

**PUBLIC UTILITIES COMMISSION**

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Date: March 27, 2015

To: Southern California Edison

From: CPUC Ex Ante Review Staff

Cc: R.12-01-005 and R.13-11-005 Service Lists

Subject: Final 2014 Efficiency Savings and Performance Incentive Ex Ante Review Performance Scores

Pursuant to Decision (D).13-09-023, Commission staff and consultants completed the 2014 Efficiency Savings and Performance Incentive (ESPI) mechanism ex ante review performance scoring as prescribed in Attachments 5 and 7 of D.13-09-023. The scores contained in this memo are final and SCE shall use the final total score of 58 out of 100, as presented below, to calculate the 2014 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. Attachment D provides a summary of dispositions issued during the custom projects review process in 2014 and 2013. Overall, Commission staff has mixed reviews by the general observations in SCE's ex ante review activities. Commission staff observed SCE's Engineering Department making a more concerted effort to collaborate with Commission staff in custom projects activities. There is, however, much more work to be done by SCE before Commission staff is comfortable that SCE's ex ante review activities are sufficient and consistent with Commission policies.

On July 15, 2014, Commission staff provided its 2014 mid-year feedback to SCE pursuant to Decision (D).13-09-023. As for workpaper activities, staff noticed that, when compared to 2013, SCE was more proactively engaging Commission staff on workpaper updates or process clarification. However, it was noted that Commission staff has not yet conducted any Phase 2 workpaper reviews at that time; and as such, staff elected not to provide an individual assessment of each collaboration activity at the time. The mid-year workpaper activities assessment was based on a very limited sample of work. Staff found it premature to provide an assessment of the discussions and meetings that occurred to date without consideration of the quality of the final workpaper deliverables.

Staff noted in the mid-year feedback that SCE's custom measure and project activities have been mixed. While SCE has been engaging with Commission staff early on complex projects, staff found that there was a lack of due diligence conducted before a project is brought to staff's

attention. Additionally, staff noticed variation in quality across responses to additional information requests and application of calculation methods. Staff suspected that the variation may be due to differences among implementers and project complexity; staff recommended that SCE take greater care in its internal due diligence across projects.

For the 2014 ex ante activities, Commission staff finds the following:

**Workpapers:**

Commission staff notes that SCE's workpaper activities for 2014 are a mix of positives and areas that require improvement. On the positive side, SCE has increased efforts to respond to certain Commission directives. SCE has shown some initiative to seek earlier and more frequent collaboration with Commission staff on new projects or substantial revisions to existing workpapers. SCE has also made strides toward submitting workpaper ex ante values in the ex ante database format, which will ultimately serve to streamline review and approval of ex ante values in the future.

However, as Commission staff digs deeper into the workpapers and the associated measure developments and data, there are continued discoveries of areas where improvement in due diligence and application of direction are needed. Direction from previous dispositions is often not considered in new and revised workpapers. Application of Commission policy related to high NTG values, to-code measures, and early retirement (ER) are often not well addressed. Recently published evaluation reports document the continued decline of gross and net realizations rates of many deemed measures. The ESPI is intended to provide incentives to IOUs so that ex ante savings are borne out in the ex post evaluations. Many of the activities recently introduced by SCE do indeed address the specific process-oriented metrics of the ESPI, but Commission staff is concerned that SCE's efforts have yet to result in final workpapers that show improvement in consideration and incorporation of Commission policy and direction, as described in more detail in Attachment B. SCE is an active participant in the California Technical Forum (CalTF) which Commission staff views as a positive mechanism positioned to contribute valuable additional review of workpapers prior to formal submission for Commission staff review. However, Commission staff notes that the utilities' submissions to the CalTF are not adequately considering previous staff comments and direction on the measures and activities included in those workpapers.

**Custom Projects:**

Since the mid-year feedback, Commission staff continues to find SCE's custom activities to be mixed. Staff observed that SCE's engineering department appears to be making an effort to work with staff to better understand and implement Commission directions and policies. This was observed during the CPUC-SCE Information Exchange session held in the last quarter of 2014. SCE's internal and contractor reviewers were very interested in better understanding CPUC staff project review expectations. Some of those utility reviewers raised the same project review issues raised by Commission staff reviewers. SCE needs to work on a process to have its program staff, account executives, and third party implementers apply better due diligence at the project application stage.

Staff reviews continue to point out to SCE staff that much more progress is needed to improve

their due diligence and incorporate program changes to improve net results (reduce free ridership). Staff continues to see insufficient progress in this area. Per Commission decision, “[w]e expect the utilities to respond to Commission Staff reviews, not just by accepting altered ex ante values, but by taking steps to change program activities to improve the Net-to-Gross results. We do not expect the utilities to curtail custom measure and project activities due to low gross savings or Net-to-Gross results. They should respond to any such poor results with programmatic changes designed to improve performance.”<sup>1</sup> Staff will watch for such expected and directed program rule and design changes in the coming year as the data for 2015 ESPI scoring is compiled.

