Application of San Diego Gas & Electric Company (U-902-M) for Approval of Electric and Natural Gas Energy Efficiency Programs and Budgets for Years 2009 through 2011

Application 08-07- 023

Exhibit No.: _____
Witness: Athena M. Besa

AMENDED

PREPARED DIRECT TESTIMONY

OF

SAN DIEGO GAS & ELECTRIC COMPANY

CHAPTER II

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

MARCH 2, 2009

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SECTION 1
ENERGY EFFICIENCY PROGRAM PORTFOLIO

I. SDG&E Portfolio Goals and Cost Effectiveness

A. Portfolio Meets Annual Energy Efficiency and Cumulative Goals

SDG&E presents two scenarios in this application, its Preferred scenario and a Mandated scenario. SDG&E's Preferred scenario portfolio meets the cumulative savings goals for the three-year cycle. As discussed in the Policy section (see Section 2) of this Application, SDG&E recommends a cumulative goal be adopted which reflects cumulative savings beginning in 2009 and ending in 2011.

SDG&E also provides a Mandated scenario which follows the direction of D.07-10-032, and reiterated in the October 30, 2008 Assigned Commissioner's and Administrative Law Judge's Ruling Requiring Supplemental Filings calculating the expected cumulative savings of the portfolio plans using 2004 as the base year.

1. Preferred Scenario Goals

SDG&E's Preferred Scenario, as stated above, recommends the adoption of a 3-year cumulative goal that is based on SDG&E's revised electric goals for 2009, 2010 and 2011; and the natural gas goals adopted in D.04-09-060. D.08-07-047 Ordering Paragraph ("OP") 4 further adjusts 2009-2011 to be gross savings, i.e., net of free riders. The following table shows the Preferred scenario goals:

Table 1-1: Preferred Scenario Three-Year Cumulative Goals

	2009	2010	2011	2009-2011
KWH	210,500,000	20,4000,000	195,800,000	610,300,000
KW	40,000	38,800	37,200	11,6000
Therms	4,200,000	4,500,000	4,900,000	13,600,000

2. Mandated Scenario Goals

SDG&E's Mandated scenario goals are based on the cumulative goals from 2004-2008 adopted in D.04-09-060, SDG&E's revised electric goals for 2009-2011, SDG&E's natural gas goals also adopted in D.04-09-060 and the gross goals for 2009-2011 adopted in D.08-07-047. Specifically SDG&E's Mandated scenario follows the direction in the October 30, 2008 Assigned Commissioner's and Administrative Law Judge's Ruling Requiring Supplemental Filings (at page 14):

- Use of cumulative goals and accounting methodologies;
- Net basis for determining Performance Earnings Basis ("PEB"), and;
- Use of Energy Division-approved ex-ante DEER values for 2009-2011 Planning Purposes.

Furthermore, SDG&E adjusts these cumulative goals to account for the following:

- Adjustments to SDG&E's 2004-2005 achievements based on the February 5, 2009 Energy Efficiency 2006-2007 Verification Report ("Verification Report"), prepared by the Energy Division;
- Adjustments to SDG&E's 2006-2007 achievements based on the Verification Report;
- SDG&E's 2008 achievements adjusted by the average adjustment factor to its 2006-2007 achievements as shown in the Verification Report;
- Adjustments to expected useful lives and other measures not covered by the Verification Report based on the December 2008 DEER[1].

SDG&E notes that its use of the results from the Verification Report to develop its Mandated scenario cumulative goals should not be interpreted that it agrees with the results in the Verification Report and reserves the right to present arguments against its results at the next

[1] Energy Division directed the utilities to use the December 2008 DEER update for the purpose of this application.

discussion of its 2006-2008 earnings claim.

The following table shows SDG&E's Mandated scenario Goals:

Table 1-2: Mandated Scenario Three-Year Cumulative Goals

	2009	2010	2011	2009-2011
KWH	718,447,645	465,887,457	407,084,543	1,591,419,645
KW	140,801	84,880	80,661	306,342
Therms	8,818,410	9,016,957	9,642,966	27,478,333

SDG&E contends that the cumulative goals as developed using the assumptions above are not achievable, since the goal exceed the available energy efficiency potential using full incremental measure costs in SDG&E's' service territory based on the 2008 *California Energy Efficiency Potential Study* even after SDG&E adjusted the study to account for under-representation of certain nonresidential sectors. The tables below show the forecasted performance of the Mandated scenario relative to the Mandated cumulative KWH and therm goals. Since KW reductions are a function of the KWH savings, it follows that the KW goal is likewise not achievable under the Mandated goals.

Table 1.3a: Mandated Scenario—Analysis of Projected Annual KWH Savings Target and Mandated Cumulative Goal

	Mandated Scenario	KWH
a	Cumulative Goal--Mandated Scenario	1,591,419,645
b	Proposed Portofilio Target Savings*	921,081,119
c	Less Codes & Standards	-52,742,120
d	Adj Target without C&S	868,338,999
e	Potential Full Incremental	866,252,657
f	Percentage of Potentail to Goal (e/a)	0.54
g	Percentage of Adj Target to Potential (d/e)	1.00
h	Percentage of Target to Goal (b/a)	0.58

* These includes DEER positive electric KW benefits from interactive effects.

Table 1.3b: Mandated Scenario—Analysis of Projected Annual Therm Savings Target and Mandated Cumulative Goal

	Mandated Scenario	Therms
a	Cumulative Goal--Mandated Scenario	27,478,333
b	Proposed Portfolio Target Savings	11,540,156
c	Less Codes & Standards*	486,058
d	Negative Interaction Effects**	6,939,519
e	Adj Target less C&S and Negative Therm Interaction Effects	18,965,733
f	Potential Full Incremental	17,441,487
g	Percentage of Potentail to Goal (f/a)	0.63
h	Percentage of Adj Target to Potential (e/f)	1.09
i	Percentage of Target to Potential (b/f)	0.42

* Due to interactive effects, the net therm impacts from C&S are negative.

**Calculated from E3 Measure Output and update NTG to 1.00

The table above shows the DEER negative therm impacts (lines c and d) reduce the savings from natural gas measures by 7,425,577 therms. Even the Codes and Standards ("C&S") credits that the Commission allows the utilities to take is reduced by this negative therm impact. In SDG&E's case all the positive therm impacts resulting from C&S thermal savings are not sufficient to compensate for the negative therm interaction effects such that it results in negative C&S gas savings. To put this in perspective, the negative therm interaction effect resulting from the installation of 5 CFLs is equivalent to the therm savings resulting from the installation of one high water efficient shower head.[2]

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

SDG&E believes its portfolio is appropriately balanced on short-term versus long-term savings. As an indicator, the overall weighted average measure life for SDG&E's Preferred scenario portfolio is 12.6 years which is greater than the 10 year life assumed in the CPUC goals decision (D.04-09-060). The overall weighted average measure life for SDG&E's Mandated

[2] One installed CFL results in roughly -1 therm impact.

scenario portfolio is 15 years which is greater than the 10 year life assumed in the CPUC goals decision.

C. Portfolios Reasonably Allocate Funding Among Market Sectors

SDG&E has extensively analyzed the service territory-specific information provided in the draft California Energy Efficiency Potential Study 2008[3] to guide the development of its sector and end-use allocations, i.e., residential, commercial, and industrial. Although the study provides a significant amount of useful information for program planning for the Residential, Commercial, and Industrial sectors, the study provided limited data for the Agriculture sector. This, however, is not detrimental to the development of a robust portfolio as the Agriculture sectors is not significant relative to the Commercial and Industrial sectors in SDG&E's service territory.

The following table shows the comparison of SDG&E's proposed sector goals with the draft Potential Study.

SDG&E has also used data regarding potential by end use to guide the type and mix of measures to be included in the portfolio. The following table shows the comparison of SDG&E's proposed end use distribution with the draft Potential Study.

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[3] California Energy Efficiency Potential Study 2008 (Draft), Itron, Inc., February 2008

Table 1-4: Comparison of SDG&E Preferred Scenario and Energy Efficiency Potential by Sector

		Preferred Scenario Portfolio			Potential Study[4]		
Market Sector	**% of Budget Total**	**% of KWH Total**	**% of MW Total**	**% of Total**	**% of KWH Total**	**% of MW Total**	**% of Total**
Residential	0.17	39%	22%	21%	51%	42%	54%
Commercial	0.46	29%	40%	33%	40%	51%	2%
Industrial	0.04	4%	3%	22%	9%	6%	44%
Agricultural	0.01	0%	0%	8%			
Cross Cutting [2]	0.31	18%	22%	6%			
Low Income Energy Efficiency	-	4%	5%	9%			
Codes & Standards	0.01	7%	8%	2%			
Total [3]	100%	100%	100%	100%	100%	100%	100%

1 - The total budget by market sector is sum of rebate incentive, payments to upstream vendors, direct install material and labor costs. Excludes marketing and administrative related costs.
Cross cutting core programs allocated to appropriate market sector where energy savings expected to be realized.
2 - Cross Cutting programs include Government Partnership programs and Third Party programs.
3 - Projected savings impacts include Intergrated Audit Program.
4 - The Potential Study does not include certain commercial and agricultural sectors.
5 - The LIEE savings are part of the Potential Study residential sector savings.

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

The savings for these programs are derived from savings estimates for each of the measures that the program is proposing to promote. The individual measure savings and other load impact estimates (e.g., kWh, kW and therm savings per unit, program net-to-gross ratios, incremental measure costs and useful lives) are primarily derived from the Database for Energy Efficiency Resources ("DEER").[4] SDG&E, with SCE, PG&E and SoCalGas, have proposed alternative cost effectiveness inputs to a select group of measures. (See Appendices C & D for detailed documentation on the proposed alternative inputs). If the measure is not documented in DEER, SDG&E provides documentation in its workpapers to support its estimates of the measure's load impacts. Documentation includes, but is not limited to, load impact evaluations

[4] Based on DEER Updates provided by Commission's Energy Division Staff, May 30, 2008 and updated in December 2008.

of past programs, market data, engineering model outputs, or manufacturer test data, etc. This is consistent with Policy Rule IV.11 of the Commission's Energy Efficiency Policy Manual ("Policy Manual") Version 4.0.[5]

SDG&E has used the E3 calculator developed and updated by E3 under the direction of the Commission's Energy Division staff. See Appendix A for the cost effectiveness parameters for the Preferred scenario and Appendix A.1 for the cost effectiveness parameters for the Mandated scenario.

1. Total Resource Cost Test and Program Administrator Cost Test

The Policy Manual directs the utilities to use the Total Resource Cost Test ("TRC") as the primary indicator of energy efficiency program cost effectiveness, which is consistent with the Commission's intent that ratepayer-funded energy efficiency should focus on programs that serve as resource alternatives to supply-side options. The TRC test measures the net resource benefits from the perspective of all ratepayers by combining the net benefits of the program to participants and non-participants. The benefits are the avoided costs of the supply-side resources avoided or deferred as adopted in D.05-04-024 and updated by the April 21, 2008 *Assigned Commissioner's Ruling and Administrative Law Judge's Ruling Regarding May 15, 2008 Energy Efficiency Portfolio Plans for 2009—2011* ("April 21 Ruling"). The April 21 Ruling directs the utilities to use the updated 2007 generation cost values as adopted in Resolution E-4118.

TRC costs, on the other hand, include the incremental cost to install the energy efficient measures/equipment relative to the standard case and the costs incurred by the program administrator. The Policy Manual (Policy Rule IV.2) directs the utilities to use its own weighted

average cost of capital, as adopted by the Commission. SDG&E's discount rate for this application is 8.4 percent.[5]

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

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

The estimated TRC and PAC ratios of SDG&E's 2006-2008 portfolio for its Proposed and Mandated scenarios are as follows:

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[5] Effective January 1, 2008, SDG&E's authorized return on rate base ROR became 8.40 percent, for its electric distribution and natural gas businesses per D.07-12-049.

Table 1-5: Preferred Scenario—Portfolio Cost Effectiveness

Preferred Scenario Cost Effectiveness (at $15/tonne)	
Total Resource Cost Test	
Costs	$379,778,643
Electric Benefits	$536,430,879
Gas Benefits	$96,951,062
Net Benefits (NPV)	$253,603,298
BC Ratio	1.67
Program Administrator Cost Test	
Costs	$307,641,883
Electric Benefits	$536,430,879
Gas Benefits	$96,951,062
Net Benefits (NPV)	$325,740,058
BC Ratio	2.06

Table 1-6: Mandated Scenario—Portfolio Cost Effectiveness

Mandated Scenario Cost Effectiveness (at $15/tonne)	
Total Resource Cost Test	
Costs	$496,268,240
Electric Benefits	$488,624,003
Gas Benefits	$67,115,247
Net Benefits (NPV)	$59,471,009
BC Ratio	1.12
Program Administrator Cost Test	
Costs	$478,451,403
Electric Benefits	$488,624,003
Gas Benefits	$67,115,247
Net Benefits (NPV)	$77,287,846
BC Ratio	1.16

2. Environmental Benefits

D.05-04-024 adopted the various costs used to value a select group of environmental

adders. These adders include NOx, PM-10 and CO2. The April 21 Ruling directs the utilities to include a second case scenario using an updated carbon value of $30/tonne in addition to the base case adopted by d.05-04-024. These environmental adders and the updated carbon value have been are incorporated into the updated E3 calculator. The tables below show the updated cost effectiveness results based on the updated environmental adder costs for both of SDG&E's Proposed and Mandated scenarios. It should be noted that the E3 calculator does not attribute a dollar benefit for CO2 reductions due to natural gas savings.

