

PUBLIC UTILITIES COMMISSION

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Date: March 28, 2014
To: Southern California Gas
From: CPUC Ex Ante Review Staff
Cc: R.12-01-005 and R.13-11-005 Service Lists
Subject: Final 2013 Efficiency Savings and Performance Incentive Ex Ante Review Performance Scores

Pursuant to Decision (D).13-09-023, Commission staff and consultants have completed the 2013 Efficiency Savings and Performance Incentive (ESPI) mechanism ex ante review performance scoring. The scores were developed as prescribed in Attachments 5 and 7 of D.13-09-023. The scores contained in this memo are considered final and SoCalGas should use the final total score of 66 out of 100 to calculate the 2013 ESPI ex ante review component award. The final score is explained in more detail in Attachment A to this memo.

Attachments B and C of this memo provide the rationale Commission staff and consultants used for the final scoring. The rationale discussions also address SoCalGas' comments on the Preliminary Assessment released in December 2013. Overall, Commission staff is encouraged by SoCalGas' ex ante review activities and the improved ex ante review performance score when compared to 2010-12. Since the ESPI was adopted and the Preliminary Assessment was distributed, Commission staff has seen SoCalGas make a more concerted effort to collaborate with Commission staff, particularly on custom projects, and a greater intention to comply the Commission's ex ante review policies. There is, however, more work to be done until Commission staff is comfortable that SDG&E's ex ante review activities are sufficient and consistent with Commission policies.

With regard to workpaper activities, Commission staff notes that as a relatively small single fuel utility, SoCalGas does not develop a significant number of workpapers outside of statewide measures. This makes assessing SoCalGas on their workpaper activities somewhat challenging as there is a small body of work to review. In 2013, Commission staff reviewed 10 of SoCalGas' 49 workpapers and made significant revisions to each. Commission staff recommends that SoCalGas apply greater due diligence to its customization of statewide workpapers for its service territory. For instance, if SoCalGas finds shortcomings in a statewide workpaper, Commission staff would like to see SoCalGas be a more active participant in the development of the statewide workpaper to ensure that statewide methods are as accurate as possible. This will help Commission staff provide more individual and specific feedback for how SoCalGas can improve its workpaper activities.

SoCalGas’ cooperation in the development of the ex ante database was a large point of concern for Commission staff throughout 2013. Staff has noticed some improvement in cooperation since the last quarter of 2013, and would like to see that this trend continues through 2014. Commission staff understands that SoCalGas has a relatively smaller engineering staff when compared to the larger utilities and appreciates that SoCalGas engineering staff each plays multiple roles within the organization. Commission staff looks forward to continuing to work with SoCalGas on the development and implementation of the ex ante database.

With regard to custom project activities, Commission staff finds SoCalGas’ activities to be generally adequate. SoCalGas should improve the quality of documentation for early retirement, project and measure baseline, and program influence for projects developed by both internal staff and third party implementers. In its comments on the Preliminary Assessment, SoCalGas noted that it has developed improved guidelines for project documentation. Staff is encouraged by this activity and expects SoCalGas to continue to improve guidelines and distribute to third party implementers to ensure higher quality project submittals.

In accordance with D.13-09-023, the IOUs’ ex ante activities are assessed against a set of 10 metrics on a rating scale of 1 to 5. On this scale, 1 is a low score and 5 is a high score. A maximum score will yield 100 points. The 1-5 rating scale is distinguished as follows:

1. Consistent underperformer in meeting the basic Commission expectations;
2. Makes a minimal effort to meet Commission expectations but needs dramatic improvement;
3. Makes effort to meet Commission expectations, however improvement is required;
4. Sometimes exceeds Commission expectations while some improvement is expected; and
5. Consistently exceeds Commission expectations.

SoCalGas’ final ESPI ex ante review scores for 2013 are as follows:

Metric	Total Possible	Workpaper	Custom	Total Score
1a	5	1.5	2	3.5
1b	5	1.5	2	3
2	10	3	4	7
3	10	3	4	7
4	10	3.5	3	6.5
5	10	3	3	6
6a	5	1	1.5	2.5
6b	5	1.5	2	3.5
7	10	3	4	7
8	10	2.5	4	6.5
9	10	3.5	4	7.5
10	10	3	3	6
Total	100	30	36.5	66.5

It should be noted that in the preparation of the final 2013 ESPI ex ante review scores, Commission staff did not have all desired data available. For instance, Commission staff did not have enough time to conduct a comprehensive claims review for these scores and was not able to review all of the dispositions issued for custom projects in 2013. Were these data sources available, SoCalGas' scores may be significantly different. For 2013, Commission staff based the scoring on the data available and did not speculate on how a claims or disposition review would impact the final scores. With the development of the ex ante database and a workpaper and custom disposition tracking tool, Commission staff expects that comprehensive claims and disposition reviews will be used to inform the utilities' ESPI ex ante review scores in the future.

