

**PUBLIC UTILITIES COMMISSION**

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Date: July 30, 2020

To: Southern California Gas (SoCalGas)

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

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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 workpaper<sup>1</sup> and custom<sup>2</sup> 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 13 CPUC project review dispositions issued between January and June 2020. SoCalGas 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 ensure projects pass the Fuel Substitution Test.** Whereas in the second half of 2019 two out of the three projects failed the fuel substitution test, CPUC staff did not find any deficiencies related to fuel substitution in the first half of 2020, indicating SoCalGas is making efforts to correctly screen projects for this test.
- **SoCalGas continues to have no issues with documentation.** Similar to the second half of 2019, SoCalGas has been consistent providing all documents and required information on projects, including clear project scoping to assist CPUC staff with reviews.
- **Improvements in Accounting for Non-IOU Fuel Sources.** SoCalGas has demonstrated improvements when accounting for all non-IOU fuel sources and the subsequent impacts on a project. There were no projects with this deficiency noted in the first 6 months of 2020 compared with 1 project (33 percent) noted during the second half of 2019.
- **Issues related to Net Impacts remains low.** Similar to the second half of 2019 where no documentation issues were reported, there have been no issues related to net savings impacts in the first half of 2020, demonstrating that SoCalGas continues to improve documentation related to program influence.

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<sup>1</sup> 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.

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

## 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 remains high.** In the second half of 2019, 4 actions required by the PA to correct deficiencies (80 percent of total actions) were required to address gross savings impacts on submitted projects. In the first 6 months of 2020 there have been 5 actions identified (63 percent of total actions) to address impacts to gross savings. SoCalGas must make efforts to perform quality control to uncover issues prior to submitting for review.
- **Documentation discrepancies with bi-monthly uploads are an issue.** In 2020 there was an action identified to resolve a discrepancy between project documentation and the bi-monthly upload. SoCalGas must take care to ensure that the information in the bi-monthly uploads match values in the project documentation.

## B. Workpapers Review Overview

### 1. Summary of 2020 Mid-Year Achievements

SoCalGas submitted 11 workpapers for review; all of them in June 2020. As the 11 workpaper are currently under review, no workpapers were disposed in the first half of 2020 that were not previously scored, therefore there is no workpaper specific feedback that can be provided at this time<sup>3</sup>. The Mid-Year feedback notes non-workpaper specific observations and clarifies performance expectations for the remainder of the year.

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

- SoCalGas provided leadership managing the submissions for or making significant contributions to more complex in-progress workpapers including fuel substitution technology and new measures, such as the domestic hot water loop controller.

### 2. Summary of Areas of Improvement

CPUC Staff highlights the following direction for improvement:

- In 2019, SoCalGas fell short of expectations for the quality of the workpaper submissions including errors and inconsistencies between the workpaper narrative and the Ex Ante Data (EAD) tables<sup>4</sup>. CPUC staff expects improvements in this metric in 2020.
- SoCalGas 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.

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<sup>3</sup> 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.

<sup>4</sup> The EAD tables document the assumptions and for each measure included in the workpaper.

## **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 13 CPUC project review dispositions issued to SoCalGas 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**

SoCalGas complied with Public Utilities Code 381.2 (Senate Bill 1131) guidelines for submitting documentation before the 15 business days required. For the first 6 months of 2020 only 1 project was found to be submitted late, whereas the remainder of projects were submitted well before the required deadline meaning SoCalGas is complying with CPUC requirements under this metric.

#### **2. Content, Completeness, and Quality of Submissions**

Out of the 13 project dispositions issued in the first 6 months of 2020, several had issues that will result in a loss of ESPI points under this metric. Though only 13 projects were submitted for review, this can be compared with 2019 where a total of 2 issues across 3 project dispositions were found over the second half of the year. Significant deficiencies noted in 2020 were noted on Savings By Design (SBD) program, including submitting the wrong version of modeling software, incorrect measure application type, and needing improvements to the submitted M&V plan. These issues can greatly impact gross savings estimates and will result in a significant reduction in ESPI points under this metric.

SoCalGas continues to be diligent with project documentation submissions and issues related to net impacts, with no deficiencies found on projects submitted during the first six months of 2020. Similar to the second half of 2019, CPUC staff found that project scope has been consistently clear, and all required information has been provided including documentation related to demonstrating program influence.