Table 1-7: Preferred Scenario—Portfolio Cost Effectiveness
(CO2 Adder at $30/tonne)

Preferred Scenario Cost Effectiveness (at $30/tonne)	
Total Resource Cost Test	
Costs	$379,778,643
Electric Benefits	$573,007,291
Gas Benefits	$96,951,062
Net Benefits (NPV)	$290,179,710
BC Ratio	1.76
Program Administrator Cost Test	
Costs	307641882.9
Electric Benefits	$573,007,291
Gas Benefits	$96,951,062
Net Benefits (NPV)	$362,316,470
BC Ratio	2.18

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Table 1-8: Mandated Scenario—Portfolio Cost Effectiveness
(CO2 Adder at $30/tonne)

Mandated Scenario Cost Effectiveness (at $30/tonne)	
Total Resource Cost Test	
Costs	$496,268,240
Electric Benefits	$520,621,908
Gas Benefits	$67,115,247
Net Benefits (NPV)	$91,468,914
BC Ratio	1.18
Program Administrator Cost Test	
Costs	478451403.1
Electric Benefits	$520,621,908
Gas Benefits	$67,115,247
Net Benefits (NPV)	$109,285,751
BC Ratio	1.23

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

Identifying and addressing barriers to success is a key component to the Program Implement Plans ("PIP") contained in Appendix B. In general, the success barriers facing most of the programs include awareness, performance/reliability uncertainty, first cost and financing. Each PIP addresses mitigation measures for these hurdles with some of the more common being targeted marketing, demonstration projects, split incentives and On-Bill Financing. An example of a targeted marketing activity is our co-branding activity with retailers which leverages retailer access to the customer with SDG&E's energy efficiency messages and is employed in our Residential Energy Efficiency programs. Addressing performance/reliability uncertainty usually involves completing demonstration tests to provide customers with evidence of successful installations. An example of this technique is often employed in our Non-residential Custom

program. Overcoming financial barriers typically involves providing incentives at multiple levels in the product deliver stream including manufacturer/distributor incentives to ensure availability, retailer incentives to ensure stocking and/or customer incentives to overcome pay-back hurdles. This technique is used in our residential and commercial AC replacement programs implemented by third parties. Financing barriers are typically caused by scarcity of capital within an organization. This applies to almost every non-residential program and is the main driver behind our On-Bill Financing program and our proposed Green Energy Systems program.

II. Program Design Achieves Savings Objectives

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

SDG&E's 2009-2011 energy efficiency portfolio encompasses a wide variety of measures that are intended to address the various the different end use potentials indentified in the 2008 California Energy Efficiency Potential Study. At the same time, the Preferred scenario portfolio is designed to meet or exceed both energy savings and demand reduction targets as proposed in Witness Gaines', Chapter I, Section 3 testimony. SDG&E's Proposed 2009-2011 energy efficiency portfolio has a peak-to-energy ratio of 0.1904. For SDG&E, the proposed goals have an implied peak-to-energy ratio of 0.167 for the Preferred scenario. SDG&E's Mandated scenario has an implied peak-to-ratio of 0.204. By comparison, the peak-to-energy ratio for SDG&E's 2006-2007 energy efficiency programs was approximately 0.1742.

B. Portfolio Adequately Describes Strategies to Minimize Lost Opportunities

SDG&E's proposed portfolio offers strategies to minimize lost opportunities. SDG&E believes that lost opportunities occur when customers are not afforded opportunities to install comprehensive energy efficiency upgrades. SDG&E has improved its program designs

consistent with CEESP underlying theme of comprehensiveness and "whole house" approaches to further California's aggressive energy efficiency goals. The following are illustrative examples of comprehensiveness in SDG&E's program designs.

In the residential sector, SDG&E 2009-2011 portfolio of programs is generally designed to avoid lost opportunities through a "comprehensiveness" strategy. For example, programs will feature a "Whole House" performance training element for home contractors and installers focused on whole house energy performance, including effective air sealing, insulation and ventilation. Customers will be encouraged to consider investing in comprehensive projects as opposed to piecemeal purchases of equipment.

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

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

Beginning in 2009, the SDG&E program managers will be responsible for segments rather than specific programs. The goal of this change is to be even more knowledgeable about the needs of customer segments (residential owners and renters; non-residential manufacturing, agricultural, hospitality, foodservice, institutional, etc.) and increase market penetration through segment specific marketing and outreach. This additional step of segmentation enhances the company's ability to design program and communications materials geared towards managing the customer's energy needs in a comprehensive manner rather than the traditional method of offering independent programs.

C. Successful and Cost-Effective Programs Will Continue

SDG&E is not only proposing continuing successful programs but each of these programs has been improved. SDG&E has reduced the number of core programs to reduce customer and market actor confusion due to different program offerings that were offering competing rebates/incentives for like measures. Further review and consolidation has been accomplished as the utilities worked with the Energy Division and its consultants to define the proposed 12 statewide programs. SDG&E has also reviewed its existing 2006-2008 third party programs and offered contract renewals to several successful programs.

D. Program Design Reflects Cumulative Savings Approach Requirements

As discussed in previous sections, SDG&E's Preferred scenario portfolio is designed to meet the proposed 2009-2011 three-year cumulative goal. However, the Mandated scenario can not meet the Commission's mandated cumulative goals as the energy efficiency potential in SDG&E's service territory are not sufficient to meet these goals.

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

D.07-10-032 (at pages 123-128) reopens the discussion on whether or not it is appropriate for the utilities to take credit for "spillover" effects due to programs. It would appear that the

fundamental question is not whether "spillover effects occur from the programs (both from program participants and non-program participants), but whether or not there are EM&V methodologies that can accurately measure the specific spillover impacts of a utility program. D.05-04-051, Finding of Fact 27 states,"

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

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

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

With respect to program offerings influencing "spillover" effects, SDG&E's portfolio of programs are designed to influence market actors to the greatest extent possible. For example, upstream programs (e.g., manufacturers, distributors, retailers) provide energy efficiency

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[6] Attachment A of "Comments of San Diego Gas & Electric Company (U 902 M) and Southern California Gas Company (U 904 G) on Energy Efficiency Savings Goals through 2020 and Related Topics Pursuant to Assigned Commissioner and Administrative Law Judge's Ruling Seeking Comment on Definition of Energy Savings Goals for 2009 Through 2011" submitted June11, 2008.

equipment at reduced prices to all customers. It is indeed difficult to discern each customer's motivation for purchasing the energy efficiency equipment when the price is already reduced. However, it is impractical to attempt to determine an individual's motivation and differentiate our incentives based on that motivation. Moreover, Upstream programs are one of the most efficient program designs to influence the energy efficiency market at all levels of the supply chain.

Education & Training programs provide accessible energy efficiency information to customers so that they can make decisions that are pro-energy efficiency. Frequent messaging, communications, seminars and workshops reinforce these concepts so that at time of purchase energy efficiency is one of the customer's top considerations. The ultimate goal for market transformation is that customers will purchase energy efficient equipment on its intrinsic value without the need for a rebate or incentive which is then a 100% spillover effect. SDG&E's Education & Training programs are designed to help reach that goal.

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

These are but a few examples of strategies in SDG&E's portfolio that bring about spillover effects.

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

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

As California embarks on aggressive market transforming activities such as the BBEES and the strategies laid in the CEESP, studies need to commence as soon as possible to begin tracking the progress of programs so that there is a baseline established to determine progress towards market transformation. See Section 3 below for more discussion on proposed market transformation/effects studies.

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

Emerging Technologies is an important component of SDG&E's program portfolio as the "incubator" of new measures for inclusion in the tradition incentive programs. We do not have a specific budget allocated to "strategic promotion of emerging technologies" but we do have a process in place to take full advantage of new technologies, regardless of the source of the technology. The process has worked well in the past and we are confident will continue to work as we move forward. Under that process, once an emerging technology project is complete and results are available, the technology is handed over to the appropriate Segment Manager for program development and implementation. Depending on the technology, it may simply be

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

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

incorporated into an existing program such as the Nonresidential Standard program, or it may warrant a specialized program design and implementation. Either way, the impacted segment utilizes their allocated program budgets or Third Party budget as appropriate. We have anticipated this somewhat unpredictable shift in funding in our budget planning and have found in the past that there is generally a rough balance between new measures being introduced and mature ones falling off because of obsolescence or changes in market conditions. As a result, we are confident we have sufficient funds to adequately support the marketing and commercialization of new technologies that may reasonably be expected to appear during the program cycle.

H. Portfolios Contribute to the Green Building Initiative

Please refer to Appendix F Table 2-4 (Preferred scenario) and Appendix F.1 Table 2-4 (Mandated scenario) for the portfolios contributions to the green Building Initiative. The Statewide Commercial Program and Institutional Partnership Programs in Appendix B for the different program activities that support the goals of the Green Building Initiative.

III. Proposed Portfolio Design Reflect Market Strategies, Market Transformation, Integration, and Delivery Channels to Enhance Customer Participation in Demand-Side Resources

A. SDG&E's Proposed 2009-2011 Program Portfolio

SDG&E's 2009-2011 provides a list of comprehensive Energy Efficiency services to its customers with a focus towards achieving BBEES and implementation of the CEESP strategies. The following tables provide an overview of the portfolio budgets for its Proposed and Mandated scenarios. Program Detail budgets are available in Appendices F and F.1.

Table 1-9: Preferred Scenario – 2009-2011 Program Budgets

Programs	2009	2010	2011	2009-2011
LGovP01 - City of Chula Vista Partnership	$1,884,770	$1,884,770	$1,884,769	$5,654,308
LGovP02 - City of San Diego Partnership	$2,006,262	$2,006,262	$2,006,265	$6,018,789
LGovP03 - County of San Diego Partnership	$1,172,286	$1,225,145	$1,225,144	$3,622,574
LGovP04 - City of San Juan Capistrano Partnership	$190,005	$190,005	$190,005	$570,015
LGovP05 - Port of San Diego Partnership	$779,369	$779,369	$779,371	$2,338,108
LGovP06 - SANDAG Partnership	$796,318	$801,626	$801,625	$2,399,570
LGovP07 - ICLEI Partnership	$156,873	$156,873	$156,874	$470,620
LGovP08 - New Cities Partnership	$778,987	$778,988	$778,988	$2,336,962
L-InstP01 - CA Depart of Corrections Partnership	$583,441	$583,441	$583,441	$1,750,323
L-InstP02 - CA Community College Partnership	$498,357	$498,357	$498,357	$1,495,071
L-InstP03 - UC/CSU/IOU Partnership	$1,362,424	$1,362,424	$1,362,424	$4,087,273
L-InstP04 - State of California /IOU Partnership	$583,441	$583,441	$583,441	$1,750,323
L-InstP05 - University of San Diego Partnership	$270,249	$270,249	$270,250	$810,747
L-InstP06 - San Diego Cnty Water Auth Partnership	$397,214	$397,215	$397,216	$1,191,645
Local01 - Local Whole House Perfomance	$815,402	$2,169,902	$1,812,902	$4,798,206
Local02 - Local Island Program	$1,545,687	$1,934,187	$1,629,687	$5,109,562
Local03 - Local Non-Residential (BID)	$9,053,832	$8,979,524	$8,463,578	$26,496,933
Local04 - Local Sustainable Communities (RMV)	$293,580	$293,580	$393,318	$980,478
Local05 - OBF	$875,000	$875,000	$875,000	$2,624,999
Local06 - Local Strategic Development & Integrat	$698,796	$698,796	$698,796	$2,096,387
SW-AgA - Calculated	$271,936	$271,936	$271,936	$815,807
SW-AgB - Deemed	$596,446	$630,608	$646,587	$1,873,642
SW-AgC - Nonresidential Audits	$128,779	$128,779	$128,779	$386,336
SW-AgD - Pump Test & Repair	$111,552	$111,552	$111,552	$334,655
SW-AgE - Continuous Energy Improvement	$122,479	$122,479	$122,479	$367,436
SW-C&SA - Building Standards Advocacy	$480,001	$480,001	$480,001	$1,440,003
SW-C&SB - Appliance Standards Advocacy	$165,000	$165,000	$165,000	$495,001
SW-C&SC - Compliance Training	$375,002	$375,002	$375,002	$1,125,006
SW-C&SD Reach Codes	$480,001	$480,001	$480,001	$1,440,003
SW-ComA - Calculated	$5,024,285	$5,024,285	$5,024,285	$15,072,856
SW-ComB - Deemed	$5,146,956	$5,280,148	$5,438,936	$15,866,040
SW-ComC - Nonresidential Audits	$602,537	$602,537	$602,537	$1,807,612
SW-ComD - Continuous Energy Improvement	$353,646	$353,646	$353,646	$1,060,938
SW-ComE - Direct Install	$8,067,847	$7,474,097	$7,355,347	$22,897,290
SW-ETA - Assessments	$2,136,640	$2,136,640	$2,136,640	$6,409,919
SW-ETB - Scaled Field Placement	$0	$0	$0	$0
SW-ETC - Demonstration / Showcasing	$0	$0	$0	$0
SW-ETD - Market and Behavioral Studies	$0	$0	$0	$0
SW-ETE - Technology supply-side efforts	$0	$0	$0	$0
SW-ETF - Technology Incubation	$0	$0	$0	$0
SW-ETG - Technology Test Centers (TTC)	$0	$0	$0	$0
SW-ETH - ZNE lab (PG&E)	$0	$0	$0	$0

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Table 1-9: Preferred Scenario – 2009-2011 Program Budgets (Continued)