The intention of the ESPI ex ante review component is to motivate utilities to employ a superior level of due diligence to their activities and thus reduce the need for the extensive level of oversight currently undertaken by Commission staff and consultants. The due diligence expectations include complying with the Commission's ex ante review policies and procedures in a manner that results in the development and reporting of reliable, defensible, and accurate ex ante estimates. Commission staff finds that all of the utilities tend to rely on Commission staff input and analysis before finalizing ex ante estimates. While collaboration and information-sharing is always encouraged, Commission staff envisions that, through the feedback provided in this ESPI component and ongoing collaboration, the utilities' internal ex ante review policies and activities will become sufficient such that Commission staff can devote more time and resources towards collaboration and less time to correcting or re-analyzing ex ante values on behalf of the utilities. Commission staff recognizes and commends the progress that has been made to date and encourages the utilities to continue to strive for excellence in this issue area.

If you have any questions or comments about the feedback or final scores, please contact Katie Wu (katie.wu@cpuc.ca.gov). Note that pursuant to D.13-09-023, Commission staff will schedule time with the utilities to discuss the final scores.

	Metric	Workpapers			Custom			Total		
		Max Points	Score	Percent Score	Total Points	Max Points	Score		Percent Score	Total Points
1a	Timeliness of action in the implementation of ordered ex ante requirements (e.g., A.08-07-021, D.11-07-030, D.12-05-015, etc.) in the pre-submittal/ implementation phase: Timing of disclosure in relation to reporting	2.5	3	60%	1.5	2.5	4	80%	2	3.5
1b	Timeliness of action in the implementation of ordered ex ante requirements (e.g., A.08-07-021, D.11-07-030, D.12-05-015, etc.) in the post-submittal/ implementation phase: Timing of responses to requests for additional information	2.5	3	40%	1.5	2.5	4	80%	2	3.5
2	Breadth of response of activities that show an intention to operationalize and streamline the ex ante review process	5	3	60%	3	5	4	80%	4	7
3	Comprehensiveness of submittals (i.e., submittals show that good information exchange and coordination of activities exists, and is maintained, between internal program implementation, engineering, and regulatory staff to ensure common understanding and execution of ex ante processes)	5	3	60%	3	5	4	80%	4	7
4	Efforts to bring high profile, high impact, or existing (with data gaps) projects and/or measures to Commission staff in the formative stage for collaboration or input	5	3.5	70%	3.5	5	3	60%	3	6.5
5	Quality and appropriateness of project documentation (e.g., shows incorporation of Commission policy directives)	5	3	60%	3	5	3	60%	3	6

Attachment A: Final ESPI Ex Ante Review Scores

6a	Depth of IOU quality control and technical review of ex ante submittals: Third party oversight	2.5	2	40%	1	2.5	3	60%	1.5	2.5
6b	Depth of IOU quality control and technical review of ex ante submittals: Clarity of submittals and change in savings from IOU-proposed values not related to M&V	2.5	3	60%	1.5	2.5	4	80%	2	3.5
7	Use of recent and relevant data sources that reflect current knowledge on a topic for industry standard practice studies and parameter development that reflects professional care, expertise, and experience	5	3	60%	3	5	4	80%	4	7
8	Thoughtful consideration, and incorporation, of CPUC comments/inputs. In lieu of incorporation of comments/input, feedback on why comments/input were not incorporated	5	2.5	50%	2.5	5	4	80%	4	6.5
9	Professional care and expertise in the use and application of adopted DEER values and DEER methods	5	3.5	70%	3.5	5	4	80%	4	7.5
10	Ongoing effort to incorporate cumulative experience from past activities (including prior Commission staff reviews and recommendations) into current and future work products	5	3	60%	3	5	3	60%	3	6
Total		50			30	50			36.5	66.5

Final 2013 Efficiency Savings and Performance Incentive

Ex Ante Performance Scores - SoCalGas

March 31, 2014

Metric 1a: Timeliness of action in the implementation of ordered ex ante requirements (e.g., A.08-07-021, D.11-07-030, D.12-05-015, etc.) in the pre-submittal/ implementation phase: Timing of disclosure in relation to reporting

1a.(1) Fraction of deemed measures for which workpapers have been submitted to Commission prior to measure being offered in the portfolio

SCG often uses workpapers from other utilities to support their own offerings. There are a few of these workpapers that were only recently identified by SCG even though the measures have been offered since the beginning of the program cycle.

1a.(2) Fraction of workpapers disclosed prior to or during work commencement and submitted upon completion rather than withheld and submitted in large quantity

SCG along with all IOUs submit large groups of workpapers as part of their program cycle applications. Once the application is approved, new workpapers become part of the Phase 2 review cycle. SCG has periodically submitted additional workpapers during Phase 2. SCG has not reported any new workpaper development activities in this cycle, but this could be because SCG has not planned for any workpaper development at this time. SCG often uses other IOUs' workpapers to support their own offerings, so their needs for original work are minimal. Commission staff recommends that SCG become a more active participant the development of statewide workpapers applicable to its fuel type and service territory. For instance, if SCG finds shortcomings in statewide workpaper methods, Commission staff would like SCG to proactively work with the other utilities to make corrections in the methodology rather than relying on the other utilities to identify and correct errors. Additionally, as M&V activities that pertain to workpaper updates occur, SCG should collaborate with ex ante staff to ensure that data collection is relevant to ex ante data needs. During 2013, the ex ante review team provided input on the multifamily swimming pools workpaper update but was not sure that it was in time.