As can be seen in the tables within Attachment D, 80% of all custom project reviews in 2014 had issues with 95% of initial dispositions on new projects having issues and 64% of those initial dispositions on new projects having significant issues. Staff is concerned that SCE needs to take additional steps to reliably implement the Commission’s ex ante policies including robust due diligence and appropriate program design changes to improve portfolio performance. SCE management must take steps to ensure that the entire utility energy efficiency staff, not just the engineering review activity staff, understands these expectations and take action to improve the portfolio performance.

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.

**SCE’s final ESPI ex ante review points for 2014 are as follows:**

<b>Metric</b>	<b>Total Possible</b>	<b>Workpaper</b>	<b>Custom</b>	<b>Total Score</b>
<b>1a</b>	5	2	1	3
<b>1b</b>	5	1.5	1	2.5
<b>2</b>	10	3.5	3	6.5
<b>3</b>	10	2	3	4.5
<b>4</b>	10	3	2	5.5
<b>5</b>	10	2	3	5.5
<b>6a</b>	5	1.5	1	2.5

<sup>1</sup> D.12-05-012 at 61

<b>6b</b>	5	1.5	1	2.5
<b>7</b>	10	3	3	6
<b>8</b>	10	3	4	6.5
<b>9</b>	10	4	3	7
<b>10</b>	10	3	3	6
<b>Total</b>	100	30	28	58

It should be noted that in the preparation of the final 2014 ESPI ex ante review scores, Commission staff did not have all desired data available. For instance, Commission staff did not conduct a comprehensive claims review for these scores. For custom projects, Commission staff reviewed the 2014 activities and issued dispositions issued. Commission staff based the scoring on the data available and did not speculate on how any particular claims review would impact the final scores.

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 area.

If you have any questions or comments about the feedback or final scores, please contact Peter Lai ([peter.lai@cpuc.ca.gov](mailto:peter.lai@cpuc.ca.gov)). Note that pursuant to D.13-09-023, Commission staff will schedule time with the utilities to discuss the final scores.

Attachment A: Final ESPI Ex Ante Review 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	4	80%	2	2.5	2	40%	1	<b>3</b>
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	60%	1.5	2.5	2	40%	1	<b>2.5</b>
2	Breadth of response of activities that show an intention to operationalize and streamline the ex ante review process	5	3.5	70%	3.5	5	3	60%	3	<b>6.5</b>
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	2	40%	2	5	3	60%	3	<b>5</b>
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	60%	3	5	2	40%	2	<b>5</b>
5	Quality and appropriateness of project documentation (e.g., shows incorporation of Commission policy directives)	5	2	40%	2	5	3	60%	3	<b>5</b>

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	3	60%	1.5	2.5	2	40%	1	<b>2.5</b>
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	2	40%	1	<b>2.5</b>
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	3	60%	3	<b>6</b>
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	3	60%	3	5	4	80%	4	<b>7</b>
9	Professional care and expertise in the use and application of adopted DEER values and DEER methods	5	4	80%	4	5	3	60%	3	<b>7</b>
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	<b>6</b>
<b>Total</b>		<b>50</b>			<b>30</b>	<b>50</b>			<b>28</b>	<b>58</b>

## Final 2014 Efficiency Savings and Performance Incentive Ex Ante Performance – Workpaper Scores –

### Southern California Edison

Metric	Description	Workpaper Benchmark	2014 Midyear Score	Final 2014 Score	CPUC Staff Assessment
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	<p>(1) Fraction of deemed measures for which workpapers have been submitted to Commission prior to measure being offered in the portfolio;</p> <p>(2) Fraction of workpapers disclosed prior to or during work commencement and submitted upon completion rather than withheld and submitted in large quantity;</p> <p>(3) Fraction of workpaper development projects for new technologies submitted for collaboration versus total number of workpapers for new technologies submitted</p>	Fair	4	<p>Commission staff is not aware of any deemed measures, where workpapers have not been submitted.</p> <p>Commission staff is concerned with the growing number of lighting measures that are moving to custom. It is unlikely that that adequate M&amp;V has been performed on this large number of claims. D.12-05-015 requires the use of DEER methods for lighting measures (specifically DEER building types) and provides for the development of additional building types based on adequate data.</p> <p>SCE submits monthly WP activity reports. Additionally, SCE, jointly with the other IOUs, provided a list of expected workpaper/ex ante values updates that would be submitted in accordance with the DEER2014 code update. About 90% of all workpapers were submitted in a single group. Commission staff believes this large submittal was unavoidable due to the requirements of the DEER code update. Additionally, 2014 represented an important transitional year to the ex ante database (EADB) as the method of submitting workpaper ex ante values for Commission staff review. SCE submitted ex ante values for pre-code and post-code in August, October, and November. This effort is an improvement over 2013.</p> <p>SCE has increased its efforts to involve Commission staff in significant revisions to or development of new workpapers. However, Commission staff is concerned that some workpapers are being submitted for review</p>