Programs	2009	2010	2011	2009-2011
SW-HVACA - Residential Energy Star Quality Instal	$38,175	$38,175	$38,175	$114,526
SW-HVACB - Commercial Quality Installation	$35,769	$35,769	$35,769	$107,306
SW-HVACC - Commercial Upstream Equipment	$478,163	$478,163	$478,163	$1,434,490
SW-HVACD - Quality Maintenance Program	$68,151	$68,151	$68,151	$204,452
SW-HVACE - Technology & Systems Diagnostics	$300,500	$300,500	$300,500	$901,499
SW-HVACF - HVAC WE&T	$45,727	$45,727	$45,727	$137,181
SW-IDSM - SW Integrated DSM	$200,041	$200,041	$200,041	$600,122
SW-IndA - Calculated	$1,829,218	$1,940,292	$2,068,048	$5,837,557
SW-IndB - Deemed	$1,515,789	$1,490,393	$1,411,848	$4,418,030
SW-IndC - Nonresidential Audits	$269,172	$269,173	$269,173	$807,517
SW-IndD - Continuous Energy Improvement	$200,184	$200,184	$200,184	$600,552
SW-ME&OA - Marketing, Education & Outreach (Core)	$2,973,233	$2,973,233	$2,973,233	$8,919,698
SW-ME&OB - SW Marketing, E&O FYP	$0	$0	$0	$0
SW-ME&OC - ME&O Strategic Plan	$0	$0	$0	$0
SW-NCNR - NRNC Savings By Design	$4,238,077	$4,206,423	$4,155,172	$12,599,671
SW-NCResA - RNC	$3,768,082	$3,768,627	$3,818,435	$11,355,143
SW-ResA - Residential Basic Lighting	$4,442,334	$4,121,129	$3,377,562	$11,941,025
SW-ResB - Advanced Consumer Lighting	$2,225,315	$2,196,660	$2,171,901	$6,593,876
SW-ResC - Multi-Family	$1,669,883	$1,547,633	$1,422,908	$4,640,425
SW-ResD - Home Efficiency Rebates	$4,540,626	$4,416,490	$3,003,549	$11,960,666
SW-ResE - Home Efficiency Surveys	$1,335,208	$1,782,671	$1,245,310	$4,363,189
SW-ResF - Appliance Recycling	$2,258,849	$2,237,849	$2,237,849	$6,734,546
SW-ResG - Business/Consumer Electronics/Plug Load	$1,675,247	$1,678,220	$1,677,129	$5,030,596
SW-WE&TA - Strategic Planning & Implementation	$378,263	$270,323	$160,073	$808,658
SW-WE&TB - WE&T Centers – SDERC, Food Service Cen	$4,128,922	$4,143,840	$4,159,295	$12,432,057
SW-WE&TC - WE&T Connections – PEAK Program	$616,650	$637,046	$619,695	$1,873,391
3P - IOU Administration	$1,916,966	$1,365,363	$1,365,363	$4,647,692
Total Third Party Program Budget	$9,282,289	$9,857,543	$9,690,316	$28,830,148
y LIEE - Low Income EE (LIEE)	$0	$0	$0	$0
TOTALS	**$99,238,237**	**$100,377,489**	**$96,279,754**	**$295,895,480**

*Individual Third Party Budgets are not finalized. Budgets will be finalized based on DEER update reviews, Commission Approval and final contract negotiations.

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Table 1-10: Mandated Scenario – 2009-2011 Program Budgets

Programs	2009	2010	2011	2009-2011
LGovP01 - City of Chula Vista Partnership	$1,884,770	$1,884,770	$1,884,769	$5,654,308
LGovP02 - City of San Diego Partnership	$2,006,262	$2,006,262	$2,006,265	$6,018,789
LGovP03 - County of San Diego Partnership	$1,172,286	$1,225,145	$1,225,144	$3,622,574
LGovP04 - City of San Juan Capistrano Partnership	$190,005	$190,005	$190,005	$570,015
LGovP05 - Port of San Diego Partnership	$779,369	$779,369	$779,371	$2,338,108
LGovP06 - SANDAG Partnership	$796,318	$801,626	$801,625	$2,399,570
LGovP07 - ICLEI Partnership	$156,873	$156,873	$156,874	$470,620
LGovP08 - New Cities Partnership	$778,987	$778,988	$778,988	$2,336,962
L-InstP01 - CA Depart of Corrections Partnership	$583,441	$583,441	$583,441	$1,750,323
L-InstP02 - CA Community College Partnership	$498,357	$498,357	$498,357	$1,495,071
L-InstP03 - UC/CSU/IOU Partnership	$1,362,424	$1,362,424	$1,362,424	$4,087,273
L-InstP04 - State of California /IOU Partnership	$583,441	$583,441	$583,441	$1,750,323
L-InstP05 - University of San Diego Partnership	$270,249	$270,249	$270,250	$810,747
L-InstP06 - San Diego Cnty Water Auth Partnership	$397,214	$397,215	$397,216	$1,191,645
Local01 - Local Whole House Perfomance	$815,402	$2,169,902	$1,812,902	$4,798,206
Local02 - Local Island Program	$1,545,687	$1,934,187	$1,629,687	$5,109,562
Local03 - Local Non-Residential (BID)	$13,183,496	$13,183,496	$13,183,496	$39,550,487
Local04 - Local Sustainable Communities (RMV)	$293,580	$293,580	$393,318	$980,478
Local05 - OBF	$875,000	$875,000	$875,000	$2,624,999
Local06 - Local Strategic Development & Integrat	$698,796	$698,796	$698,796	$2,096,387
SW-AgA - Calculated	$271,936	$271,936	$271,936	$815,807
SW-AgB - Deemed	$767,958	$767,958	$767,958	$2,303,875
SW-AgC - Nonresidential Audits	$128,779	$128,779	$128,779	$386,336
SW-AgD - Pump Test & Repair	$111,552	$111,552	$111,552	$334,655
SW-AgE - Continuous Energy Improvement	$122,479	$122,479	$122,479	$367,436
SW-C&SA - Building Standards Advocacy	$480,001	$480,001	$480,001	$1,440,003
SW-C&SB - Appliance Standards Advocacy	$165,000	$165,000	$165,000	$495,001
SW-C&SC - Compliance Training	$375,002	$375,002	$375,002	$1,125,006
SW-C&SD Reach Codes	$480,001	$480,001	$480,001	$1,440,003
SW-ComA - Calculated	$13,870,988	$13,870,988	$13,870,988	$41,612,965
SW-ComB - Deemed	$12,947,760	$12,947,760	$12,957,890	$38,853,409
SW-ComC - Nonresidential Audits	$602,537	$602,537	$602,537	$1,807,612
SW-ComD - Continuous Energy Improvement	$353,646	$353,646	$353,646	$1,060,938
SW-ComE - Direct Install	$14,187,479	$14,187,479	$14,187,479	$42,562,437
SW-ETA - Assessments	$2,136,640	$2,136,640	$2,136,640	$6,409,919
SW-ETB - Scaled Field Placement	$0	$0	$0	$0
SW-ETC - Demonstration / Showcasing	$0	$0	$0	$0
SW-ETD - Market and Behavioral Studies	$0	$0	$0	$0
SW-ETE - Technology supply-side efforts	$0	$0	$0	$0
SW-ETF - Technology Incubation	$0	$0	$0	$0
SW-ETG - Technology Test Centers (TTC)	$0	$0	$0	$0
SW-ETH - ZNE lab (PG&E)	$0	$0	$0	$0

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Table 1-10: Mandated Scenario – 2009-2011 Program Budgets (continued)

Programs	2009	2010	2011	2009-2011
SW-HVACA - Residential Energy Star Quality Instal	$38,175	$38,175	$38,175	$114,526
SW-HVACB - Commercial Quality Installation	$35,769	$35,769	$35,769	$107,306
SW-HVACC - Commercial Upstream Equipment	$866,894	$866,894	$866,894	$2,600,682
SW-HVACD - Quality Maintenance Program	$68,151	$68,151	$68,151	$204,452
SW-HVACE - Technology & Systems Diagnostics	$300,500	$300,500	$300,500	$901,499
SW-HVACF - HVAC WE&T	$45,727	$45,727	$45,727	$137,181
SW-IDSM - SW Integrated DSM	$200,041	$200,041	$200,041	$600,122
SW-IndA - Calculated	$14,511,911	$14,511,911	$14,511,911	$43,535,734
SW-IndB - Deemed	$4,175,144	$4,175,144	$4,175,144	$12,525,432
SW-IndC - Nonresidential Audits	$269,172	$269,173	$269,173	$807,517
SW-IndD - Continuous Energy Improvement	$200,184	$200,184	$200,184	$600,552
SW-ME&OA - Marketing, Education & Outreach (Core)	$2,973,233	$2,973,233	$2,973,233	$8,919,698
SW-ME&OB - SW Marketing, E&O FYP	$0	$0	$0	$0
SW-ME&OC - ME&O Strategic Plan	$0	$0	$0	$0
SW-NCNR - NRNC Savings By Design	$6,113,158	$6,113,158	$6,113,158	$18,339,474
SW-NCResA - RNC	$4,208,820	$4,208,820	$4,261,320	$12,678,960
SW-ResA - Residential Basic Lighting	$9,385,850	$9,357,195	$9,332,436	$28,075,481
SW-ResB - Advanced Consumer Lighting	$1,246,052	$1,217,397	$1,192,638	$3,656,087
SW-ResC - Multi-Family	$2,498,886	$2,462,136	$2,394,411	$7,355,434
SW-ResD - Home Efficiency Rebates	$8,396,034	$8,271,898	$8,271,898	$24,939,831
SW-ResE - Home Efficiency Surveys	$1,335,208	$1,782,671	$1,245,310	$4,363,189
SW-ResF - Appliance Recycling	$6,374,329	$6,353,329	$6,353,329	$19,080,986
SW-ResG - Business/Consumer Electronics/Plug Load	$695,984	$698,957	$697,866	$2,092,807
SW-WE&TA - Strategic Planning & Implementation	$378,263	$270,323	$160,073	$808,658
SW-WE&TB - WE&T Centers, SDERC, Food Service Cer	$4,128,922	$4,143,840	$4,159,295	$12,432,057
SW-WE&TC - WE&T Connections – PEAK Program	$616,650	$637,046	$619,695	$1,873,391
Third Party Program Total	$9,971,506	$10,546,760	$10,379,532	$30,897,797
3P - IOU Administration	$1,918,011	$1,365,363	$1,365,363	$4,648,737
TOTALS	**$156,826,284**	**$158,788,674**	**$157,354,478**	**$472,969,436**

*Individual Third Party Budgets are not finalized. Budgets will be finalized based on DEER update reviews, Commission Approval and final contract negotiations.

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Table 1-11: Preferred Scenario – 2009-2011 Program Goals

Program	2009 KWH	2009 THRM	2009 KW	2010 KWH	2010 THRM	2010 KW	2011 KWH	2011 THRM	2011 KW
LGovP01 - City of Chula Vista Partnership	0	0	0	0	0	0	0	0	0
LGovP02 - City of San Diego Partnership	0	0	0	0	0	0	0	0	0
LGovP03 - County of San Diego Partnership	0	0	0	0	0	0	0	0	0
LGovP04 - City of San Juan Capistrano Partnership	0	0	0	0	0	0	0	0	0
LGovP05 - Port of San Diego Partnership	0	0	0	0	0	0	0	0	0
LGovP06 - SANDAG Partnership	0	0	0	0	0	0	0	0	0
LGovP07 - ICLEI Partnership	0	0	0	0	0	0	0	0	0
LGovP08 - New Cities Partnership	0	0	0	0	0	0	0	0	0
L-InstP01 - CA Depart of Corrections Partnership	0	0	0	0	0	0	0	0	0
L-InstP02 - CA Community College Partnership	0	0	0	0	0	0	0	0	0
L-InstP03 - UC/CSU/IOU Partnership	0	0	0	0	0	0	0	0	0
L-InstP04 - State of California /IOU Partnership	0	0	0	0	0	0	0	0	0
L-InstP05 - University of San Diego Partnership	0	0	0	0	0	0	0	0	0
L-InstP06 - San Diego Cnty Water Auth Partnership	0	0	0	0	0	0	0	0	0
Local01 - Local Whole House Perfomance	0	0	0	0	0	0	0	0	0
Local02 - Local Island Program	0	0	0	0	0	0	0	0	0
Local03 - Local Non-Residential (BID)	22,365,001	1,070,658	2,486	21,812,501	1,151,100	2,437	19,252,501	1,370,154	2,224
Local04 - Local Sustainable Communities (RMV)	0	0	0	0	0	0	0	0	0
Local05 - OBF	0	0	0	0	0	0	0	0	0
Local06 - Local Strategic Development & Integrat	0	0	0	0	0	0	0	0	0
SW-AgA - Calculated	0	0	0	0	0	0	0	0	0
SW-AgB - Deemed	0	357,709	0	0	403,773	0	0	428,898	0
SW-AgC - Nonresidential Audits	0	0	0	0	0	0	0	0	0
SW-AgD - Pump Test & Repair	0	0	0	0	0	0	0	0	0
SW-AgE - Continuous Energy Improvement	0	0	0	0	0	0	0	0	0
SW-C&SA - Building Standards Advocacy	12,541,520	60,700	2,598	15,520,836	109,371	3,122	25,433,053	122,055	4,347
SW-C&SB - Appliance Standards Advocacy	0	0	0	0	0	0	0	0	0
SW-C&SC - Compliance Training	0	0	0	0	0	0	0	0	0
SW-C&SD Reach Codes	0	0	0	0	0	0	0	0	0
SW-ComA - Calculated	17,801,061	0	7,124	17,801,061	0	7,124	17,801,061	0	7,124
SW-ComB - Deemed	30,369,233	242,477	6,464	28,237,952	265,039	5,884	24,269,349	291,379	4,979
SW-ComC - Nonresidential Audits	0	0	0	0	0	0	0	0	0
SW-ComD - Continuous Energy Improvement	0	0	0	0	0	0	0	0	0
SW-ComE - Direct Install	17,071,251	0	4,729	15,758,078	0	4,365	15,495,443	0	4,292
SW-ETA - Assessments	0	0	0	0	0	0	0	0	0
SW-ETB - Scaled Field Placement	0	0	0	0	0	0	0	0	0
SW-ETC - Demonstration / Showcasing	0	0	0	0	0	0	0	0	0
SW-ETD - Market and Behavioral Studies	0	0	0	0	0	0	0	0	0
SW-ETE - Technology supply-side efforts	0	0	0	0	0	0	0	0	0
SW-ETF - Technology Incubation	0	0	0	0	0	0	0	0	0
SW-ETG - Technology Test Centers (TTC)	0	0	0	0	0	0	0	0	0
SW-ETH - ZNE lab (PG&E)	0	0	0	0	0	0	0	0	0

* Partnership Savings are reported through the Commercial Programs.