1a.(3) Fraction of workpaper development projects for new technologies submitted for collaboration versus total number of workpapers for new technologies submitted

At this time, the ex ante review team believes the list of new technologies under development is small compared to the overall number of technologies covered by the workpapers. Workpapers submitted with applications as well as those submitted in Phase 2 cover similar technologies that been incentivized over the past four or five years. Commission staff is not aware of any new technologies developed for SCG territory during 2013. SCG did not submit any new technologies for collaboration.

There are a number of areas where the IOUs are incorporating new delivery mechanisms for measures that have been included in IOU programs for several years. The Energy Upgrade

California (EUC) program includes many common DEER and non-DEER residential measures. EUC workpaper development was a reasonably successful collaborative effort between IOUs and Commission staff; however, SCG had a minimal role in that collaboration activity.

Metric 1a Preliminary Assessment: Good Performer

Final Workpaper Score: 3

Metric 1b: Timeliness of action in the implementation of ordered ex ante requirements (e.g., A.08-07-021, D.11 -07-030, D.12 -05-015, etc.) in the post-submittal/ implementation phase: Timing of responses to requests for additional information

After the initial applications, staff issued a data request for additional information needed to perform reviews of workpapers. All IOUs were generally compliant with that request. If the score for this item was based entirely on response to the initial data request, all IOUs would receive high scores. The biggest concern, however, is the re-submittal of workpaper ex ante values in the format needed for the centralized ex ante database. IOUs were provided with a data request from the reporting team that required them to resubmit all of their workpaper data in the specified format. SCG has made an attempt to provide information in that format, but still has much room for improvement. For instance, there are specific areas of the content that lack the information necessary to identify the exact and full set of ex ante values associated with a particular claim.

In its response to the preliminary ESPI review, SCG requests that scores consider that interactions between IOUs and the Reporting and Ex Ante teams have been collaborative and that this collaboration should be the basis of the score. While staff understands this perspective, staff disagrees that the collaboration between IOUs and the Reporting and Ex Ante team has been a successful activity to accommodating the ex ante data specification. The Ex Ante Review team is frustrated that collaboration with the Reporting team, which was intended to incrementally work up to the ex ante specification, has not led to the IOUs' use of the desired ex ante format. This has had the effect of delaying the development of the final ex ante database. Scores for this metric remain low, and future compliance with the ex ante data specification will likely increase scores throughout the ESPI scoring areas.

Metric 1b Preliminary Assessment: Consistent Underperformer

Final Workpaper Score: 3

Metric 2: Breadth of response of activities that show an intention to operationalize and streamline the ex ante review process

Percentage of workpapers that address all aspects of the Uniform Workpaper Template (as described in A.08-07-021, or any superseding Commission directive)

There has been no workpaper template issued pursuant to A.08-07-021. Staff did publish an executive summary template but this has received little use since it was published. Generally, workpapers submitted as part of the application for 2013-2014 incorporated direction from previous workpaper reviews in terms of calculation assumptions and methods. To the extent that the prescribed ex ante data format provided to IOUs in September 2011 counts as a “workpaper template” IOUs are generally non-compliant with that direction. In consideration of late 2013 activities aimed at attempting, in good faith, to implement the directed ex ante submission format, staff has raised the score in this area over the preliminary value. However, staff still feels these efforts are require deliberate and focused attention.

Metric 2 Preliminary Assessment: Needs Improvement

Final Workpaper Score: 3

Metric 3: Comprehensiveness of submittals (i.e., submittals show that good information exchange and coordination of activities exists, and is maintained, between internal program implementation, engineering, and regulatory staff to ensure common understanding and execution of ex ante processes)

3 (1) Percentage of workpapers that include appropriate program implementation background as well as analysis of how implementation approach influences development of ex ante values

Generally, there is still very limited information in any workpapers covering implementation background. In SCG's comments on the Preliminary Assessment, it notes that it is working to improve workpapers to include more comprehensive information. Commission staff recommends that SCG include program implementation background as pertinent information.

3 (2) Percentage of workpapers which, on initial submission, were found to include all applicable supporting materials or an adequate description of assumptions or calculation methods

The Phase 1 review resulted in a data request requiring a significant amount of additional information for most workpapers. This information was mainly related to nomenclature within individual workpapers related to the applicability of cost and impact values. Most of these issues were clarified by SCG in its responses to the data request; however, this still points to the problem of slowness to adopt the ex ante data format that was presented to in September of 2011. Following the ex ante data format would have prevented most of the problems identified in the Phase 1 review.

A limited number of workpapers have been reviewed in detail for adequate supporting materials. Of the workpapers reviewed, staff had to request some additional information to enable complete review of workpapers for swimming pool covers and controls for multi-family domestic hot water (DHW) systems. All other workpapers (i.e., those pertaining to DHW end use measures) included adequate information for review.