Metric	Description	Workpaper Benchmark	2014 Midyear Score	Final 2014 Score	CPUC Staff Assessment
					to the California Technical Forum (CalTF) that do not include consideration, analysis or revisions based on previous Commission staff review.
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	Percentage of workpaper reviews which experience significant delay[3] due to slow response to requests for readily available (or commonly requested)[4] additional information (higher percentage = lower score)	Fair	3	All IOUs and Commission Staff spent a large amount of time in 2014 toward finalizing the disposition of lighting workpapers submitted in 2013. Additionally, 2014 represented an important transitional year to the ex ante database as the method of submitting workpaper ex ante values for commission staff review. SCE submitted ex ante values for pre-code and post-code in August, October, and November. This effort is an improvement over 2013. While there are still areas of improvement, there has been progress in this area.
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)	Fair	3.5	Staff has yet to develop a uniform workpaper template. At the February 26 collaboration meeting with Commission and PA staff and consultants, Commission staff made a presentation outlining objectives for developing workpaper content guidelines. Commission staff intends for these guidelines to serve as the workpaper template. One of the primary components of these guidelines is the requirement for submitting ex ante data in the EADB format. Since Commission staff provided the preliminary assessment, SCE has made progress toward implementing the EADB format and should be acknowledged for their efforts. SCE's progress should be acknowledged and the previous year's score maintained.
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,	(1) Percentage of workpapers that include appropriate program implementation background as well as analysis of how implementation approach	TBD	2	Commission staff maintains concerns about ex ante implementations and values that assume early retirement in a deemed incentive approach as well as the use of hard-to-reach (HTR) or emerging technology (ET) Net-to-Gross (NTG) values.



Metric	Description	Workpaper Benchmark	2014 Midyear Score	Final 2014 Score	CPUC Staff Assessment
	and regulatory staff to ensure common understanding and execution of ex ante processes)	influences development of ex ante values; (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			<p>Early retirement requires evidence of the pre-existing condition as well as a preponderance of evidence that the program activity was the cause of the early retirement. As discussed in review of the lighting and package HVAC workpapers, the evidence requirements are rarely if ever addressed in workpapers.</p> <p>For NTG, workpapers typically list the available NTG values from DEER that may apply to the measures covered by the workpaper, but do not discuss the circumstances under which a particular NTG may be claimed. There are specific categories of customers for which HTR NTG values may be claimed. ET values may only be used where specific ET projects have directly contributed to the development of measures and programs for the ET measures. The review and discussion of the specific ET efforts needs to be included in the workpapers. A simple listing of the specific reports or projects is not sufficient.</p> <p>Commission staff has concerns over Replace-on-Burnout (ROB) measures that use pre-existing baselines. Commission staff addressed many lighting measures of this type with as part of the comprehensive lighting disposition where several workpapers included measures with these pre-existing baseline assumptions. SCE has corrected these issues (a positive step as noted in metric 8, below) in the lighting workpapers, but Commission staff is concerned that there may be other workpapers with similar issues. Commission staff acknowledges that it would be difficult to apply this concern to the overall score for this metric. Nevertheless it is important to highlight this concern.</p>

Metric	Description	Workpaper Benchmark	2014 Midyear Score	Final 2014 Score	CPUC Staff Assessment
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	Fair	3	<p>SCE continues to submit monthly workpaper activities reports. SCE has also brought several projects forward for early input from Commission staff on development. There are specific SCE projects, such as LED menu boards and residential evaporative coolers as well as projects being developed jointly with other IOUs such as variable refrigerant flow (VRF) HVAC systems, LED tubes, and updates to the HVAC quality maintenance (QM) workpapers. Additionally, PG&amp;E is developing the Retail Plug Load Portfolio (RPP) workpaper for eventual statewide implementation and has submitted drafts of that workpaper to the California Technical Forum (CaITF) for review. Commission staff understands that SCE may not be the primary developer of some workpapers expected for statewide implementation. Nevertheless, Commission staff urges all IOUs to monitor the workpaper efforts of other IOUs if those workpapers will be used in their own programs. Commission staff reviews of workpapers and associated ESPI scores will affect the ESPI scores of any IOUs using them.</p> <p>Commission staff is also concerned that some workpapers are stagnating and not being updated to reflect standard practice. Important examples that represent high fractions of savings claims are exterior LED fixtures, high-bay LED fixtures, and high-bay T5 fixtures. The presence of low-cost loans from the CEC for exterior LED lighting and aggressive controls requirements in Title 24 may be causing a shift in standard practice that is currently being ignored in the workpapers. Commission staff expects PAs to be proactive in identifying these shifts and updating their workpapers accordingly.</p>