In the second half of 2019, CPUC staff found 2 out of the 3 reviewed projects had failed the fuel substitution test. In 2020, no projects encountered this error which indicates SoCalGas is doing a better job of ensuring this test is passed prior to submitting projects for review. Table 1 below summarizes the 8 action items identified across 13 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	Summary of	Total	Percent of Total
		Staff Required Action by the PA:	CPUC Staff Notes or Instructions:		
Issues Related to Gross Savings Impacts	Analysis assumptions	3	0	3	38%
	Calculation method	1	1	2	25%
	Calculation tool	1	1	2	25%
	M&V plan	0	1	1	13%
	Revise to match CPUC savings estimate	0	0	0	0%
	<b>Subtotals</b>	<b>5</b>	<b>3</b>	<b>8</b>	<b>62%</b>
Process, Policy, Program Rules	ER preponderance of evidence	1	0	1	33%
	EUL/RUL	0	1	1	33%
	Measure type	1	0	1	33%
	<b>Subtotals</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>23%</b>
Documentation Issues	Missing documents	0	1	1	100%
	<b>Subtotals</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>8%</b>
Other Issues	Other 1 - Discrepancy between project documentation and bimonthly upload	1	0	1	100%
	<b>Subtotals</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>8%</b>
	<b>Grand Total</b>	<b>8</b>	<b>5</b>	<b>13</b>	<b>100%</b>

### 3. Proactive Initiative of Collaboration

Commission Staff found that SoCalGas continues to take an active and engaged role in statewide collaboration efforts, particularly with their proactive involvement with the Timeline, Small Projects, and Guidance Document Subgroups<sup>5</sup>, and involvement with project reporting template and SBD program modeling checklist task forces.

### 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 at the PA level. Although there were only 3 projects reviewed during the second half of 2019, SoCalGas has increased the number of deficiencies in the first six months of 2020 showing a decrease 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 13 dispositions issued from January 2020 – June 2020, 7 projects

<sup>5</sup> These Subgroups grew out of the Custom Projects Stakeholder Engagement meeting to help further streamline the overall custom projects review process.

(54 percent) proceeded without exception, 3 projects (23 percent) were allowed to proceed with exceptions as noted, and 3 projects (23 percent) were rejected. Comparatively, in the second half of 2019 SoCalGas had no rejections, 1 project (67 percent) proceed without exception, and 2 projects (33 percent) proceed with exceptions as noted. While the percent of applications ready to proceed without exception decreased, (7 of 13 or 54 percent in 2020 compared to 2 of 3 or 67 percent in 2019) there is also an increase in the percent of rejections from 0 in 2019 to 23 percent in 2020. This demonstrates that SoCalGas needs to continue to improve the QC processed on projects prior to submitting for review.

## **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 did not exhibit a trend in terms of project performance over time (i.e. project submissions had the same number of issues when submitted later in the period compared to earlier in the year). Though the number of projects is small, this demonstrates that SoCalGas is not making significant efforts to improve project submissions that are in line with CPUC policy and that a similar number of rejections and applications proceeding with exceptions may continue for the remainder of 2020. SoCalGas has been responsive to CPUC staff requests for updates to HOPPs submittals, indicating that they are making an effort to comply with the responsiveness element related to this metric.

## **B. Workpapers Performance Review**

SoCalGas had no workpapers disposed in the first half of 2020 that were not previously scored, therefore there is no workpaper specific feedback that can be provided at this time. The Mid-Year feedback notes non-workpaper specific observations and clarifies performance expectations for the remainder of the year.

SoCalGas has eleven workpapers currently under CPUC review that have not been disposed at the time of this memo and therefore have not been included in the mid-year feedback scoring. SoCalGas is the lead for one workpaper in the workpaper plan development stage.

The comments below are organized by the five scoring metric areas created in D.16-08-019. The narrative includes observations common to multiple workpapers and feedback 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, is blank because no workpapers were disposed in the first half of 2020. The second table, the Workpaper Submissions Table, lists all workpapers submitted by SoCalGas during the review period that were not scored. 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**

While SoCalGas did not submit workpapers that could be scored in the review period, SoCalGas has met deadlines for submission of other deliverables in the review period and met workpapers submission schedules in the past and is on track for this metric.

CPUC staff expects SoCalGas 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 SoCalGas to modify its planned submission schedule to levelized workloads during periods of heavy submissions.

## **2. Content, Completeness, and Quality of Submissions**

There is no workpaper specific feedback for SoCalGas regarding this metric since no workpapers were disposed in the review period. SoCalGas is on track for good performance in this metric based on the current mix of in-progress workpapers. SoCalGas has engaged the CPUC in discussions concerning the new and more complex measures and based on this preview and if performance is maintained, we expect the content of the workpaper to meet standards.