Metric 3 Preliminary Assessment: Needs Dramatic Improvement

Final Workpaper Score: 3

Metric 4: Efforts to bring high profile, high impact, or existing (with data gaps) projects and/or measures to Commission staff in the formative stage for collaboration or input

Percentage of high profile program, or high impact measure, workpapers submitted for collaboration or flagged for review

Other than statewide workpapers, SCG does not appear to have many of its own development activities for high profile programs or high impact measures. Staff has some concerns about the schedule of workpaper development and how it often occurs at the same time as the development of a program. Staff would prefer to see more collaboration and development workpapers and associated ex ante values prior to inclusion of measures into programs. Below is one example where earlier involvement of staff review, prior to submission of the workpaper, would have resulted in a much more streamlined process to finalize the workpaper and ex ante values.

- Energy Upgrade California: IOUs appear reasonably responsive to staff input on these workpapers with the exception of the custom path. The custom path uses the EnergyPro software. This by itself is not a problem, however, the assumptions that are used in the EnergyPro software are not consistent with DEER assumptions, which result in savings estimates that are 4-5 times higher than would result if using DEER assumptions. Ex ante consultants provided several documents to IOUs and other implementers documenting the needed revisions to the program inputs and even engaged the EnergyPro authors to develop a version that included the correct DEER assumptions. Staff recommended that the enhanced version of EnergyPro be used for the EUC program, but IOUs elected to use the standard version. Ex ante consultants therefore recommended significant adjustment factors to the savings calculated by EnergyPro. Staff would have preferred the use of the enhanced version of Energy Pro, but the incorporation savings adjustment factors is an acceptable alternative.

Metric 4 Preliminary Assessment: Needs Dramatic Improvement

Final Workpaper Score: 3.5

Metric 5: Quality and appropriateness of project documentation (e.g., shows incorporation of Commission policy directives)

Frequency of inappropriate or inferior quality at the time of initial Commission staff review (higher frequency = lower score)

The main source of assessment at this time is SCG's workpaper submissions included with its applications for the 2013-2014 cycle. There are approximately 49 workpapers submitted by SCG to date. The ex ante review team has reviewed 10 workpapers. Staff has directed revisions on every workpaper it has reviewed. Additionally, staff is concerned that some of the deficiencies in the reviewed workpapers may be indicative of a larger problem across other workpapers.

The wide application of the high NTG values for emerging technologies and hard-to-reach markets is troubling because of the lack of information in the applicability of the values. D.12-05-015 provides for the IOUs to request, in workpaper submissions, to be granted the use of the emerging technology NTG value. D.12-05-015 directed the establishment of an emerging technology NTG of 0.85; however, this decision explicitly stated that this value could only be used where actual ET program activities are occurring¹ and that staff should assign that value at its discretion. Staff raises this concern as part of the ESPI assessment as a means to highlight concern over the apparent widespread use of the highest NTG values in workpapers. Staff offers the following approach to address the concern over the use of high NTG values:

1. The population of the ex ante database will enable the efficient identification and use of any NTG by implementation
2. Staff will present a request to program administrators to summarize their proposed use of specific NTG values of interest, such as the hard-to-reach and emerging technology values and provide supporting documentation as part of that summary.

Metric 5 Preliminary Assessment: Needs Improvement

Final Workpaper Score: 3

¹ D12.05.015 at 62 and OP14.

Metric 6a: Depth of IOU quality control and technical review of ex ante submittals: Third party oversight

Quality of workpapers prepared by consultants, third parties, and local government partners submitted by IOUs

The workpaper for swimming pool covers appears to have been prepared by the primary implementer of the swimming pool program. In its disposition of these workpapers, staff noted that the savings are often likely based on a regressive baseline, which is not allowed.

Staff understands that it may seem to SCG that many comments in this assessment are being formally presented for the first time. Staff also acknowledges that IOUs have responded or are in the process of responding to workpaper dispositions in a more timely and cooperative manner. While ESPI scores may appear low at this time, the continued improvement of IOU oversight of workpaper development by third-parties, consultants and implementers will likely result in higher scores in future ESPI evaluations.

Metric 6a Preliminary Assessment: Needs Dramatic Improvement

Final Workpaper Score: 2

Metric 6b: Depth of IOU quality control and technical review of ex ante submittals: Clarity of submittals and change in savings from IOU-proposed values not related to M&V

6b (1) Percentage of workpapers which required changes to parameters of more than 10% or required substantial changes to more than two parameters among UES, EUL/RUL, NTG, impact shape, or costs

Staff has reviewed 10 workpapers of the approximately 49 workpapers submitted by SCG. Staff has directed revisions to all reviewed workpapers and documented these revisions in dispositions. One of the reviewed workpapers, covering DHW pumping controls, was revised to be consistent with other IOUs' workpapers covering the same measures. The remaining workpapers covered swimming pool covers and DHW end use measures. Staff revised all of the savings values in these workpapers by a significant amount.