Metric	Description	Workpaper Benchmark	2014 Midyear Score	Final 2014 Score	CPUC Staff Assessment
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)	TBD	2	A review of the 2014 claims data and associated workpapers show that the issues raised in the 2013 ESPI regarding NTG values and early retirement measures have not been resolved. The 2014 claims originating from at least 25 SCE workpapers incorrectly claim HTR NTG, ET NTG or early retirement. A review of the associated workpapers shows that insufficient information is provided regarding the program implementation to justify the use of these ex ante values. PAs need to provide explicit justification in workpapers for use of the HTR NTG. The use of the ET NTG must be approved in advance and include an explanation of how emerging technology programs have directly influenced the development and implementation of measures. Additionally, PAs needs to explain within the workpaper how early retirement will be documented, including meeting the preponderance of evidence requirements.
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	TBD	3	<p>There was limited review of work prepared by third parties in 2014. There are several high profile workpaper projects currently under way. Most of these are joint efforts across several IOUs and include the following: LED tube replacements, the retail plug load portfolio project (RPP), HVAC variable refrigerant flow (VRF), Energy Star set-top boxes and LED menu boards. These workpapers are being developed in part through the use of consultants. Based on previous meetings and a review of available materials, Commission staff highlights several concerns:</p> <ul style="list-style-type: none"> <li>• Retail Plug Load Portfolio: The 2010 disposition for EnergyStar TVs required the examination of wholesale product costs as part of the analysis to determine likely wholesale purchasing behavior. This was not included in the RPP pilot evaluation.</li> </ul>

Metric	Description	Workpaper Benchmark	2014 Midyear Score	Final 2014 Score	CPUC Staff Assessment
					<ul style="list-style-type: none"> <li>• Variable Refrigerant Flow: Early Commission staff input on VRF workpapers required the investigation of likely alternatives given the program assumption (which is ROB/NC/NT) and the justification for a particular technology shift over others or simply a dramatic efficiency increase of the conventional technology. Here it is important to note that few if any other HVAC measures provide incentives for a shift in technology. Rather they only provide incentives for an increase in efficiency over the ISP/code baseline of the same technology.</li> <li>• Set Top Boxes: Early Commission staff input on set-top boxes questions the presumption that a direct incentive to manufacturers or cable companies is the only effective method.</li> <li>• Replacement LED Tubes: Workpaper developers acknowledge that LED tubes lend themselves to specific applications and are undesirable in others, but early implementation details provide little information about how the best applications will be targeted in a mass market program.</li> </ul> <p>Many of the workpapers discussed above are being submitted to and reviewed by the CalTF. Commission staff sees the effort of IOUs and the CalTF for early involvement in collaboration on workpaper development and review as a potential source of improved workpaper content, but is concerned that IOU developed workpapers are being submitted to the CalTF for review without any significant revisions pursuant to the previously issued Commission staff review or direction.</p>

Metric	Description	Workpaper Benchmark	2014 Midyear Score	Final 2014 Score	CPUC Staff Assessment
					<p>Additionally, the CalTF is undertaking its own workpaper development efforts, starting with a clothes washer recycling workpaper. No CalTF developed or “approved” workpapers have been formally submitted for Commission staff review to date, therefore Commission staff has not given them weight in their scoring. However, input is provided now so that SCE may make any consider and incorporate revisions based on previous Commission staff input and direction in the event SCE chooses to submit any of these workpapers for approval.</p> <p>Additionally, the CalTF is accepting workpaper submissions from non-IOU entities, such as a clothes washer recycling workpaper, for example. Commission staff provided input for the clothes washer recycling workpaper abstract. The workpaper author has included this input in the first draft of the workpaper available on the CalTF website. Meeting notes indicate that the CalTF intends to investigate Commission staff concerns about how the recycling effort will impact the secondary market for clothes washers, but the notes don’t indicate how they will address other Commission staff concerns. It appears the the CalTF has approved this workpaper for one year pending investigation of only one of many Commission staff concerns. If non-IOU developed workpapers are intended to become IOU submissions for Commission staff review, SCE is expected to ensure those workpapers meet CPUC policy and previously issued guidance and address all Commission staff concerns.</p>
6b	Depth of IOU quality control and technical review of ex ante submittals: Clarity of submittals	(1) Percentage of workpapers which required changes to parameters of more than	TBD	3	Commission staff performed a review of the 2013 claims as part of the review of IOU advice letters for covering the deemed ESPI incentive payments. Commission staff

Metric	Description	Workpaper Benchmark	2014 Midyear Score	Final 2014 Score	CPUC Staff Assessment
	and change in savings from IOU-proposed values not related to M&V	<p>10% or required substantial changes to more than two parameters among UES, EUL/RUL, NTG, impact shape, or costs;</p> <p>(2) Percentage change from IOU-proposed values to ED-approved values (higher percentage = lower score)</p>			<p>also performed a similar review of the first three quarters of claims for 2014. In both cases, Commission staff discovered a significant number of claims for high NTG values (HTR and ET) which we believe should have been assigned the lower default values. As the workpapers likely include implementations for both HTR and default NTG values, it is difficult to assign corrections for HTR values to this metric. The final application of the correct NTG depends on specifics of the actual installation. On the other hand, ET NTGs would have likely been revised to the lower values.</p> <p>Commission staff has a general concern about the use of cost data that was included in DEER2008, but removed from DEER2011. IOUs continue to this cost data through workpapers with little, if any, due diligence to determine if that data is still reasonable.</p> <p>Commission staff acknowledges the difficulty in assigning a score here since, in 2014, cost and NTG values were not explicitly reviewed. However, the general concerns lead the staff to keep the score for this metric the same as 2013.</p>
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	Fair	3	The investigation of industry standard practices and the use of timely and relevant data will be a focus of workpaper review moving forward. D.12-05-015 (at 350) emphasizes the need to determine both the ISP and code baselines and consider using ISP where it represents a more efficient baseline than code. Lighting retrofits, package HVAC replacements and new appliance purchases are all areas where results of EM&V efforts indicate that ISP exceeds code, yet all workpapers examined assume minimally code compliant baselines. During the 2013 ESPI review, Commission staff expressed a concern with the practice

