG&E's ongoing efforts to improve its internal processes and procedures. SDG&E is on track for submitting fewer workpapers than any other PA by a wide margin, which is not indicative of a leader and will be reflected in this score. SDG&E is planning on achieving more deemed electricity savings than any other PA¹⁰, yet it has made limited contributions to developing new or complex measure workpapers which maintain a relevant and attractive deemed offering.

CPUC staff understands that SDG&E intends to take on a more significant role in workpaper development, which will be an improvement. SDG&E also is taking on the role of leading the Monthly Joint PA/CPUC Workpaper Coordination Meeting, which is also a positive development. SDG&E has also continued to be alert to DEER and PEAR database issues. On numerous occasions, SDG&E has systematically reviewed aspects of DEER or PEAR and reported back anomalies in a clear succinct manner. The DEER database team has found this to be most helpful and beneficial to all users of the system.

III. Attachments

[Attachment A](#) contains the workpaper summary tables showing the qualitative components for each metric. Each reviewed workpaper was first determined to have components either applicable or not applicable to a metric. If an item was determined to have activity applicable to a metric, the item was then assigned a qualitative rating as to the level of due diligence applied to the item as either deficient (or “-“), apparent but minimal (or “yes”), or superior (or “+”).

Questions or comments about the feedback should be directed to Peter Lai (peter.lai@cpuc.ca.gov). Note that pursuant to D.13-09-023, CPUC Staff will schedule a teleconference meeting with SDG&E staff to discuss and answer clarifying questions of this memorandum.

¹⁰ Based on the 2020 Annual Budget Advice Letter filed last year for program year 2020, SDG&E is forecasted to achieve about 50% of the deemed electric savings and 10% of natural gas savings claimed by all PAs, spending about 10% of the deemed budget.

Attachment A: Workpaper Feedback

The table below lists the ID numbers associated with each workpaper submission or disposition and the workpaper review scoring area. The PA may refer to the individual dispositions for more detailed descriptions of the specific actions staff required for each workpaper. The qualitative ESPI scoring feedbacks are designated as follows:

- ‘+’ indicates a positive (from midpoint) scoring impact on a metric, receives 100%,
- ‘-’ indicates a negative (from midpoint) scoring impact on a metric, receives a 0%
- ‘Yes’ indicates meeting expectation; neutral (midpoint) scoring impact on a metric, receives a 50%,
- ‘No’ indicates the review feedback is not applicable to a metric and has no impact on the score.

Workpaper Reviews				ESPI Metrics				
WP ID	Rev	Title	Comments	1	2	3	4	5
SWMI001	1	Water Energy Nexus	This workpaper was a P1 2020 submittal that should have been issued at the end of 2019, but was submitted late on 4/6/2020. The workpaper was not submitted in the statewide workpaper template. SDGE still has not resubmitted the correct template. Workpaper used for reporting only and not for claims.	-	yes	yes	-	yes

Workpaper Submissions				
SWMI001	1	Water Energy Nexus	Detailed review complete	