Table 1-11: Preferred Scenario – 2009-2011 Program Goals (continued)

Program	2009 KWH	2009 THRM	2009 KW	2010 KWH	2010 THRM	2010 KW	2011 KWH	2011 THRM	2011 KW
SW-HVACA - Residential Energy Star Quality Instal	0	0	0	0	0	0	0	0	0
SW-HVACB - Commercial Quality Installation	0	0	0	0	0	0	0	0	0
SW-HVACC - Commercial Upstream Equipment	2,613,464	0	987	2,613,464	0	988	2,613,464	0	988
SW-HVACD - Quality Maintenance Program	0	0	0	0	0	0	0	0	0
SW-HVACE - Technology & Systems Diagnostics	0	0	0	0	0	0	0	0	0
SW-HVACF - HVAC WE&T	0	0	0	0	0	0	0	0	0
SW-IDSM - SW Integrated DSM	0	0	0	0	0	0	0	0	0
SW-IndA - Calculated	2,185,000	865,070	182	2,109,000	982,984	176	1,900,000	1,129,550	158
SW-IndB - Deemed	6,761,011	89,338	952	6,540,479	103,368	921	5,908,696	115,186	832
SW-IndC - Nonresidential Audits	0	0	0	0	0	0	0	0	0
SW-IndD - Continuous Energy Improvement	0	0	0	0	0	0	0	0	0
SW-ME&OA - Marketing, Education & Outreach (Core)	0	0	0	0	0	0	0	0	0
SW-ME&OB - SW Marketing, E&O FYP	0	0	0	0	0	0	0	0	0
SW-ME&OC - ME&O Strategic Plan	0	0	0	0	0	0	0	0	0
SW-NCNR - NRNC Savings By Design	3,643,250	173,014	1,320	3,448,500	190,095	1,252	3,201,500	222,824	1,144
SW-NCResA - RNC	170,145	22,040	204	160,550	24,575	193	141,550	28,652	170
SW-ResA - Residential Basic Lighting	100,838,320	0	8,517	91,671,200	0	7,743	68,894,000	0	5,819
SW-ResB - Advanced Consumer Lighting	0	0	0	0	0	0	0	0	0
SW-ResC - Multi-Family	4,622,264	309,964	475	3,778,664	309,964	404	3,216,264	309,964	356
SW-ResD - Home Efficiency Rebates	2,598,915	816,120	1,278	2,598,915	816,120	1,278	2,047,055	518,045	1,200
SW-ResE - Home Efficiency Surveys	0	0	0	0	0	0	0	0	0
SW-ResF - Appliance Recycling	21,777,800	0	3,355	21,777,800	0	3,355	21,777,800	0	3,355
SW-ResG - Business/Consumer Electronics/Plug Load	0	0	0	0	0	0	0	0	0
SW-WE&TA - Strategic Planning & Implementation	0	0	0	0	0	0	0	0	0
SW-WE&TB - WE&T Centers – SDERC, Food Service Cen	0	0	0	0	0	0	0	0	0
SW-WE&TC - WE&T Connections – PEAK Program	0	0	0	0	0	0	0	0	0
Total Third Program Budget	2,210,382	300,673	363	2,210,382	300,673	363	2,210,382	300,673	363
y LIEE - Low Income EE (LIEE)	8,887,914	478,745	2,010	8,959,689	473,876	2,010	8,575,260	452,749	1,965
TOTALS	**256,456,531**	**4,786,507**	**43,044**	**244,999,070**	**5,130,937**	**41,613**	**222,737,377**	**5,290,129**	**39,316**

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Table 1-12: Mandated Scenario – 2009-2011 Program Goals

Program	2009-KWH	2009-Therms	2009-KW	2010-KWH	2010-Therms	2010-KW	2011-KWH	2011-Therms	2011-KW
LGovP01 - City of Chula Vista Partnership									
LGovP02 - City of San Diego Partnership									
LGovP03 - County of San Diego Partnership									
LGovP04 - City of San Juan Capistrano Partnership									
LGovP05 - Port of San Diego Partnership									
LGovP06 - SANDAG Partnership									
LGovP07 - ICLEI Partnership									
LGovP08 - New Cities Partnership									
L-InstP01 - CA Depart of Corrections Partnership									
L-InstP02 - CA Community College Partnership									
L-InstP03 - UC/CSU/IOU Partnership									
L-InstP04 - State of California /IOU Partnership									
L-InstP05 - University of San Diego Partnership									
L-InstP06 - San Diego Cnty Water Auth Partnership									
Local01 - Local Whole House Perfomance									
Local02 - Local Island Program									
Local03 - Local Non-Residential (BID)	37,491,286	1,724,726	4,214	37,491,286	1,724,726	4,214	37,491,286	1,724,726	4,214
Local04 - Local Sustainable Communities (RMV)									
Local05 - OBF									
Local06 - Local Strategic Development & Integrat									
SW-AgA - Calculated									
SW-AgB - Deemed	0	331,261	0	0	331,261	0	0	331,261	0
SW-AgC - Nonresidential Audits									
SW-AgD - Pump Test & Repair									
SW-AgE - Continuous Energy Improvement									
SW-C&SA - Building Standards Advocacy	12,541,520	-113,576	2,598	15,197,226	-102,192	3,033	25,003,374	-270,290	4,228
SW-C&SB - Appliance Standards Advocacy									
SW-C&SC - Compliance Training									
SW-C&SD Reach Codes									
SW-ComA - Calculated	28,551,067	-53,487	11,395	28,551,067	-53,487	11,395	28,551,067	-53,487	11,395
SW-ComB - Deemed	48,691,660	376,648	9,690	48,691,660	376,648	9,690	48,694,671	378,752	9,691
SW-ComC - Nonresidential Audits									
SW-ComD - Continuous Energy Improvement									
SW-ComE - Direct Install	19,024,679	-17,206	5,215	19,024,679	-17,206	5,215	19,024,679	-17,206	5,215
SW-ETA - Assessments									
SW-ETB - Scaled Field Placement									
SW-ETC - Demonstration / Showcasing									
SW-ETD - Market and Behavioral Studies									
SW-ETE - Technology supply-side efforts									
SW-ETF - Technology Incubation									
SW-ETG - Technology Test Centers (TTC)									
SW-ETH - ZNE lab (PG&E)									
* Partnership Savings are reported through the Commercial Programs.									

Table 1-12: Mandated Scenario – 2009-2011 Program Goals (continued)

Program	2009-KWH	2009-Therms	2009-KW	2010-KWH	2010-Therms	2010-KW	2011-KWH	2011-Therms	2011-KW
SW-HVACA - Residential Energy Star Quality Instal									
SW-HVACB - Commercial Quality Installation									
SW-HVACC - Commercial Upstream Equipment	4,799,687	-1,957	1,791	4,799,687	-1,957	1,791	4,799,687	-1,957	1,791
SW-HVACD - Quality Maintenance Program									
SW-HVACE - Technology & Systems Diagnostics									
SW-HVACF - HVAC WE&T									
SW-IDSM - SW Integrated DSM									
SW-IndA - Calculated	3,806,045	1,451,108	317	3,806,045	1,451,108	317	3,806,045	1,451,108	317
SW-IndB - Deemed	11,803,442	139,298	1,662	11,803,442	139,298	1,662	11,803,442	139,298	1,662
SW-IndC - Nonresidential Audits									
SW-IndD - Continuous Energy Improvement									
SW-ME&OA - Marketing, Education & Outreach (Core)									
SW-ME&OB - SW Marketing, E&O FYP									
SW-ME&OC - ME&O Strategic Plan									
SW-NCNR - NRNC Savings By Design	6,324,924	285,549	2,283	6,324,924	285,549	2,283	6,324,924	285,549	2,283
SW-NCResA - RNC	290,182	36,680	348	290,182	36,680	348	290,182	36,680	348
SW-ResA - Residential Basic Lighting	79,964,236	-1,563,930	13,279	79,964,236	-1,563,930	13,279	79,964,236	-1,563,930	13,279
SW-ResB - Advanced Consumer Lighting									
SW-ResC - Multi-Family	6,047,366	155,112	1,097	6,047,366	155,112	1,097	6,047,366	155,112	1,097
SW-ResD - Home Efficiency Rebates	4,041,858	860,938	2,044	4,041,858	860,938	2,045	4,041,858	860,938	2,045
SW-ResE - Home Efficiency Surveys									
SW-ResF - Appliance Recycling	25,778,085	-497,088	5,248	25,778,085	-497,089	5,248	25,778,085	-497,089	5,248
SW-ResG - Business/Consumer Electronics/Plug Load									
SW-WE&TA - Strategic Planning & Implementation									
SW-WE&TB - WE&T Centers – SDERC, Food Service Cen									
SW-WE&TC - WE&T Connections – PEAK Program									
Third Party Program Total	4,023,192	311,928	599	4,023,192	311,928	599	4,023,192	311,928	599
y LIEE - Low Income EE (LIEE)	8,887,914	478,745	2,010	8,959,689	473,876	2,010	8,575,260	452,749	1,965
TOTALS	**302,067,142**	**3,904,749**	**63,790**	**304,794,623**	**3,911,264**	**64,225**	**314,219,353**	**3,724,143**	**65,375**

A brief description of each of the proposed SDG&E's Energy Efficiency programs is provided in the below. The program implementation plans do not differ between the Preferred scenario and the Mandated scenario. The main difference between the scenarios is the offering of measure incentives at full incremental measure cost under the Mandated scenario to aggressively pursue significantly higher goals. Greater details of these programs are included in each of these programs' PIPs contained in Appendix B.

IV. Statewide Programs

A. Statewide Residential Energy Efficiency

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

- To facilitate, sustain, and transform the long-term delivery and adoption of energy-efficient products and services for single and multi-family dwellings.
- To cultivate, promote and sustain lasting energy-efficient behaviors by residential customers through a collaborative statewide education and outreach mechanism.
- To meet consumers' energy efficiency adoption preferences through a range of offerings including single-measure incentives and more comprehensive approaches.

1. Lighting Incentive

The Residential Lighting Incentive Program for Basic CFLs provides customers with

incentives in the form of discounts that greatly reduce the cost of energy-efficient lighting products. It introduces energy-efficient lighting products to the market and strives to influence future purchasing behaviors of customers. More than 370 retailers at over 2,700 store locations are expected to participate.

2. Advanced Consumer Lighting

The Advanced Consumer Lighting program, likewise, provides customers with incentives in the form of discounts that greatly reduce the cost of energy-efficient lighting products, and introduces energy-efficient lighting products to the market and strives to influence future purchasing behaviors of customers. A broad array of product types, models, and technologies are available for this program's incentives. Typical technologies include specialty CFLs, LEDs, cold cathode, and high-efficiency incandescent (HEI). In addition, the IOUs will collaborate on a statewide Lighting Market Transformation program strategy.

3. Home Energy Efficiency Rebates

The Home Energy Efficiency Rebate (HEER) Program is a continuation of the existing HEER program. In accordance with the Strategic Plan, this program advances comprehensive energy efficiency measures, including: whole house solutions, plug load efficiency, performance standards, and integration opportunities with local government and DSM.

HEER meets the need of consumers either in need of a single measure or multiple devices by encouraging the adoption of energy-efficient choices when purchasing and installing household appliances and equipment. It does this by offering customers educational materials on energy efficiency options and on rebate and other incentive offerings. In addition to influencing efficient purchases, the program educates customers on how to use products correctly and guides customers to explore other demand-side management opportunities,

including Demand Response (DR), as appropriate. In addition to an on-line rebate application process, the program offers immediate point-of-sale ("POS") rebates for many measures at the retailer's cash register.

4. Appliance Recycling Program

The Appliance Recycling Program (ARP), a Third Party program, is a continuation of the existing ARP. The program picks up operable but inefficient appliances from residential dwellings and businesses and prevents their continued operation by recycling them in an environmentally safe manner. In accordance with the Strategic Plan, this program advances several comprehensive energy efficiency measures including: whole house solutions, plug load efficiency, performance standards, local government and DSM integration opportunities. ARP produces cost-effective energy savings and peak reduction in residential and non-residential market sectors.

5. Business and Consumer Electronics

The Business and Consumer Electronics Program (BCEP) is a new addition to the 2009 - 2011 residential energy efficiency portfolio. The BCEP provides midstream incentives to retailers to increase the stocking and promotion of high-efficient electronic products including computers, computer monitors, cable and satellite set-top boxes, televisions, smart power strips and additional business and consumer electronics as they become available to the market. The program continues to expand the POS rebate delivery method and provides field support services to update marketing materials in retail stores and support education to the retailer sales force. The BCEP includes a linkage to an online information system designed to identify the most energy-efficient and environmentally friendly products available in the market for multiple categories, including televisions, appliances, and computers.