6b (2) Percentage change from IOU-proposed values to ED-approved values (higher percentage = lower score)

Excluding Energy Upgrade California workpapers, the energy savings reductions due to staff review of Phase 1 workpapers ranges from 20 to 50 percent. Assessment based on revisions to workpaper values alone is challenging because SCG does not submit a majority of the workpapers it references. Commission staff recommends that SCG apply greater due diligence when customizing statewide workpapers to its service territory to ensure that values are well-supported and accurate.

Metric 6b Preliminary Assessment: Needs Improvement

Final Workpaper Score: 3

Metric 7: Use of recent and relevant data sources that reflect current knowledge on a topic for industry standard practice studies and parameter development that reflects professional care, expertise, and experience

Percentage of workpapers with analysis of existing data and projects that are applicable to technologies covered by workpaper

Staff have been reviewing all workpapers as part of the effort to construct the statewide ex ante database as directed by D.11-07-030. Generally, there does not appear to be much difference in 2013 workpapers that considers the more currently available data compared to the data sources available at the time the workpapers for the 2010-2012 cycle were developed.

Metric 7 Preliminary Assessment: Needs Improvement

Final Workpaper Score: 3

Metric 8: Thoughtful consideration, and incorporation, of CPUC comments/inputs. In lieu of incorporation of comments/input, feedback on why comments/input were not incorporated

Frequency of revisions to workpapers in response to (and/or appropriate and well-defended rejection of) CPUC reviewer's recommendations

At this time it is not clear if SCG has revised many of the workpaper ex ante values based on dispositions issued by staff. Only one revised workpaper has been posted to the Workpaper Project Archive (WPA) (demand controlled DHW systems). There are no other revised workpapers uploaded by SCG to WPA website. The ex ante data submitted to the reporting team is still not in a reviewable state. SCG has emphasized that it fully intends to comply with all workpaper dispositions. Unfortunately, staff is not able to confirm compliance based on the currently available information from SCG. Some workpaper dispositions have emphasized the need for additional research to better support the ex ante savings development. IOUs are hopefully developing plans to address these concerns, which would likely result in increased scores in future ESPI assessments.

Metric 8 Preliminary Assessment: Needs Improvement

Final Workpaper Score: 2.5

Metric 9: Professional care and expertise in the use and application of adopted DEER values and DEER methods

Percentage of workpapers, including those covering new or modified existing measures, that appropriately incorporate DEER assumptions and methods

Generally, workpapers attempt to replicate DEER methods within workpapers. For some technologies, such as commercial water heaters and boilers, the DEER measure definitions do not line up with their preferred program requirements. In these cases, scaling methodologies have been used by IOUs to adjust DEER values to align with program efficiency requirements. In general, IOUs are making progress in this area. IOU consultants are making progress as well, but there still appears to be some gaps in the knowledge and application of DEER values and methods.

Metric 9 Preliminary Assessment: Good Performer

Final Workpaper Score: 3.5

Metric 10: Ongoing effort to incorporate cumulative experience from past activities (including prior Commission staff reviews and recommendations) into current and future work products

Percentage of workpapers including analysis of previous activities, reviews and direction

There is some improvement in incorporating cumulative experience from previous activities. The most notable is some IOUs' initiative in seeking out early involvement from staff at the beginning of new development activities. Many workpapers submitted for the 2013-2014 applications incorporated direction from D.11-07-030 as well as staff direction from previous dispositions. There were some incorrect applications of that direction, such as in the DHW fixture measures discussed earlier, but in general, SCG attempted to incorporate explicit direction from Attachment A of D.11-07-030 into most of the reviewed workpapers.

There are some areas where improvement is still needed. Some workpapers submitted for 2013-2014 cycle did not incorporate previous direction or did not address concerns highlighted in previous workpaper reviews. Staff noted these concerns in the dispositions for those workpapers. Staff would like to see a greater effort on the part of IOUs to convey staff direction and Commission policy throughout the staff and consultant groups who are involved with the preparation of ex ante values. For example, program delivery methods need to be considered in the development of ex ante values as discussed under Metric 3. It is the staff experience, however, that SCG program staff is not familiar with the requirements for developing ex ante values. Staff has similar experiences when meeting with IOU consultants. Staff would prefer to see SCG take on the responsibility of orienting staff and consultants to the larger history and overall requirements for ex ante development.

As discussed in other areas of this assessment, one of the biggest shortcomings is that lack of cooperation with staff to develop the common ex ante database for DEER values. D.11-07-030 directed the IOUs to work with staff to develop this central database. The first staff draft of the data format was presented to the utilities in September of 2011. In general, utilities have been resistant to working with staff on the development and population of this database. Commission staff has explained to the IOUs on several occasions, that the current data format for the ex ante database is needed for several important purposes including identification of broad groups of measures to be reviewed across multiple IOUs; installation of interim approved values in place of IOU proposed values; automatically attaching approved values to claims; sampling of high profile technologies across multiple programs for ex poste evaluation. Commission staff has developed the ex ante data format as a means for the Commission to more efficiently undertake multiple efforts related the development, application to claims and evaluation of ex ante values. All proposals from IOUs to revise the ex ante data specification would have hindered those efforts, which is why very few IOU proposals have been incorporated into the spec.