Metric	Description	Workpaper Benchmark	2014 Midyear Score	Final 2014 Score	CPUC Staff Assessment
					of using workpapers to reintroduce measures and values from an earlier version of DEER that had been removed with the adoption of DEER 2011. SCE has undertaken additional development effort in some areas, such as commercial refrigeration measures. Commission staff is concerned about the continued use of DEER2008 costs. These were removed from DEER2011. Commission staff does not want to prohibit the use of DEER2008 costs, however, PAs should perform due diligence and investigation to determine if those costs are still reasonable, seven years after their publication.
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	Fair	3	<p>Commission staff sees room for improvement in this area. Workpapers that incorporate early retirement savings values do not address previous staff guidance in some cases. Package HVAC workpapers attempt to develop an early retirement methodology (where the to-code portion is credited to referrals from the HVAC QM program) though this approach was not approved by staff. The add-on evaporative cooler workpaper did not address the original comments provided by Commission staff during the last program cycle.</p> <p>On the positive side, SCE revised lighting workpapers to address corrections included in the comprehensive lighting disposition. However, Commission staff was disappointed with the protracted discussions associated with resolving the lighting disposition.</p>
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	Fair	4	SCE identified and updated all workpapers where savings needed updates due to the 2014 DEER code update. Commission staff generally perceives SCE's efforts in this area as about the same as 2013 and therefore maintains the 2013 score. SCE has increased its efforts to provide ex ante data in the correct format,

Metric	Description	Workpaper Benchmark	2014 Midyear Score	Final 2014 Score	CPUC Staff Assessment
					which includes references to DEER data instead of resubmitting DEER data. SCE is still resubmitting DEER data and impacts with both workpapers and ex ante data. As SCE improves its own processes for preparing workpapers and associated ex ante data, Commission staff expects that SCE will drop the practice of resubmitting DEER data.
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	Fair	3	<p>SCE identified and updated all workpapers that referenced weather sensitive DEER measures. DEER2014 incorporated recent Title 24 weather file updates.</p> <p>With regard to specific on-going development efforts, one area where it appears that incorporation of previous reviews could be improved is in the area of lighting technology costs. Commission staff reviews including D.11-07-030 for linear fluorescent technologies and the 2012 disposition covering screw-in and MR-16 LED lamps discuss lighting costs. Commission staff is aware of IOU research that is nearing completion on LEDs, which may address cost concerns for those technologies.</p> <p>Commission staff has some concerns related to workpapers currently under development, particularly those being developed by consultants or under the auspices of the CalTF. Refer to the discussion under metric 6(a) for more information.</p>



**Final 2014 Efficiency Savings and Performance Incentive – Ex Ante Performance – Custom Project Scores –  
Southern Edison Company**

Metric	Description	Custom Benchmark	2014 Midyear Score	Final 2014 Score	CPUC Staff Assessment
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	(1) Percentage of projects in quarterly or annual claims that were reported in the CMPA twice-monthly list submissions; (2) Percentage of projects for which there is a two weeks or less difference between the application date and the date reported in the CMPA; (3) Percentage of tools used for calculations disclosed prior to use	Below average	2	<p>Commission staff did not complete a comprehensive claims review. This is in part due to the extensive effort required to translate the IOUs' claims into a reviewable format. 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. SCE appears to be disclosing its custom projects in the CMPA submission.</p> <p>It appears that SCE is still setting target agreement dates to be two weeks from the date of the project submission on the CMPA lists for staff selection. With the continued requests for time extensions after a project has been selected, it appears that these target agreement dates are not realistic dates.</p> <p>SCE only posted a pump savings methodology tool for staff to review in 2014. All utilities must at minimum post a list of tools to be used in custom projects calculations in the CTA and update that list periodically.</p>
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	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)	Below average	2	<p>SCE typically requests for a time extension beyond the expected two weeks to provide staff with project information after a project is selected for review. Nevertheless, there were 22 projects that required additional information after the initial project submittal. 17% required additional information. 58 % of these 17 still had some issues. On a positive note, of these 17, there were only four projects that required three or more requests for more information to complete the review. SCE needs improvement in this area to submit a complete project package for review.</p>