This program supports the Strategic Plan by motivating retailers to stock more efficient products, which in turn can drive manufacturers toward the development and introduction of more efficient products into the market. Since the midstream incentives are offered on measures that have been identified as "plug load" products, BCEP addresses the "plug load" efficiency strategy identified in the Strategic Plan.

6. Home Energy Efficiency Surveys

The Home Energy Efficiency Survey (HEES) Program is a continuation of the existing HEES Program. In accordance with goals of the Strategic Plan, the HEES Program will work towards advancing whole-house energy solutions. HEES will also pursue innovative initiatives to reverse the growth of plug load energy consumption though behavioral solutions, and, as warranted, DSM integration opportunities. The HEES Program is used to reach out to customers in multiple languages through different delivery channels to perform a variety of energy surveys. The program provides survey results to enable participants to understand how their energy use varies throughout the year and how their household compares with similar households. This multi-language approach enhances the program's ability to reach California's diverse culture and provides efficiency recommendations based on a stand alone and whole-house system approach. Additionally, HEES provides information and referrals to other energy efficiency programs, water conservation efforts, demand response and low-income programs, as applicable.

7. Multifamily Energy Efficiency Rebates

The Multifamily Energy Efficiency Rebate (MFEER) Program is a continuance of the existing Residential Multifamily Energy Efficiency Rebate Program. The program promotes energy efficiency and provides equipment rebates to owners and tenants of multifamily properties, including residential apartment buildings, condominium complexes, and mobile home

parks.

B. Statewide Lighting Market Transformation

The Statewide Lighting Market Transformation Program (LMT) establishes processes through which the IOUs can develop and test market transformation strategies for emerging lighting technologies (products, systems and design strategies) as well as for technologies already incorporated into their energy-efficiency programs. The LMT Program will address lighting opportunities across residential, commercial, and industrial market segments for both replacement and new construction activities. These LMT activities augment and leverage the existing IOU programs for evaluating and testing the market transformation needs for short and long term activities to get to the zero net energy (ZNE) goals in the CEESP. LMT includes market research and coordination activities as well as an educational component aimed toward improving the information available to consumers, contractors, and other market actors regarding new and existing lighting technologies. The program also formalizes a process by which the IOUs can rapidly introduce advanced lighting solutions and emerging technologies to the marketplace, continually improve the IOUs' current lighting programs across all market sectors, and develop innovative new program strategies to continually advance the lighting market.

1. Lighting Technology Advancement Sub-Program

The Lighting Technology Advancement Sub-Program explores and chooses processes by which the IOUs can rapidly introduce advanced lighting solutions and emerging lighting technologies to the marketplace. This Sub-Program contains elements to conceptualize and test initiatives that introduce mid-term improvements to current lighting programs in response to product and market developments across all market sectors.

2. Lighting Education and Information Sub-Program

The Lighting Education and Information Sub-Program addresses the pressing need for more accessible information on lighting technologies across all market sectors and among IOU staff and installation contractors. The Sub-Program helps identify and utilize avenues by which advanced lighting education can be applied to pipelines for large-scale customer applications.

3. Lighting Market Transformation Sub-Program

The Lighting Market Transformation Sub-Program enables the IOUs to identify gaps in LMT strategies for different technologies and create data-driven solutions. These solutions will inform and leverage energy-efficiency program efforts to fill the gaps in market transformation strategies for each lighting technology. The Sub-Program will develop and test innovative program strategies to advance market transformation and help enfold proven approaches into resource-based production programs. This third Sub-Program will integrate the findings and networks uncovered by the first two Sub-Programs to implement synergistic activities that drive the market forward. It will collaborate with other lighting programs to plot paths and monitor progress toward achieving ZNE objectives.

C. Statewide Commercial Energy Efficiency Program

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

Targeted end-users include all commercial sub-segments such as distribution warehouses,

office buildings, hotels, motels, restaurants, schools, universities, colleges, hospitals, retail facilities, entertainment centers, and “hard-to-reach” smaller customers that have similar buying characteristics.

1. Calculated

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

2. Deemed Rebate

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

3. Non-Residential Energy Audits (NRA)

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

4. Direct Install

The Direct Install rebate offering provides small business customers that have a small peak demand the opportunity to have a third-party contractor retrofit existing systems to energy

efficient systems at no cost to the customer.

5. Continuous Energy Improvement (CEI)

CEI is a non-resource sub-program that describes the strategic planning tools and resources which lay the groundwork for long-term integrated energy planning and serve as a launching platform for other utility and non-utility programs and services. Through analysis, benchmarking, long-term goal setting, project implementation support, performance monitoring, and ultimately energy management certification, CEI aims to transform the market from a "project-to-project" approach to a continuous improvement pathway. In support of the California Long Term Energy Efficiency Strategic Plan (CEESP), a CEI approach also sets the stage for non-energy resource integration, such as greenhouse gas reduction, water conservation strategies, and regulatory compliance.

D. Statewide Industrial Program

The Statewide Industrial Program offers California's industrial segment a statewide-consistent suite of products and services designed to meet customer needs, overcome market barriers to optimized energy management, enhance adoption of integrated demand-side management (IDSM) practices, and advance the industry toward achieving the goals of the Strategic Plan. The Program overcomes barriers through strategies that provide an integrated solution to the customer; create heightened awareness through education and outreach; and foster continuous energy improvement (CEI). The Program also promotes use of commonly accepted standards, such as those established by the International Organization for Standardization (ISO) or the US Department of Energy (DOE), to document a facility's attainment of high resource management levels. Once achieved, the Program will offer branding and certification assistance to garner market recognition for their accomplishment. In addition, the Program will support

training to create a highly skilled energy efficiency workforce that is accessible to industry.

1. Nonresidential Energy Audits

Non-Residential Audits, including basic audits, Integrated Audits, and RCx Audits, provide an inventory of technical project opportunities and financial analysis information that can populate a customer's short- or long-term energy plan, as well as overcome informational and technical customer barriers.

2. Calculated

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

3. Deemed

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

4. Continuous Energy Improvement

Continuous Energy Improvement (CEI), a non-resource sub-program, describes a collection of strategic planning tools and resources that lay the groundwork for long-term

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

E. Statewide Agricultural Program

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

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

1. Non-Residential Audits

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

2. Calculated

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

3. Deemed

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

4. Continuous Energy Improvement

Continuous Energy Improvement (CEI), a non-resource sub-program, describes a collection of strategic planning tools and resources that lay the groundwork for long-term

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

5. Pump Test and Repair

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

F. New Construction Program

The New Construction Program is a statewide program that will continue the transformation process of California's residential and nonresidential new construction markets consistent with the vision of the California Long Term Energy Efficiency Strategic Plan (CEESP) and a more sustainable energy efficient future. Through several Sub Program elements,

the New Construction Program aims to ensure:

- Home builders of all production volumes in California will be encouraged to construct homes that exceed California's Title 24 energy efficiency standards by at least 15%;
- Residential new construction will work towards reaching "zero net energy" (ZNE) performance for all single and multi family homes by 2020;
- By 2011, 50% of new homes built in California will be 35% more efficient than 2005 Title 24 standards and 10% will be 55% more efficient;
- Plug loads will be managed for decline through technological innovation spurred by market transformation and customer demand for energy efficient products;
- Nonresidential new construction will be progressively more efficient and include clean, on-site distributed generation, moving towards Zero Net Energy (ZNE) by 2030.

1. Savings By Design (SBD)

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

Through an integrated design approach (a Whole Building Approach that encourages performance significantly better than Title 24 code by offering a variety of financial incentives) as well as a Systems Approach for simpler facilities where integrated opportunities are limited, SBD encourages energy efficiency and green building practices in new commercial buildings. These financial incentives are supplemented by a variety of other support activities such as: feasibility studies and pilot projects, training and education, conferences and workshops,

scholarships, and program marketing activities. In the 2009-2011 portfolio period, SBD will advance a broader palette of technical and financial resources to aid the proactive design of new facilities in accordance with the most cost-effective energy and resource efficiency standards. SBD will incorporate several new approaches towards integrated design and green building certification in support of the CEESP.

2. California Advanced Homes Program

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

Through a pay-for-performance sliding scale incentive structure that is based on a whole building approach, CAHP will encourage builders to exceed Title 24 energy efficiency standards by 15% to 45%. Performance Bonus adders, Design Team Incentives and some prescriptive measure incentives will also be included to encourage green building initiatives, energy star appliances, compact homes, and solar thermal installations. In addition, several non incentive customer services will be offered, including: technical support to Energy Analysts and Design teams, Design Team Assistance, Economic modeling / measure selection support to builders, marketing support and DSM coordination for builders to maximize demand side reductions. CAHP will be closely coordinated with the Zero Net Energy Homes, described below.

3. Zero Net Energy Homes

The Zero Net Energy Homes (ZNEH) examines a wide array of energy saving technologies, accelerates the market acceptance of new and emerging technologies, explores new solutions, and encourages distinctive approaches in demonstration projects. Participating builders will be encouraged to incorporate environmentalism, economics, and social equity in their design, while integrating landscape into the built environment for human interaction. Each being distinctive, these case studies will be positioned to highlight the underutilized potential of sustainability in residential new construction. IOUs will seek to integrate R&D ideas from Emerging Technologies, PIER, LBNL and other avenues to further assist the projects in advancing sustainability and achieving higher levels of energy efficiency.

4. Manufactured Housing

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

G. Residential and Commercial HVAC Program

The Residential and Commercial Heating, Ventilating, and Air Conditioning (HVAC) Program is a state-wide program that will continue the transformation process of California's HVAC market to ensure that:

- HVAC technology, equipment, installation, and maintenance are of the highest quality;
- Quality installation and maintenance practices are easily recognized and requested by customers;
- The HVAC value chain is educated and understands their involvement with energy efficiency and peak load reduction; and
- The above changes lead to sustained profitability for HVAC trade allies as the business model for installing and maintaining heating and cooling systems changes from a commodity-based to a value-added service business.

SDG&E and other IOUs propose building towards this vision for HVAC by implementing a comprehensive set of downstream, midstream, and upstream strategies that builds on existing program, education, and marketing efforts and leverages relationships within the HVAC industry to transform the market towards a sustainable, quality driven market. Through this state-wide HVAC Program and a state-wide HVAC Industry Leadership Task Force, we will gain a better understanding of the market response to our programs as well as the behavioral implications of the various market participants, and then actively revise/update strategies and programs accordingly, as guided by the CEESP.

1. ENERGY STAR Residential Quality Installation

This sub-program is applicable to installations of central air conditioning (CAC) systems

and air-source heat pump (HP) systems, with a rated capacity up to 65,000 BTU/H. Through this sub-program, a financial incentive will be available to homeowners who have a system installed in accordance with the Environmental Protection Agency (EPA) HVAC Quality Installation Guidelines. The installation requirements are illustrated in detail in American National Standards Institute/ Air Conditioning Contractors of America report (*ANSI/ACCA 5 QI-2007: HVAC Quality Installation Specification*). In addition to this incentive, homeowners will also receive an ENERGY STAR certificate for their qualifying installation. Contractors will be actively recruited into the sub-program by offering them the opportunity to receive performance incentives such as utility co-branding opportunities and diagnostic equipment for reaching specific performance milestones.

2. Commercial Quality Installation

This sub-program is applicable to installations of packaged HVAC systems, with a rated capacity up to 760,000 BTU/H. Through this sub-program, a financial incentive will be available to contractors who complete a system installation in accordance with the appropriate industry standards (e.g. ACCA, Sheet Metal and Air Conditioning Contractors' National Association (SMACNA) and American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE)). Contractors will be actively recruited into the Program by offering them the opportunity to receive financial and performance incentives such as utility co-branding opportunities, diagnostic equipment for reaching specific performance milestones and assistance aligning with the Energy Star Service & Product Provider program.

3. Upstream HVAC Equipment Incentive

This sub-program offers incentives to distributors who sell qualifying high efficiency HVAC equipment. The logic that underscores this sub-program's design is that a small number

of distributors and manufacturers are in a position to impact hundreds of thousands of customers and influence their choice of equipment by increasing the stocking and promotion of high efficiency HVAC equipment. The Upstream model cost-effectively leverages this market structure and existing relationships. The sub-program also provides an online rebate application system to facilitate distributor sales and invoice tracking, which further reduces administrative costs as compared with paper application processing.

4. Residential & Commercial Quality Maintenance Development

This sub-program may represent one of the more creative aspects of the HVAC "Big Bold Energy Efficiency Strategy." It is based on the assumption that there are energy and demand savings achievable through the regular application of quality maintenance (QM) procedures applied to existing residential and commercial HVAC equipment. This sub-program intends to (1) quantify those potential savings and (2) and if cost-effective, develop both a residential and a small commercial program to implement a comprehensive, continuously improving O&M activity that captures savings and provides a high return on investment (ROI) to the end-user thus driving the market transformation of the HVAC industry.

5. Technologies and System Diagnostics Advocacy

This sub-program is a coordinative and advocacy program that addresses the priority need for immediate and comprehensive action addressing elements critical to increasing, optimizing and maintaining the energy and peak electricity efficiency performance of direct expansion (DX)/vapor-compression–based cooling equipment and accelerating the market introduction of a range of advanced evaporative-based cooling technologies. The Program will be implemented by the Western Cooling Efficiency Center and funded by the IOUs. The sub-program includes unprecedented participation by HVAC industry stakeholders in Research

Development and Demonstration (RD&D), design, continuous review and updating, and operation of HVAC-related IOU programs. The sub-program includes cooperation and collaboration with the HVAC industry for the purpose of substantially advancing HVAC-related program quality and effectiveness. A continuous program improvement process will be introduced to provide an active, real-time means for improving program effectiveness and incorporating results in between planning cycles.