On the positive side, SCG has incorporated many of the required ex ante references in its reporting databases. While SCG reporting databases do not yet comply with the directed ex ante specification, this does show an attempt to internalize the references included in the ex ante database and show progress toward standardization around the staff directed format.

Metric 10 Preliminary Assessment: Needs Dramatic Improvement

Final Workpaper Score: 3

Efficiency Savings and Performance Incentive – Ex Ante Performance – Custom Project Scores –

Southern California Gas Company

Metric Number and Final Score	CPUC Staff Preliminary Assessment	Metric Description	CPUC Staff Assessment	SoCalGas Comments	CPUC Response to Utility Comments
Metric 1a(1) – Score: 4	Good Performer	Percentage of projects in quarterly or annual claims that were reported in the Custom Measure and Project Archive (CMPA) twice monthly list submissions	While custom projects reported in claims have not been completely compared with the CMPA submissions at this time since a claims review has not been undertaken. ² SCG appears to be disclosing all custom projects in the CMPA submission. SCG has been reporting residential new construction projects in the CMPA submissions.	SoCalGas provides all custom projects on the CMPA list submissions as required in D.11-07-030.	Staff has no objections to SCG’s comment. The preliminary assessment stands. SCG is awarded a score of 4 for metric 1a.
Metric 1a(2) – Score: 4	Good Performer	Percentage of projects for which there is a two weeks or less difference between the application date and the date reported on the CMPA list	The SCG CMPA lists show the date application was received that generally appears to be within two weeks of the date of CMPA submission. In future claim reviews and evaluations, staff will compare the actual date of application from the hard copy to the date of application received as disclosed in the CMPA submissions. Staff believes that the time taken by the IOU field staff and third parties to report applications into an IOUs’ tracking system and reporting of such applications in the CMPA lists might exceeds two weeks. SCG has worked with staff to improve the content and accuracy of its CMPA submissions.	SoCalGas has worked with Commission staff during 2013 to provide satisfactory information in its CMPA lists, and will continue such efforts during 2014.	Staff agrees with SCG’s comment. SCG should continue to work with staff to improve its tracking system to provide better project descriptions and alignment with the needs of ex ante reviews. The preliminary assessment stands. SCG is awarded a score of 4 for metric 1a.

² Commission staff did not have time to complete a comprehensive claims review. This is in part due to the extensive effort required to translate the IOUs’ Q3 claims into a reviewable format.

Metric Number and Final Score	CPUC Staff Preliminary Assessment	Metric Description	CPUC Staff Assessment	SoCalGas Comments	CPUC Response to Utility Comments
Metrics 1a(3) – Score: 4	Good Performer	Percentage of tools used for calculations disclosed prior to use	SCG submitted tools on the Calculation Tool Archive (CTA) web site during the 10-12 cycle. The SCG tools were mostly found inadequate when reviewed in conjunction with projects. It is likely that some or all tools submitted for the 2010-12 cycle are still being used in the 2013-14 cycle. SCG has submitted a technical manual that contains technical algorithms which has not been reviewed by staff. Overall, the tools are reviewed in conjunction with a project. Nevertheless a complete list of tools is required to be disclosed and posted to the CMPA web site, initially and as tools are updated.	SoCalGas has developed and will continue efforts in working with Commission Staff to improve the utilized calculation tools.	Staff will work with SCG to improve the methods and assumptions used in its tools and technical manual. The preliminary assessment stands. SCG is awarded a score of 4 for metric 1a.
Metric 1b – Score: 4	Good Performer	Percentage of projects which experience significant delay due to slow response to requests for readily available (or commonly requested) additional information (higher percentage = lower score)	Delays at the final stage of savings approval have declined but have not been completely eliminated. Typical reasons for delays occurring are because of lack of evidence of working measure, invoice documentation, savings calculations not per prior direction, and lack of supporting documentation. All of these reasons have an impact on final ex ante parameters to be frozen. When evidence is lacking, staff cannot decide whether final parameters, would likely be within a reasonable margin of safety. SCG has developed a checklist of typical data required for custom projects.	SoCalGas strives to provide all requested information in a timeframe consistent with the due date desired by the Commission on all data requests. SoCalGas only requests extension when the information is not readily available.	Staff agrees with SCG’s comment. SCG should continue to work with staff to improve checklist and submit complete datasets for project reviews. The preliminary assessment stands. SCG is awarded a score of 4 for this metric.