The 11 in-review and any subsequent workpapers should clearly articulate the proposed methods and include step-by-step methods or procedure descriptions. SoCalGas's proposed approach should 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.

SoCalGas has an important responsibility to identify new technologies and delivery methods and to develop workpapers where a deemed option makes sense. SoCalGas has one workpaper in the workpaper plan development stage for a commercial domestic hot water loop temperature controller workpaper. SoCalGas has also been investigating electric to natural gas fuel substitution measures. They have also introduced two new measures in the current in-progress workpapers including the combination tankless combination space and water heater measures and the residential gas ovens workpapers. CPUC staff encourages the continued development of new measure workpapers to ensure innovative measures.

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. SoCalGas'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**

SoCalGas 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.

SoCalGas proactively and productively engaged CPUC staff prior to workpaper submission in the past and is currently doing so with the conventional domestic hot water measures and the electric to gas fuel substitution measures. SoCalGas used good judgement in its level of engagement with CPUC staff.

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

There is no workpaper specific feedback for SoCalGas regarding this metric since no workpapers were disposed in the review period. In 2019, SoCalGas performed slightly below expectations and CPUC staff expects improvements in this metric. As an area of improvement, SoCalGas submitted 11 workpapers this year, all of them in June. CPUC staff would have preferred workpaper submissions spread out over the 6 months, but understand that in part, the timing was impacted by the availability of the water heater calculator.

SoCalGas is expected to fully QC workpapers and other interim deliverable documents before submitting them, including those of their contractors. The EAD 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](http://www.deeresources.info) and attachments, such as the workpaper coversheet.

CPUC Staff expects that the SoCalGas will manage workpaper development well, including the submission of their workpaper plan and schedule early in the development process, as noted in Section 1, and that the schedules are managed to meet deadlines. SoCalGas submitted eleven workpapers this year, all of them in June. CPUC staff would have preferred workpaper submissions spread out over time, but understand that in part, the timing was impacted by the availability of the water heater calculator. CPUC Staff also expects that when SoCalGas 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**

There is no workpaper specific feedback for SoCalGas regarding this metric since no workpapers were disposed in the review period. SoCalGas is on track for good performance based on the current mix of in-progress workpapers. This mix includes a majority of complex and new workpapers where SoCalGas is leading the development. In 2019, SoCalGas performed well in this metric due to its lead role for complex workpapers and its expertise in gas measures which was readily made available and there has been evidence of this leadership continuing.

CPUC staff's expectations for this metric reflects demonstrated 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 SoCalGas's ongoing efforts to improve its internal processes and procedures. As noted above, SoCalGas is on track for this metric.

SoCalGas created a consolidated dataset of all active workpaper EAD tables. While the consolidated dataset does not directly support production of individual workpapers, it's a useful resource to a variety of stakeholders.



### 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 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](mailto:peter.lai@cpuc.ca.gov)). Note that pursuant to D.13-09-023, CPUC Staff will schedule a teleconference meeting with SoCalGas staff to discuss and answer clarifying questions of this memorandum.

## Attachment A: Workpaper Feedback

The table below lists the ID numbers associated with each workpaper submission or disposition and the workpaper review process scoring area. As CPUC staff issued no workpaper review dispositions for SoCalGas, the first table is empty. SoCalGas may refer to the individual dispositions to be issued later 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
			This table is purposefully left blank.					

## Workpaper Submissions

SWAP018	1	Clothes Dryer, Fuel Substitution, Gas, Residential	Review in progress. Not scored.
SWAP017	1	Residential Oven	Review in progress. Not scored.
SWWH029	1	Tankless Water Heater Fuel Sub Gas Res	Review in progress. Not scored.
SWWH030	1	Tankless Combination Space and Water Heater, Residential	Review in progress. Not scored.
SWWH005	2	Boiler, Commercial	Review in progress. Not scored.
SWWH006	3	Tankless Water Heater, Commercial	Review in progress. Not scored.
SWWH007	2	Storage Water Heater, Commercial	Review in progress. Not scored.
SWWH012	2	Storage Water Heater, Residential	Review in progress. Not scored.
SWWH013	2	Tankless Water Heater, Residential	Review in progress. Not scored.
SWBE006	2	Residential Ceiling Insulation	Review in progress. Not scored.
SWBE007	2	Residential Blow-In Wall Insulation	Review in progress. Not scored.