6. HVAC Workforce Education and Training

This sub-program will deliver a dedicated industry-specific effort that offers education and training opportunities targeted at all levels of the HVAC value chain. Prior to starting such an activity, and as outlined in the Strategic Plan, the sub-program will conduct a comprehensive training needs-assessment to determine industry skill gaps, identify opportunities for collaboration with existing HVAC education and training infrastructure, and implement recommendations needed to close gaps at all levels of the industry.

H. Statewide Codes & Standards

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

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

California.

1. Building Code and Appliance Standards Advocacy

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

As involuntary interventions, codes and standards are effective at breaking down market barriers such as split incentives between building owners and tenants that are difficult to overcome through incentive and information programs. Minimum code requirements direct consumers', builder's and renovation contractor's choices of materials and appliances to higher efficiency products, thereby reducing monthly energy bills to tenants. Regulations also improve equity in benefits from IOU customer investments in energy efficiency through rates. Through codes and standards, positive changes initiated through voluntary programs targeting early adopters are extended to all customers. Hence, hard-to-reach groups that do not participate in voluntary offerings benefit through C&S.

2. Compliance Enhancement (CE)

Compliance improvement is increasingly important to the energy efficiency industry in California. Having supported the commercialization of efficient technologies and practices through IOU incentive and rebate programs, achieving satisfactory compliance is a crucial

requirement for capturing market change for the long-term benefit of society. Broad compliance is necessary to level the playing field for well-intentioned suppliers and contractors who are otherwise faced with a competitive disadvantage when complying with regulations. Greater compliance strengthens voluntary program baselines, provides a solid foundation for future robust advocacy efforts, and improves throughput of California's energy efficiency industry by removing an industry bottleneck.

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

3. Reach Codes

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

The Program will encourage all local governments to first optimize compliance with

existing codes. In addition to the biggest savings opportunity, sub-optimal compliance with the existing code will erode potential savings from a new code. The reach code subprogram is designed to facilitate mutual support from the utilities and local governments to realize the full savings potential from codes, both statewide, and at a local level.

I. Statewide Emerging Technologies Program

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

a. Technology Resource Incubator Outreach (TRIO) Program

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

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

b. Zero Net Energy Laboratory

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

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

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

c. Zero Net Energy Demonstration «GreetingLine»

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

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

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

d. Technology Centers

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

In the 2009-2011 program cycle, a fourth test facility will be added to the portfolio to help meet California's new ZNE goal for residential construction, with potential to also address commercial needs. This facility, the Advanced Residential Test Center (ARTC), will be used to investigate the viability of energy efficiency, demand response, smart meters, and on-site renewable generation in meeting the needs of builders and occupants. It will be designed as a flexible facility to accommodate a range of different envelope, space conditioning, lighting, plug load, and renewable technologies. The ARTC will provide the opportunity to examine these technologies on a system level, while individual benefits can be assessed in the existing TTCs.

J. Statewide Workforce Education & Training (WE&T)

The Statewide IOU Workforce Education and Training (WE&T) Program represents a portfolio of education, training and workforce development planning and implementation funded by or coordinated with the IOUs. Education and training is a vital component to each of the IOU energy efficiency portfolio filings for 2009-2011 and integral in supporting achievement of IOU energy savings targets and the workforce objectives set forth in the California Long-Term Energy Efficiency Strategic Plan (Strategic Plan). Workforce Education & Training has become an important crosscutting activity for the IOUs in an effort to not only educate and train current workers, but to prepare future workers to be able to successfully perform the jobs needed to help

achieve increased energy savings targets for the IOUs and California's clean energy goals.

WE&T relies on statewide coordination to collaboratively create a comprehensive training platform that leverages the potential of key stakeholders with the resources, knowledge and commitments to implement an education and training strategy that focuses on integrating existing workforce skills with new workforce needs, as well as expand outreach efforts to increase awareness and demand for green careers.

e. WE&T Centergies

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

The Statewide Building Operator Certification (BOC) Training Partnership, the second

component of this subprogram, will continue to play a major role in improving and maintaining California's energy efficient green collar building workforce stock of building engineers, stationary engineers, maintenance supervisors, maintenance workers, facility coordinators, HVAC technicians, electricians, and others in the facility operation and maintenance field. The IOUs have been collaborating with BOC to offer California building operators competency-based training and certification, resulting in improved job skills and more comfortable, efficient facilities. Operators earn certification by attending training and completing project assignments in their facilities. Training topics include facility electrical, HVAC and lighting systems, indoor air quality, environmental health and safety, and energy conservation. The IOUs will work with BOC to shape and realign the BOC certification program to be consistent with the California Long Term Energy Efficiency Strategy Plan.

f. WE&T Connections

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

g. WE&T Planning

The WE&T Planning Sub-Program involves management and execution of several strategic statewide planning tasks and resulting project implementation actions initiated by the Strategic Plan. The tasks and projects are seen as instrumental in delivering mechanisms and protocols that facilitate on-going momentum and focus on the achievement of workforce, education and training long-term goals. The WE&T Planning Sub-Program facilitates implementation and completion of the four key strategic tasks identified in the Strategic Plan to drive long-term WE&T development:

- Form an IOU/CPUC WE&T Task Force
- Conduct a Needs Assessment
- Create a WE&T Specific Web Portal
- Facilitate bi-Annual WE&T Public Workshops

K. Marketing, Education & Outreach

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

Californians are currently engaged in a broad public discussion about energy use and its relationship to global warming and the environment. AB 32 set the stage for a statewide transition to a clean energy future by requiring the reduction of greenhouse gas emissions to

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

1. Statewide Marketing & Outreach

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

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

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

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

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

2. Strategic Plan Implementation

The goal of the ME&O Strategic Planning effort is to create a culture in California that practices energy efficiency and other demand side management options as a way of life resulting in both short term and long term behavior change. Because many consumers believe that they are already doing everything they can to save energy[9], a concerted effort must be made to convince them that they can, in fact, do more.

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

L. Statewide Integrated DSM Program

The California Long Term Energy Efficiency Strategic Plan (Strategic Plan) encourages programs that integrate the full range of demand-side management (DSM) options: energy efficiency (EE), demand response (DR), and distributed generation (DG) as fundamental to

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

achieving California's strategic energy goals.

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

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

V. SDG&E Local Programs

A. Local Institutional Partnerships

Institutional Partnerships are designed to create dynamic and symbiotic working relationships between IOU, state or local governments and agencies or educational institutions. The objective is to reduce energy usage through facility and equipment improvements, share best practices, and provide education and training to key personnel. SDG&E's 2009-2011 statewide partnership portfolio will focus strongly on supporting the key California Energy Efficiency Strategic Plan goal of Demand Side Management Integration and Coordination, which includes

establishing integration procedures, piloting DSM integration programs, and improving regulatory coordination. The 2009-2011 Institutional Partnerships will also concentrate on innovative delivery channels and funding mechanisms to meet current economic conditions and achieve program integration and savings.

1. California Community Colleges Partnership (CCC)

The CCC/IOU Energy Efficiency Partnership has been a successful collaboration between the CCCs and the four IOUs. The CCC is a two-year public institution of higher education that is composed of 110 colleges statewide and organized into 72 self-governing Districts. It serves more than 2.6 million students coming from a wide range of cultural and economic backgrounds, and represents the largest system of higher education in the world. SDG&E alongside the other IOUs (PG&E, SoCalGas and SCE) will continue this collaboration, which started with the 2006-2008 CCC/IOU Energy Efficiency Partnership, to share best practices and implement energy efficiency programs and projects for immediate and long-term energy savings and peak demand reduction.

This partnership provides a unique opportunity to deliver cost effective energy savings while leveraging the CCC's local and statewide new construction bond funding. The 2009-2011 CCC/IOU Partnership will expand its efforts for the implementation of energy-efficient Retrofits, New Construction Design Assistance facilitated by the Savings By Design program, DR, Retro-Commissioning (RCx), and Monitoring-Based Commissioning (MBCx) projects. The program will also focus its efforts on training and education, which will expand existing education programs by training faculty and staff in best practices on energy efficient technology implementation and energy management.

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

SDG&E and the (CDCR) are collaborating to continue the Department of Corrections and Rehabilitation/IOU Partnership for the 2009-2011 cycle. The CDCR/IOU partnership is a customized statewide energy efficiency partnership program that accomplishes immediate, long-term peak energy demand savings and establishes a permanent framework for sustainable, long-term comprehensive energy management programs at CDCR institutions served by California's four large IOUs.

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

3. UC/CSU Partnership (UC/CSU)

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

The UC/CSU/IOU Partnership is a natural fit with the goals, objectives and strategies articulated in the CLTEESP. The partnership was designed to achieve immediate energy and

demand savings and establish a permanent framework for sustainable, comprehensive energy management programs. The partnership program is an existing statewide nonresidential program that will continue in the 2009-2011 program cycle. It will continue to offer incentives for retrofit projects, monitoring-based commissioning, and training for campus energy managers.

4. State of California Partnership (State of CA)

SDG&E and the State of California are collaborating to continue the State of California/IOUs Energy Efficiency Partnership program for the 2009-2011 program cycle. This program's goals include sharing energy efficiency best practices and implementing projects to capture immediate and long-term energy savings and to produce mechanisms for peak demand reduction.

B. Local Government Partnerships

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

The Government Partnership program is designed to reach local governments in all of their roles. Depending upon the activity, SDG&E may play a different role with the local government, ranging from service provider to supporter to equal partner. Governments

increasingly engage in strategic planning for GHG reduction not only in their facilities (represented in the municipal GHG inventory) but also in the community (analyzed in the community GHG emissions inventory). Opportunities increase for partnerships with utilities to meet mutual goals of energy reduction. These governments can not only coordinate and integrate demand-side management opportunities in each sector or market they influence, but also effectively leverage and promulgate low-income offerings.

1. Government Facilities

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

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

2. Strategic Plan Support

The Strategic Plan Support element will be implemented primarily through the unique program elements of the Emerging Cities coordinating with the SANDAG partnership and some components of the individual partners which are specifically designed to actualize the vision set

forth in the long term strategic plan: California's local governments will be leaders in using energy efficiency to reduce energy use and global warming emissions both in their own facilities and throughout their communities.

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

3. Core Program Coordination

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

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

4. Emerging Cities

The Emerging Cities program (ECP) will build the capacity of local governments to engage in energy efficiency and will provide support to local governments and communities to achieve their energy use and GHG reduction goals. SDG&E will provide an integrated suite of program elements, including tools and technical assistance, to all cities and counties in the service area. The tightly-integrated program services, offered by SDG&E and selected service providers, will include:

- Government facility efficiency tools, code compliance and reach code support, guiding documents, community financing, and templates for outreach tools;
- Peer-to-peer learning networks, support, and opportunities;
- Robust communication of best practices and case studies; and
- Recognition program.

The Emerging Cities program was initially developed to incorporate key strategies from the workshops and documents that led to the Strategic Plan (Strategic Plan).

SDG&E plans to expand support for local GHG and energy use reduction efforts through the Emerging Cities program. This program will work closely with communities and municipal governments to help them increase their capacity to engage in energy efficiency and achieve their energy use and GHG reduction goals. SDG&E will increase its capacity to deliver energy program specific data so that governments can develop GHG strategies that take advantage of Utility programs to help meet their GHG reduction and renewable goals. Improved information, shared with governments, enables governments to increase use of Utility offerings and energy savings by leveraging government's unique roles. The Emerging Cities program is available to

all governments in SDG&E's service area.

5. Fluorescent Lamp Recycling Partnerships (Unique Program Element)

SDG&E is not offering this program.

6. Individual Local Government Partnerships

a. County of San Diego

The City proposes to partner with SDG&E to leverage the City's assets with the programs offered by SDG&E. The anticipated outcomes are five-fold: 1) Maximize energy efficiency program penetration; 2) Achieve short and long-term energy savings and demand reduction for municipal operations and the community; 3) Reduce greenhouse gas emissions through energy and water conservation; 4) Design and enforce codes and standards and provide education and training to the diverse community served; and 5) Increase referrals to services provided by SDG&E.

b. City of Chula Vista

Building upon its past successes, the 2009-2011 SDG&E/Chula Vista Energy Efficiency Partnership's goal is to create innovative approaches to improving community and municipal energy efficiency and achieving both direct and indirect energy savings. The Partnership will combine and leverage the resources of four City departments to deliver cost-effective, holistic opportunities for promoting energy efficiency within the community. The program components include municipal facility efficiency improvements, strengthened building energy codes and inspections, energy-saving redevelopment planning and design and community-based energy conservation education and facility assessments.

c. City of San Juan Capistrano

The City of San Juan Capistrano will partner with SDG&E's Energy Efficiency Local

Government Partnership program in order to reduce energy consumption, achieve long and short term energy savings goals, explore DR opportunities and serve as a model city for neighboring communities as a leader in sustainability.

d. San Diego Port Authority

The goal of this partnership is to enhance the Port's role in the region as an environmental steward by maximizing energy efficiency on Port tidelands and providing outreach to the general public. The partnership is comprised of five integrated elements: an Energy Efficiency Education and Outreach program, a Land Use and Development Opportunities Program, a Facilities Retrofits Program, a Sustainable Energy Plan, and participation in a Chula Vista Bayfront Sustainability Plan.

e. San Diego Association of Governments (SANDAG)

The SANDAG Partnership will take advantage of its capacity as the regional planning organization to provide outreach, planning and technical assistance to its member agencies on energy and climate change. SANDAG, in coordination with SDG&E's Emerging Cities program, will develop comprehensive energy management plans for its participating member agencies which will address energy efficiency, renewable energy, and carbon dioxide emissions among other sustainability measures for municipal buildings as well as transportation and land use decisions.