Metric Number and Final Score	CPUC Staff Preliminary Assessment	Metric Description	CPUC Staff Assessment	SoCalGas Comments	CPUC Response to Utility Comments
Metric 2 – Score: 4	Good Performer	<p>Percentage of custom project submissions that show standardization of custom calculation methods and tools</p> <p>Development and/or update of comprehensive internal (to IOUs, their parties, and local government partners, as appropriate) process manuals/checklists and quality control processes</p>	<p>The use of standardized tools should be differentiated from using the correct values in the tools. SCG largely uses standardized methods and tools. The differences in the SCG and staff-reviewed savings estimates are often attributable to incorrect assumptions or parameters used in calculations or inappropriate modeling. Standardized methods may have to be modified, consistent with the appropriate level of effort expected for projects. SCG have developed internal quality control processes, check lists and manuals to improve their review of custom projects.</p>	<p>SoCalGas will continue to make improvements, including utilizing consultants to help improve and clarify project calculation, review, and documentation standards.</p>	<p>Staff agrees with SCG’s plan. The preliminary assessment stands. SCG is awarded a score of 4 for this metric.</p>
Metric 3 – Score: 4	Good Performer	<p>Number of data requests for additional documentation for project information and/or reporting claims that support ex ante review activities (fewer requests = higher score)</p>	<p>Same as 1b except that this metric refers to data requests at the interim and final stages of a project reviews. Compiling the entire package of information, using a checklist, before sending to Staff for review will reduce the number of data requests. SCG has developed a checklist for custom project reviews.</p>	<p>SoCalGas has made a priority of submitting complete project packages for review, and is grateful for the Commission’s acknowledgement of our efforts. SoCalGas will continue to identify processes that may improve responses in this area.</p>	<p>SCG should continue to work with staff to improve checklist and submit complete datasets for project reviews. The preliminary assessment stands. SCG is awarded a score of 4 for this metric.</p>

Metric Number and Final Score	CPUC Staff Preliminary Assessment	Metric Description	CPUC Staff Assessment	SoCalGas Comments	CPUC Response to Utility Comments
Metric 4 – Score: 3	Awaiting Claims Review	Percentage of large high impact projects or measures referred to CPUC early or flagged for review.	SCG has referred projects for staff opinion. The referred projects had good issues for staff to address. Whether the IOUs should have referred certain projects they did not refer is not possible to assess without a claims review or ex post evaluation. However, judging from baseline and eligibility issues identified in selected projects and the fact the staff only samples a small fraction of custom projects, it appears that more projects should have been referred for staff opinion.	SoCalGas would appreciate if Commission staff would establish thresholds for high impact projects so that there is no ambiguity on projects that should be flagged for review. Nonetheless, SoCalGas is working on establishing new processes to involve the Ex Ante team on high impact projects that normally get flagged for parallel review. SoCalGas will continue to consult with Commission staff in regards to project eligibility and baseline, prior to submission.	SCG’s quarterly claims were not in a reviewable format in time for this assessment. Staff will continue to work with SCG to develop thresholds for high impact projects to be flagged for review. Given that a claims review was not performed for this metric, the preliminary assessment stands. SCG is awarded a score of 3 for this metric.

Metric Number and Final Score	CPUC Staff Preliminary Assessment	Metric Description	CPUC Staff Assessment	SoCalGas Comments	CPUC Response to Utility Comments
Metric 5 – Score: 3	Needs Improvement	Frequency of inappropriate or inferior quality documentation on project eligibility, baseline determination, program influence, use of custom elements in projects, assumptions and data supporting savings, and project costs (higher frequency = lower score)	SCG’s documentation of early retirement, baseline and program influence has been weak. Documentation on assumptions and data supporting savings and project cost is of moderate quality that is reflected in the variance in the staff-approved and the SCG-proposed savings as well as repeated data requests to support proposed savings.	SoCalGas has developed improved guidelines for project documentation, focusing on project eligibility, baseline determination, program influence, use of custom elements in projects, assumptions and data supporting savings, and project costs. The improved guidelines include and aggressive quality control process, Project Feasibility Study template, and eligibility guidelines. SoCalGas is currently working on an implementation plan for these improved guidelines that includes training.	The preliminary assessment stands. Staff will reassess SCG’s efforts moving forward and agrees with SCG’s proposed plan. SCG is awarded a score of 3 for this metric.

Metric Number and Final Score	CPUC Staff Preliminary Assessment	Metric Description	CPUC Staff Assessment	SoCalGas Comments	CPUC Response to Utility Comments
Metric 6a – Score: 3	Needs Improvement	Quality of custom project estimates prepared by customers, third parties, and local government partners submitted by IOUs.	The quality of documentation from SCG’s third parties and customers is somewhat weaker than the quality of documentation from its core programs.	SoCalGas understands the need to apply these improved guidelines across the board, not just in the core program. SoCalGas will continue to work with and monitor 3rd party consultant progress in implementing our improved standards in project documentation, starting with the Project Feasibility Study. SoCalGas has also chosen to seek additional support on these projects from external evaluation consultants to ensure that documentation standards and eligibility are met.	The preliminary assessment stands. Staff will reassess SCG’s efforts moving forward and agrees with SCG’s proposed plan. SCG is awarded a score of 3 for this metric.