Metric	Description	Custom Benchmark	2014 Midyear Score	Final 2014 Score	CPUC Staff Assessment
2	Breadth of response of activities that show an intention to operationalize and streamline the ex ante review process	(1) Percentage of custom project submissions that show standardization of custom calculation methods and tools; (2) Development and/or update of comprehensive internal (to IOUs, third parties, and local government partners, as appropriate) process manuals/checklists and QC	Fair	3	<p>The use of standardized tools is different from using the correct values in the tools. SCE largely uses standardized methods and tools. There was only one project where SCE needed to use an updated calculation tool and one project where SCE used an incorrect simulation model.</p> <p>However, SCE only posted one tool (pump savings methodology) in the CTA for staff to review in 2014. All utilities must at minimum post a list of tools to be used in custom projects calculations in the CTA and update that list periodically.</p>
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)	Number of repeated formal requests for additional documentation for project information and/or reporting claims that support ex ante review activities (fewer requests = higher score).	Below average	3	<p>Same as 1b except that this metric refers to data requests at the interim and final stages of a project reviews. SCE needs improvement in this area. There were 22 projects that required additional information after the initial project submittal. 17% required additional information. 58 % of these 17 still had some issues. On a positive note, of these 17, there were only four projects required three or more requests for more information to complete the review. SCE needs improvement in this area to submit a complete project package for review.</p>
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 large high impact projects or measures referred to CPUC early or flagged for review	Fair-needs some improvement	2	<p>SCE referred one project for staff opinion. The referred project had good issues for staff and utility to address. Whether SCE should have been referred additional projects it did not refer is not possible to assess without a claims review or ex post evaluation.</p> <p>However, judging from the 22 projects (22) that identified baseline (80%) and eligibility (43%) issues in</p>

Metric	Description	Custom Benchmark	2014 Midyear Score	Final 2014 Score	CPUC Staff Assessment
					staff's initial reviews, 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.
5	Quality and appropriateness of project documentation (e.g., shows incorporation of Commission policy directives)	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)	Below average	3	SCE's documentation on assumptions and data supporting savings and project costs is improving. Staff is finding fewer occurrences where information was missing or not provided, but there is still room for improvement.
6a	Depth of IOU quality control and technical review of ex ante submittals: Third party oversight (Weight=5)	Quality of custom project estimates prepared by customers, third parties, and local government partners submitted by IOUs	Poor	2	The quality of documentation from SCE's third parties and customers is appears to still be weak as there were 9 projects with eligibility issues, and 13 projects with baseline issues.

Metric	Description	Custom Benchmark	2014 Midyear Score	Final 2014 Score	CPUC Staff Assessment
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	(1) Percentage of Projects requiring three reviews or re-requests for supporting information commonly requested; (2) Percentage of projects for which IOU-proposed savings and ED-approved savings differ by 20% or more (higher percentage = lower score)	Poor	2	<p>In 2014, only six projects required three or more reviews requesting additional information. However, many SCE projects had eligibility issues.</p> <p>The change in the SCE-proposed values and staff reviewed values primarily occur at the final stage of review when SCE has completed its post-installation inspection or M&amp;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. SCE performance on this metric has been improving. Only five projects required adjustments, but all had significant issues such as inadequate PA calculations and ineligible measures not removed issues.</p>
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 custom projects that use data sources and methods per standard research and evaluation practices	Good, still needs improvement	3	Although SCE conducts standard practice studies they are not always correct but an effort is made. Staff finds projects where SCE is still not providing adequate support for the ISP baseline. When standard practice studies are conducted, SCE's contractors do not ask relevant questions that would otherwise help inform whether the measure is standard practice or not. SCE needs improvement in this area.

Metric	Description	Custom Benchmark	2014 Midyear Score	Final 2014 Score	CPUC Staff Assessment
8	Thoughtful consideration, and incorporation, of CPUC comments/inputs. In lieu of incorporation of comments/input, feedback on why comments/input were not incorporated	(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	Good	4	Overall, SCE has improved in this area in 2014. Instances where it did not follow CPUC staff guidance in methodology and calculation methods that are missing key parameter have decreased.
9	Professional care and expertise in the use and application of adopted DEER values and DEER methods	Percentage of custom projects including, and not limited to, new or modified existing technologies or project types that appropriately incorporate DEER assumptions and methods	M Fair-needs some improvement	3	The percentage of custom projects that appropriately incorporate DEER assumptions and methods could be identified more thoroughly from a review of claims and sampled projects. Staff has not undertaken a claims review yet. SCE, however, appears to have problems with using incorrect measure EUL values.
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 projects identified in claims review that were implemented per CPUC directions in previous reviews	Fair-needs some improvement	3	A comprehensive claims review has not been undertaken for 2014. 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 SCE is 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.