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

SDG&E is offering assistance to help local governments reduce their carbon footprint through increased energy efficiency. This offering will primarily be delivered through the non-profit organizations, ICLEI – Local Governments for Sustainability, U.S.A., Inc. (ICLEI), the

Institute for Local Government (ILG) and the Local Government Commission (LGC). This collaborative effort is structured to leverage the unique resources, assets, relationships, communications channels, programs, training, models and tools brought by each non-profit organization to support the CEESP. This is a statewide local government strategic element support effort among the four investor-owned utilities.

C. Comprehensive Home Performance Program (CHPP)

SDG&E's Comprehensive Home Performance program (CHPP) is a new addition to the 2009-2011 Residential Energy Efficiency Portfolio. The program proposes to deliver comprehensive energy efficiency improvement packages tailored for both the home resale and home modeling markets. The CHPP solicits, screens, and trains qualified residential repair and renovation contractors to assemble capable contracting teams and perform whole-house diagnostics, propose a comprehensive energy efficiency improvement package, and complete the improvements. The program also includes marketing activities to help educate customers on CHPP program services as well as providing additional customer leads to trained and experienced contractors. Incentives and available financing options will be provided to help offset the initial homeowners cost for the energy efficiency Home Performance improvements. Contractors will receive an incentive for formal home diagnostics, post retrofit quality assurance testing and reporting data on all jobs. Furthermore, the program will provide consistent standards and professional identity in association with the national Home Performance with ENERGY STAR® program.

The CHPP services for participating contractors includes: orientation, training in both technical and business/marketing/sales topics, field mentoring and support, specialty teambuilding, website materials, email newsletters, an online peer group Q&A forum, and a

broad range of alliance-building, education and marketing services.

D. Local Kitchen Learning Center

Currently, SDG&E's service territory is the only IOU in the state that does not offer a food service center for its customers. Restaurants consist of establishments engaged in the sale and service of consumable goods. This sector represents 6950 electric accounts (5.9% usage) and 4741 gas accounts (10.5% usage).

This will provide an opportunity to offer education and training services on various aspects of food service facility design, maintenance and operations (seminars, design consultations and EE site audits) and participating in industry outreach and events. Additionally, this center will play a unique role in supporting SDG&E energy efficiency and demand reduction programs by generating project leads for those programs.

The goals of the Program are to:

- Work directly with the Food Service and Hospitality segments to disseminate expert, hands-on insight regarding energy efficiency technology and practices with a view to reducing energy usage, operational and maintenance costs, and improve productivity.
- Provide education and training to a variety of midstream and upstream market professionals (e.g. architects, designers, engineers, distributors, managers, educators, contractors, and others) to be used in planning, administering, implementing and evaluating their energy efficiency practices.

E. Micro Grid Comprehensive Energy Efficiency Delivery Pilot

SDG&E's Transmission and Distribution Group is preparing to begin a demonstration project that will investigate improving the reliability of delivering electricity by providing local

generation to select substations. Through this project SDG&E will select a representative substation and site a dedicated power plant to meet the energy needs of customers fed from the substation. Additionally, this project will investigate new communication and control strategies required to serve this unique "Micro Grid".

This effort will allow SDG&E to form new, creative partnerships with key stakeholders like CCSE and local governments to achieve an integrated demand-side management community. This innovative pilot will provide a path for future programs to offer comprehensive energy solutions to customers. In addition to energy efficiency, this pilot is unique in the level of coordination and integration with other programs like DR, CSI and Smart Meters to achieve cross-cutting energy solutions for customers.

F. Local Non-Residential Program (Energy Bid)

The SDG&E Local Non-Residential program (Energy Bid) is a customized incentive program designed to fit the unique needs of non-residential customers.

Energy Bid will serve all non-residential market segments within the SDG&E service territory. The Program will provide incentives for EE projects (energy-efficient retrofits or replacement of existing equipment at SDG&E customer sites). To qualify, a project must save at least 500,000 kWh per year for electric projects or 25,000 therms per year for gas projects. To maintain flexibility in the Program, the minimum savings amount may be lowered for pilot programs, measures that do not qualify for other SDG&E EE programs, and the discretion of the SDG&E program manager.

G. On-Bill Financing

The On-Bill Financing program is designed primarily to facilitate the purchase and

installation of comprehensive[10], qualified energy efficiency measures by customers who might not otherwise be able to act given capital constraints and/or administrative and time burdens. It is designed to build on the success of the 2006-2008 program cycle offering. SDG&E proposes to establish a $9 million sustainable loan pool from non-PGC ratepayer funds to fund loans during 2009, 2010 and 2011.

Participating customers who install comprehensive projects are eligible to receive a full rebate or incentive from the participating programs and to finance the balance of comprehensive, qualified energy efficiency and demand response measures. The loan is not transferable.

H. Strategic Development and Integration

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

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

[10] Comprehensive is defined as two or more distinct measure types not including CFLs or delamping.

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

- Collaborating with the Emerging Technologies group to ensure that cutting edge technologies are quickly adopted and incorporated into the programs thru 2011 and beyond.

- Working in partnership with, and providing information and guidance to, program sector management to ensure that interim milestones and approaches are directed toward the long-term vision.

I. Sustainable Communities Case Studies Program

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

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

VI. Third Party Programs

A. Appliance Recycling

The Appliance Recycling program (ARP) provides long-term coincident peak demand reduction and annual electric energy savings in the residential and nonresidential (small commercial) sectors by retiring and permanently removing operating, inefficient refrigerators, freezers and room air conditioners (ACs) from service in SDG&E's service territory.

B. Business Energy Assessment (also known as Energy Challenger)

The Energy Challenger program will build on the existing 2006-2008 Energy Challenger program with a goal to engage 2,500 new small and mid-sized businesses (20-500 kW) in a web-based energy audit/business assessment (delivered through the SDG&E website), and provide each business with an immediate action plan containing direct links to Company rebates and implementation services. The 2006-2008 program exceeded its target of completing on-line energy audits for 2,000 small and mid-sized businesses five months ahead of schedule.

Outreach will include innovative direct mail, e-mail and telephone contact to target businesses. The program also includes a retention strategy to drive implementation of Company energy efficiency programs by automated follow-up and telephone implementation support. The program has been customized for Company services and is hosted by contractor (no Information Technology (IT) requirements for SDG&E).

C. 20% Cooler

The 20% Cooler program provides incentives for the installation of the enhanced time delay (ETD) on residential and commercial air conditioners. The ETD improves energy efficiency by harvesting the 20% to 30% cooling capacity that would otherwise be lost. The ETD runs the fan at the end of the compressor cycle – evaporatively cooling the air returning to the

building.

The measure is the installation of a control device that runs the inside air conditioner (AC) fans after the compressor is off. The fan run time increases as the compressor run time increases. The compressor run time is an indicator of how much water is on the AC evaporator coil.

D. CHEERS New Construction Advanced Rating

The CHEERS New Construction Advanced Rating program supports the Residential New Construction programs by developing a software enhancement to the CHEERS database that calculates the as-built energy savings the program generates. The incremental energy savings produced by the program will be reported by the Residential New Construction program and will not be separately reported by the Advanced Rating program.

E. Comprehensive Industrial Energy Efficiency

The Comprehensive Industrial Energy Efficiency program will develop and implement industrial energy efficiency projects with a focus on both demand reduction and energy efficiency.

The program scope and objective will include an operational savings and continuous improvement component called Monitoring and Targeting (M&T) services. This service is offered to establish information processes and tools to provide industry benchmarking, correlation of utility use to production levels, and continuous improvements (energy use reductions) in energy efficiency in industrial facilities.

F. Comprehensive Manufactured and Mobile Home Program

The residential Comprehensive Manufactured and Mobile Home program is designed to

complement SDG&E's Residential Energy Efficiency Portfolio by reaching manufactured and mobile home customers. This is a targeted market that is not reached by statewide mass-market programs, yet which shows rich potential for cost-effective energy and demand savings.

G. M2M Hot Water & HVAC Controls for Restaurants Program

The M2M Restaurant HVAC and Hot Water program will address two of the largest users of energy in restaurants. The program will take a comprehensive approach to the target sector and reduce energy usage by controlling HVAC and water heating systems in an integrated manner.

H. Healthcare Energy Efficiency Program

The Healthcare Energy Efficiency program aims to deliver significant, measurable energy savings in one of the state's heaviest energy use sectors, healthcare. The program was created to address the complex issues of the healthcare industry's hesitancy to adopt energy efficiency behaviors, initiate facility upgrades, and achieve cost-effective energy savings. This program is currently offered in the SDG&E and SCE service territories.

I. K-12 Energy Efficiency Education Program

The K-12 Energy Efficiency Education program is designed to educate students about energy with an emphasis on energy efficiency. The primary purpose of this program is to create awareness amongst families, students, and teachers of the potential cost savings opportunities available through behavioral changes related to energy use. The objective of the program is to change the behavior of students so that they always exhibit good conservation practices at home and school. The intent is to have participating local teachers influencing other local teachers to become engaged and implement the curriculum in their classrooms. The San Diego Unified

School District (SDUSD) and the San Diego County Office of Education (SDCOE) will engage science teachers through professional developments, measure knowledge outcomes as a result of curriculum implementation, and survey teacher, students, and family behavioral changes as a result of this curriculum implementation.

J. K-12 Private Schools and Colleges Audit and Retrofit Program

This program will provide comprehensive energy efficiency services to private preschools, K-12 schools, private colleges and universities, and trade/technical schools market segments. The primary objective of the program is to help these facilities realize both short- and long-term energy savings in a cost effective manner.

The program is designed to identify and address most energy efficient opportunities that can be found at an educational facility, ranging from no-cost/low-cost measures to those that require capital investments. Specific measures will include lighting, HVAC, refrigeration, and plug loads. An energy audit will be conducted at the facility to identify all potential opportunities; those will be classified based on the type and level of investment required. No-cost/low-cost measures will be provided to participating facilities free of charge, and the program will help pay for capital investment measures through financial incentives.

K. Lodging Energy Efficiency Program

The Lodging Energy Efficiency program is a comprehensive energy efficiency retrofit program that delivers multi-measure retrofits and retro-commissioning services to medium and large lodging facilities. The program provides an integrated approach to energy efficiency, demand response and distributed generation specifically tailored to the hotel and motel market segment throughout the SDG&E service territory. The program focuses on delivering cost-effective energy efficiency savings and the development of demand response and distributed

generation opportunities. The program will provide ENERGY STAR benchmarking to all interested participants and a post-installation savings review to ensure savings persist as a resource that ratepayers can rely upon.

L. Residential HVAC Tune-up/Quality Installation of New Equipment (also known as AC TIMe) Program

AC TIMe targets SDG&E residential customers with air-cooled, refrigerant-based (known as "direct expansion or "DX") air conditioning improvements. The objective of the program is to improve the performance of existing Heating, Ventilating, and Air Conditioning (HVAC) systems for participating SDG&E customers through the use of advanced diagnostic techniques, the replacement of existing inefficient air conditioners with new high efficiency units, adherence to quality installation procedures, and quality of service training designed to provide HVAC contractors with skills that enable them to move energy efficient products and services through the market place.

M. Multi-Family Less than 39 Units Retrofit

The Multi-Family Less than 39 Units Retrofit program will target property management companies and property owner/managers of multiunit complexes with less than 39 units. The objective of the program is to install energy efficiency measures (EEMs) to this untapped market. The program will deliver EEMs to multi-family units that are traditionally overlooked because of their small size. These units are overlooked because they usually do not have on site managers who will assist contractors with access to their units for installation of energy efficient measures. Additionally many smaller complexes have owners who are retired and would rather make improvements to their structures themselves. Unfortunately, many of these same owners are unfamiliar with utility energy efficiency programs. Explaining the energy saving benefits is

one of the values and main role that marketing representatives of the program will bring to the property owners and managers.

N. Mobile Energy Clinic for Furniture Stores, Restaurants, and Small Retail and Service Facilities

The Mobile Energy Clinic program (MEC) encompasses three market segments: furniture stores, restaurants, and small retail and service facilities. The program's goal is to improve energy efficiency for these business segments throughout the SDG&E service territory, as they represent a significant, energy-intensive sector of the retail market that has not been specifically targeted by other energy efficiency programs. Contractor's staff will use a combination of marketing strategies to enroll customers in the program.

O. Nonresidential Heating, Ventilating, and Air Conditioning Tune-up Quality Installation Program (Premium Efficiency Cooling) Program

The Nonresidential Heating, Ventilating, and Air Conditioning (HVAC) Tune-up Quality Installation program provides all eligible commercial customers in the San Diego Gas & Electric (SDG&E) service area with tools, information and financial rebates to encourage the purchase new high-efficiency HVAC equipment and maintenance of their existing Air Conditioner (A/C) systems at optimal efficiency.