Metric Number and Final Score	CPUC Staff Preliminary Assessment	Metric Description	CPUC Staff Assessment	SoCalGas Comments	CPUC Response to Utility Comments
Metric 6b – Score: 4	Good Performer	Percentage of reviews that required over three reviews or data requests. Percentage change from IOU-proposed savings and ED-approved savings (higher percentage = lower score)	This performance is the same as 1b and 3. The change in the IOU-proposed values can primarily occur at the final stage of review when the IOU has completed its post-installation inspection or M&V and finalized savings. Additionally the initially proposed project may also be modified because of eligibility and baseline issues that may rule out the project or some of the measures. SCG’s performance on this metric has been improving. The change in the IOU-proposed savings for various reasons has been low to moderate.	SoCalGas is committed to maintaining consistency with the Commission’s guidelines for eligibility and baseline determination, using standardized calculations, and following sound engineering principles. SoCalGas supports the exchange of meaningful information and thoughtful perspective regarding project savings estimates with Commission staff, and believe such interactions can be indicative of good performance. SoCalGas believes an indication of poor performance are recommendations without any supporting information or explanation (regardless of approved savings level), or errors due to carelessness with prepared materials.	SCG should implement its plan to improve checklists; train staff, reviewers and third parties; provide complete documentation of projects; refine technical manuals and tools; and engage with staff early on potential issues on baseline and eligibility of projects. SCG is awarded a score of 4 for this metric.

Metric Number and Final Score	CPUC Staff Preliminary Assessment	Metric Description	CPUC Staff Assessment	SoCalGas Comments	CPUC Response to Utility Comments
Metric 7 – Score: 4	Good Performer	Percentage of custom projects that use data sources and methods per standard research and evaluation practices	The need to use standard research and evaluation practices in custom projects arises mainly for industry standard practice (ISP) studies that the IOUs usually do not perform, and the use of default values that draw from secondary data. Staff-conducted ISP studies have been often used to evaluate projects. SCG initiated a couple of ISP studies at staff request and retained an outside consultant to construct a savings model for a large project. Staff interaction resulted in some changes to the methods SCG used.	SoCalGas will continue to use available information, coordinate with CPUC staff, conduct studies, and consult with experts as needed to establish baselines and calculation bases.	The preliminary assessment stands. SCG is awarded a score of 4 for this metric.
Metric 8 – Score: 4	Good Performer (may change based upon claims review that has not yet been done)	(1) Frequency of improved engineering/M&V methods and processes resulting from (and/or appropriate and well-defended rejection of) CPUC reviewer's recommendations; (2) Percent of projects in custom reviews that reflect guidance provided in prior reviews	SCG's engineering and M&V methods have improved. None of the reviewers' recommendations on methods has been challenged by SCG. SCG hires consultants to help develop complex models; one such model had to be corrected during staff review. SCG consulted with staff to change its post-installation M&V threshold and inspection requirement and made those more stringent than in the past, still maintaining a focus on cost effectiveness. Overall, SCG has exhibited improvement in the use of appropriate methods and reflecting guidance from prior staff dispositions.	SoCalGas has made efforts to submit well-documented projects that follow the Commission's standards, and welcomes comments from reviewers to make further improvements.	SCG's quarterly claims were not in a reviewable format in time for this assessment to check whether guidance provided on selected projects was applied to non-reviewed projects. The preliminary assessment stands. Staff will reassess SCG's efforts moving forward. SCG is awarded a score of 4 for this metric.

Metric Number and Final Score	CPUC Staff Preliminary Assessment	Metric Description	CPUC Staff Assessment	SoCalGas Comments	CPUC Response to Utility Comments
Metric 9 – Score: 4	Good Performer	Percentage of custom projects including, and not limited to, new or modified existing technologies or project types that appropriately incorporate DEER assumptions and methods.	The DEER methods do not apply as much to SCG’s projects. Through development of a technical manual and modeling practices, SCG has been improving its engineering approaches.	As mentioned above, there have been very limited studies completed on gas measures but SoCalGas will continue to adhere to DEER values and methods where applicable.	The preliminary assessment stands. Staff will reassess SCG’s efforts moving forward. Staff agrees with SCG’s plan. SCG is awarded a score of 4 for this metric.
Metric 10 – Score: 3	Awaiting Claims Review	Percentage of projects identified in claims review that were implemented per CPUC directions in previous reviews.	A comprehensive claims review has not been undertaken for 2013. Commission review staff and the IOUs need to work out a better process and content for custom claims to facilitate this review in the future. The score for this metric reflects our overall view that the IOUs are making an effort to meet expectations but improvement is needed as noted in earlier metrics in both facilitating claims review as well as ensuring that project which have not been selected for review at the pre-agreement phase undergo similar levels of IOU reviewed as those projects selected for staff review.	SoCalGas incorporates the dispositions and feedback received in the CPUC review process into our ex ante reporting systems and processes. SoCalGas recommends release of the preliminary score for this metric at the earliest available time for review and comment.	SCG’s quarterly claims were not in a reviewable format in time for this assessment. Staff will reassess SCG’s efforts moving forward. SCG is awarded a score of 3 for this metric.