## **2014 Efficiency Savings and Performance Incentive Ex Ante Performance – Custom Project Dispositions – Southern California Edison**

The tables on the following pages provide a summary of dispositions issued during the custom review process in 2014 and 2013. Dispositions were issued at several phases of projects activities: phase 1 is a disposition after the initial project documentation submission and before a customer agreement is in place; phase 2 is normally after a customer agreement is in place and before the project is installed; phase 3 and later is often after the project is installed and prior to the final savings estimates being “frozen”. The tables are presented in pairs with the left side of the page being a summary of dispositions issued in 2014 and the right side of the page being a summary of the dispositions issued in 2013. In this way the ratings of the content of dispositions issued in the two years may be compared. The first pair of tables covers dispositions issued for all phases; the second though fourth sets of tables cover dispositions issued for phase 1 through 3 respectively.

There are three levels of rating when a disposition covered an area:

1. Adequate - No issues
2. Inadequate - Minor issues
3. Inadequate - Significant issues

There are twelve areas of rating (plus the weighted average rating – weighted by the number of dispositions issued for each area):

1. Project Type Assignment – an assessment of the IOU assignment of project type (New Construction, Replace-on-burnout/Normal Replacement, Early Retirement, Capacity Expansion, Add-on Retrofit)
2. Previously Requested Action – an assessment if this IOU submission appropriately follows or complies with the previously issued guidance or disposition requirements
3. Measure Description – an assessment of the accuracy and quality of the IOU description of the project and/or the measures being installed
4. Eligibility by Policy or Rules – an assessment of proper IOU assessment of application of CPUC policy and IOU program rules to the eligibility of the project and/or measure for EE incentives
5. Baseline Assessment – an assessment of the IOU proposed baseline for savings estimates
6. Costs Assessment – an assessment of IOU supplied project/measure costs and any related cost calculations or limitations on incentives
7. Measure Life Assessment – an assessment of IOU proper selection or evaluation of EUL and/or RUL values
8. Calculation Methodology m- an assessment of the appropriateness of the proposed or utilized calculation methodology
9. Pre-Install Impacts Estimate – an assessment of the appropriateness or accuracy of the pre-installation methods (the calculation assumptions or values used not the method used as that is in item above)
10. M&V Plan – an assessment of the appropriateness and quality of the proposed M&V plan
11. Completed M&V – an assessment of the quality and appropriateness of M&V executed (the actual work done exclusive of the plan covered under the item above)
12. Adjustment to Final Impacts - an assessment of the level of adjustment needed to be made to the IOU proposed post-installation final savings estimates

**SCE - Percent at each rating type of issues identified based on 49 dispositions issued in 2014 at phase(s): All**

Rating Area	Adequate - No issues	Inadequate - Minor issues	Inadequate - Significant issues	Number of relevant dispositions
Project Type Assignment	65%	9%	26%	23
Previously Requested Action	40%	30%	30%	20
Measure Description	91%	4%	4%	23
Eligibility by Policy or Rules	52%	9%	39%	33
Baseline Assessment	35%	22%	43%	37
Costs Assessment	72%	14%	14%	29
Measure Life Assessment	38%	50%	12%	26
Calculation Methodology	44%	25%	31%	32
Pre-Install Impacts Estimate	44%	25%	31%	32
M&V Plan	39%	39%	22%	18
Completed M&V	75%	0%	25%	8
Adjustment to Final Impacts	0%	0%	100%	5
Has rating in any Area	87%	57%	57%	46
Has a 2 or 3 rating in any area		80%		46

**SCE - Percent at each rating type of issues identified based on 17 dispositions issued in 2013 at phase(s): All**

Rating Area	Adequate - No issues	Inadequate - Minor issues	Inadequate - Significant issues	Number of relevant dispositions
Project Type Assignment	82%	18%	0%	11
Previously Requested Action	50%	33%	17%	6
Measure Description	89%	11%	0%	9
Eligibility by Policy or Rules	38%	46%	15%	13
Baseline Assessment	46%	23%	31%	13
Costs Assessment	54%	38%	8%	13
Measure Life Assessment	29%	57%	14%	14
Calculation Methodology	42%	42%	17%	12
Pre-Install Impacts Estimate	8%	67%	25%	12
M&V Plan	36%	36%	27%	11
Completed M&V	0%	0%	100%	1
Adjustment to Final Impacts	0%	0%	100%	1
Has rating in any Area	94%	88%	50%	16
Has a 2 or 3 rating in any area		94%		16

**SCE - Percent at each rating type of issues identified based on 22 dispositions issued in 2014 at phase(s): 1**

Rating Area	Adequate - No issues	Inadequate - Minor issues	Inadequate - Significant issues	Number of relevant dispositions
Project Type Assignment	65%	10%	25%	20
Previously Requested Action	0%	0%	0%	0
Measure Description	89%	5%	5%	19
Eligibility by Policy or Rules	57%	10%	33%	21
Baseline Assessment	20%	35%	45%	20
Costs Assessment	76%	18%	6%	17
Measure Life Assessment	36%	57%	7%	14
Calculation Methodology	32%	26%	42%	19
Pre-Install Impacts Estimate	26%	26%	47%	19
M&V Plan	18%	45%	36%	11
Completed M&V	0%	0%	0%	0
Adjustment to Final Impacts	0%	0%	100%	1
Has rating in any Area	91%	73%	64%	22
Has a 2 or 3 rating in any area		95%		22

**SCE - Percent at each rating type of issues identified based on 10 dispositions issued in 2013 at phase(s): 1**

Rating Area	Adequate - No issues	Inadequate - Minor issues	Inadequate - Significant issues	Number of relevant dispositions
Project Type Assignment	100%	0%	0%	9
Previously Requested Action	0%	0%	0%	0
Measure Description	88%	13%	0%	8
Eligibility by Policy or Rules	30%	60%	10%	10
Baseline Assessment	50%	30%	20%	10
Costs Assessment	67%	33%	0%	9
Measure Life Assessment	22%	56%	22%	9
Calculation Methodology	33%	56%	11%	9
Pre-Install Impacts Estimate	11%	78%	11%	9
M&V Plan	38%	25%	38%	8
Completed M&V	0%	0%	0%	0
Adjustment to Final Impacts	0%	0%	0%	0
Has rating in any Area	90%	90%	50%	10
Has a 2 or 3 rating in any area		100%		10

SCE - Percent at each rating type of issues identified based on 4 dispositions issued in 2014 at phase(s): 3				
Rating Area	Adequate - No issues	Inadequate - Minor issues	Inadequate - Significant issues	Number of relevant dispositions
Project Type Assignment	0%	0%	0%	0
Previously Requested Action	50%	50%	0%	2
Measure Description	0%	0%	0%	0
Eligibility by Policy or Rules	0%	0%	100%	1
Baseline Assessment	50%	0%	50%	2
Costs Assessment	100%	0%	0%	1
Measure Life Assessment	100%	0%	0%	1
Calculation Methodology	0%	100%	0%	1
Pre-Install Impacts Estimate	0%	100%	0%	1
M&V Plan	100%	0%	0%	1
Completed M&V	0%	0%	0%	0
Adjustment to Final Impacts	0%	0%	0%	0
Has rating in any Area	67%	33%	33%	3
Has a 2 or 3 rating in any area		67%		3

SCE - Percent at each rating type of issues identified based on 4 dispositions issued in 2014 at phase(s): 3				
Rating Area	Adequate - No issues	Inadequate - Minor issues	Inadequate - Significant issues	Number of relevant dispositions
Project Type Assignment	0%	0%	0%	0
Previously Requested Action	50%	50%	0%	2
Measure Description	0%	0%	0%	0
Eligibility by Policy or Rules	0%	0%	100%	1
Baseline Assessment	50%	0%	50%	2
Costs Assessment	100%	0%	0%	1
Measure Life Assessment	100%	0%	0%	1
Calculation Methodology	0%	100%	0%	1
Pre-Install Impacts Estimate	0%	100%	0%	1
M&V Plan	100%	0%	0%	1
Completed M&V	0%	0%	0%	0
Adjustment to Final Impacts	0%	0%	0%	0
Has rating in any Area	67%	33%	33%	3
Has a 2 or 3 rating in any area		67%		3

SCE - Percent at each rating type of issues identified based on 4 dispositions issued in 2013 at phase(s): 2				
Rating Area	Adequate - No issues	Inadequate - Minor issues	Inadequate - Significant issues	Number of relevant dispositions
Project Type Assignment	0%	100%	0%	2
Previously Requested Action	50%	50%	0%	4
Measure Description	100%	0%	0%	1
Eligibility by Policy or Rules	100%	0%	0%	2
Baseline Assessment	100%	0%	0%	1
Costs Assessment	50%	0%	50%	2
Measure Life Assessment	0%	100%	0%	3
Calculation Methodology	100%	0%	0%	2
Pre-Install Impacts Estimate	0%	100%	0%	1
M&V Plan	50%	50%	0%	2
Completed M&V	0%	0%	100%	1
Adjustment to Final Impacts	0%	0%	100%	1
Has rating in any Area	100%	75%	25%	4
Has a 2 or 3 rating in any area		75%		4

SCE - Percent at each rating type of issues identified based on 2 dispositions issued in 2013 at phase(s): 3				
Rating Area	Adequate - No issues	Inadequate - Minor issues	Inadequate - Significant issues	Number of relevant dispositions
Project Type Assignment	0%	0%	0%	0
Previously Requested Action	50%	0%	50%	2
Measure Description	0%	0%	0%	0
Eligibility by Policy or Rules	0%	0%	100%	1
Baseline Assessment	0%	0%	100%	2
Costs Assessment	0%	100%	0%	2
Measure Life Assessment	100%	0%	0%	2
Calculation Methodology	0%	0%	100%	1
Pre-Install Impacts Estimate	0%	0%	100%	2
M&V Plan	0%	100%	0%	1
Completed M&V	0%	0%	0%	0
Adjustment to Final Impacts	0%	0%	0%	0
Has rating in any Area	100%	100%	100%	2
Has a 2 or 3 rating in any area		100%		2