P. Portfolio of the Future Program

Portfolio of the Future (PoF) is designed to leverage and enhance SDG&E's Emerging Technology (ET) efforts by identifying and accelerating the market adoption of emerging technologies that can significantly improve end-use electricity efficiency in SDG&E's service territory. The PoF work will accomplish this by:

- Helping to validate emerging technologies, demonstrate the benefits, build the necessary market infrastructure, and promote and encourage early adoption by concurrently providing assistance, defining the value proposition, and addressing market barriers.
- Building awareness regarding the benefits from the emerging technologies and setting the stage for including some of the emerging technologies in the next cycle (2012 – 2014) of energy efficiency programs.
- Proactively identifying promising opportunities that can reduce reliance on volatile energy supplies.
- Leveraging the joint resources and assets of SDG&E; other utilities, including SCE and PG&E; Navigant Consulting, Inc. (NCI); potential Research and Development (R&D) partners, including the DOE, California Energy Commission's (CEC) Public Interest Energy Research program (PIER), New York Sate Energy Research and Development Authority (NYSERDA), private equity, and venture capital funds; the utilities' customers; other state and Federal agencies; and, local governments.

Q. Smart Controls for Pools and Spas Program

This program will facilitate improved management of pool and spa heaters and pumps with improved controls and time-temperature algorithms. The controls reduce pump and heater run time, as well as overheating of the pool. This program will enhance the commercial target by reducing gas and electric consumption at those particular sites. Smart controls reduce consumption by managing the heaters properly, by not heating during non-use periods and allowing the sun to heat the water. Water flow, back pressure, and chemical readings will also help the pool vendor determine the optimal pump run times, back wash of filters, and chemical

additives. The program will provide proactive time-temperature devices that respond to current and past conditions along with user input and digital sensors to provide accurate control of pool and spa systems.

R. Electric Resistant Heating Program

The Electric Resistant Heating program will provide measurable direct savings via the installation of a thermostat(s) for electric radiant heating in all-electric single family and multi-family homes. This service will only be provided for customers in SDG&E's service territory that have outdated, ineffective, or defective controls. The existing ineffective or defective controls do not provide a functional on/off position or are out of calibration.

S. Retrocommissioning (RCx) Program

The Retrocommissioning program provides services and incentives to support retrocommissioning of commercial buildings larger then 100,000 square feet in the SDG&E territory. The program recruits potential candidates, screens and benchmarks buildings to determine eligibility, qualifies retrocommissioning providers, and provides oversight of the retrocommissioning process. Throughout the retrocommissioning process, the program oversees the retrocommissioning provider's investigation. Following investigation, the program helps customers select measures for implementation then provides support throughout the implementation process to maximize energy savings. When implementation is completed, the RCx provider conducts verification of the measures and provides training to the building operators to maintain the measures and associated energy savings over time. Finally, the RCx program installs performance tracking and monitoring equipment as an offering to approximately one third of the projects to provide ongoing monitoring and verification of energy savings.

T. Hot Water Control with Continuous Commissioning (SaveGas)

This program provides gas savings by implementing domestic hot water control systems in hotels, motels, resorts and senior care facilities, plus their associated hot water consumers (e.g. on-site kitchen and laundry facilities). A typical equipment arrangement consists of a hot-water storage tank, a hot-water boiler which includes a circulation pump, a loop or network of piping to supply the heated domestic hot water to the facilities guest rooms/dwelling units, and a recirculation pump on the return line from the piping loop.

U. Energy Efficient Water Pumping

The Energy Efficient Water Pumping program aims to improve the energy efficiency of water pumps used for irrigation and domestic water supply. The program will focus on three market sub-segments: Agriculture, Municipal Water Agencies, and Large Turf Recreational Facilities, such as golf courses and sports fields. Industrial process pumps, residential accounts, and primary and secondary sewage pumps will be excluded. To achieve energy savings, this program will offer SDG&E customer rebates for water pump audits and retrofits and technical assistance/education regarding the operation, maintenance, and repair of water pumps. The reduction in water use will also translate to embedded energy savings, as reduced water use means less energy required to run and deliver water to a water pump.

VII. Third-Party Programs Competitive Bid Process

SDG&E's Third Party Programs ("3P") are a diverse set of resource and non-resource programs offered by outside vendors to its customers. The budget allocated to these programs will meet or exceed the Commission's requirement that utilities dedicate at least 20 percent of their energy efficiency budgets to 3P programs; however, specific proposed budgets and goals as of this filing are not final because these amounts remain subject to Commission approval of its

Policy Recommendation regarding treatment of CEESP cost and completion of contract negotiations with vendors. A complete list of third party programs that were identified for potential implementation (pending final Commission approval of program budgets and negotiations) are available in the 3P Program Implementation Plan in Appendix B.

SDG&E's 2009-2011 program cycle includes three types of 3P programs: competitively bid programs, renewed programs, and potentially renewed programs. Renewed programs are those 2006-2008 third-party programs that have demonstrated the ability to meet program goals and/or deliver cost effective energy savings. Potentially renewed programs are those relatively new third-party programs that SDG&E will evaluate the first quarter of 2009 for possible renewal. Competitively bid programs are those that SDG&E selected through requests for proposals (RFPs) to complement these programs and planned core utility programs.

A. Third Party Program Competitive Process

1. Introduction

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

Significant effort was made to reach out to entities in both the energy efficiency industry

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

SDG&E's competitive bid selection process is fully compliant with D.05-09-043 (at pages 17-18).

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

(2) SDG&E worked closely with its Peer Review Group ("PRG") in developing both its selection criteria and selection process and in reviewing the findings and recommendations of the procurement process. SDG&E addressed all PRG concerns and reached a consensus on its final selections.

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

It should be noted that the specific savings assumptions and other cost-effectiveness assumptions that these selected third parties used in their proposals have not been updated to conform with the 2008 DEER updates and therefore after their inputs have been adjusted to conform with Commission's final decision on the utilities cost effectiveness inputs, their

proposal may change. The specific program savings goals and budgets will be negotiated after this filing is approved. No contracts will be executed until the Commission renders its approval of SDG&E's 2009-2011 Energy Efficiency Program Application.

2. PRG Participation

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

3. Flight Structure of Solicitations

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

marketplace.

Table 1-13: Description of RFP Stages

Flight 1 - Stage 1	Statewide General Request For Abstracts	
	SDG&E Local Innovative (DEEP) Requests For Abstracts	
Flight 2	Statewide Targeted Request For Proposals	Energy Efficiency Program for Entertainment Centers K-12 Private Schools and Private Colleges Audit and Retrofit Program Manufactured Housing Program – New Construction
	SDG&E Targeted Requests For Proposals	Comprehensive Commercial Real Estate Developer Retrofit Energy Efficient Water Pumping Motor Efficiency Controller Res/Non-Res HVAC tune-up/ Quality Installation
Flight 3	SDG&E Targeted Requests For Proposals	Commercial Equipment Recycling Domestic Hot Water, Ventilation, and Lighting Electric Resistant Heating Enhanced Time Delay Motors Multi-family Energy Efficiency Direct Install (Less than 30 Units)
Flight 1 - Stage 2	Statewide General Request For Proposals	
	SDG&E Local Innovative (DEEP) Requests For Proposals	

- Statewide General Program Solicitations

SDG&E participated in the Statewide General RFP process. The intent of this solicitation was to offer the marketplace the ability to standardize programs across the state and potentially leverage economies of scale to the benefit of both the vendors and the ratepayers. This solicitation did not define the design or implementation method of the program, but rather gave bidders the opportunity to propose any cost effective program that would complement SDG&E's existing portfolio.

- Innovative Program Solicitations

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

- Targeted Solicitations

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

4. Bid Submission and Preparation Process

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

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

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

a. Summary of the Development of the Solicitation Process

In late 2006, the IOUs and the local PRGs met to discuss the process by which a statewide solicitation could be conducted. As reflected in the Energy Division report, the IOUs

and the PRGs agreed to various approaches to a statewide solicitation including the agreement that the IOUs were to commit to a statewide solicitation process beginning 2009-2011.

In July 2007, the IOUs began discussions regarding the solicitation planning process by sharing "lessons learned" from prior solicitations. IOUs also shared these past "lessons learned" with their individual IOU PRGs during their local solicitations conducted during the 2006-2008 period. The "lessons learned" were used to improve the 2009-2011 solicitation process. Lessons learned addressed the bidders, outreach and pre-notification, the RFPs, the bid stages, technical documentation, scoring processes and criteria, and other key elements of the solicitation process. The lessons learned and related solutions were incorporated into the design of the 2009-2011 solicitation.

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

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

Through this process, the IOUs closely coordinated, and operated joint working groups for each of the following issues: statewide program identification, statewide general and local innovative RFPs, scoring and weights, PEPMA and portal development, and

procurement/solicitation process coordination.

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

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

D.07-10-032 allowed the IOUs to use the scoring criteria from the 2006-2008 cycle as the basis for 2009-2011 scoring. In addition, it required "the utilities to conduct third-party solicitations in time for inclusion in their energy efficiency portfolio applications", which was originally due May 15, 2008. This direction made the early launch of the solicitations a priority.

b. Questions and Answers

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

c. E3 Calculator Workshop

To increase the quality of the proposals and subsequent programs, bidders were required to participate in an E3 Calculator workshop sponsored by SDG&E. The purpose of the workshop was to familiarize bidders with how the E3 Calculator tool works and the inputs

required. The workshop was held via a web conference on several occasions to increase the ability to reach perspective bidders. Several hundred vendor representatives participated in the E3 Workshops and the Bidders Conferences held by SDG&E as part of this competitive bid process.

d. Evaluation Criteria

These scoring criteria were as follows:

Table 1-14: Flight 1 – Stage 1, Statewide General Resource Programs for Residential, Non-Residential, Cross-Cutting

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

Table 1-15 Flight 1 – Stage 1, Local Innovative Resource Programs for Residential, Non-Residential, Cross-Cutting

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

Table 1-16: Flight 2, Statewide and Local Targeted
Resource Programs for Residential, Non-Residential, Cross-Cutting

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

Table 1-17: Flight 3, Local Targeted
Resource Programs for Residential, Non-Residential, Cross-Cutting

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

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

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

Table 1-19: Flight 1 Stage 2, Local Innovative
Resource Programs for Residential, Non-Residential, Cross-Cutting

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

e. Bid Evaluation Process

The competitive bid process involved multiple steps with several review cycles by SDG&E Program Management, Engineering, Supplier Diversity, and Supply Management that

allowed for a complete, equitable, and standardized process that included quality control checks. In addition, SDG&E hired an independent consulting group to coordinate the third-party proposal review tasks and ensure that each proposal was treated in a fair and consistent manner. The goal of the overall process was to ensure that the solicitation process moved forward in an efficient manner for both the participating vendors and SDG&E staff and that the awarded third-party programs provided the best portfolio fit to meet SDG&E's long term energy efficiency plan and the CPUC's goals.

The final step in the selection process was to present a summary of the evaluation process and the results of the SDG&E management review to the PRG. During this meeting, SDG&E presented its findings and award decisions and explained the rationale for those decisions. The PRG then made suggestions that modified SDG&E's original awards or concurred with SDG&E's recommendations. The outcomes of these meetings and thus the final award outcomes are summarized below.

f. Results of Competitive Third-Party Solicitation Process

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

1. Flight 1 - Stage 1

a. Initial Results

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

- 53 Abstracts Received
  - 31 Statewide General

  - 22 Local Innovative
- 4 Abstracts failed the Responsiveness Evaluation
- 7 Abstracts were Not Reviewed
  - 2 were duplicate submittals
  - 5 were proposals for programs that are being renewed by SDG&E outside of this procurement process
- 42 Abstracts were Reviewed
- 35 Abstracts were Recommended – Ask to submit full proposal under Stage 2
  - 19 Statewide General
  - 16 Local Innovative
- 7 Abstracts were Not Recommended – Not invited to submit a full proposal for Stage 2

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

b. PRG Input

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

- 42 Abstracts were Reviewed
- 27 Abstracts were Recommended – Ask to submit full proposal under Stage 2
  - 15 Statewide General
  - 12 Local Innovative
- 15 Abstracts were Not Recommended – Not invited to submit a full proposal for Stage 2

2. Flight 1 - Stage 2

a. Initial Results

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

- 27 proposals were received
  - 15 for the Statewide General RFP
  - 12 for the Local Innovative RFP
- 11 proposals were not evaluated
  - 10 failed the Responsiveness Evaluation
  - One vendor dropped out of the proposal process
- 16 proposals were reviewed
  - 10 for the Statewide General RFP
  - 6 for the Local Innovative RFP
- 2 proposals were selected for award
  - 1 from the Statewide General RFP
  - 1 from the Local Innovative RFP

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

b. PRG Input

The PRG met with SDG&E on April 21, 2008, to review the Flight 1 - Stage 2 results. SDG&E presented the final scores and rankings from the review process. The PRG asked

questions about each proposal and discussed each proposal's score and possible fit within the SDG&E portfolio. The PRG concurred with SDG&E's decisions and made no changes to those shown above.

3. Flight 2

a. Initial Results

SDG&E received proposals from vendors for both Statewide and Local Targeted solicitations. Flight 2 was comprised on targeted RFPs. Thus, in general, each program was designed to fill a gap in SDG&E's current EE portfolio. For this reason, SDG&E awarded contracts the bidder best able to provide a cost-effective program that filled such a gap. In three cases, no award was made because no proposed program met these criteria. In one case, two awards were made for one program area because SDG&E decided that splitting the scope offered the best combination of implementation performance and encouragement of the third-party market. The results of the Flight 2 review process were as follows:

- All seven RFPs received one or more proposal responses
- 17 proposals were received
- Two failed the Responsiveness Evaluation
- 15 proposals were reviewed
- 5 proposals were selected for award

b. PRG Input

The PRG met with SDG&E on April 15, 2008, to review the Flight 2 results. SDG&E presented the final scores and rankings from review process. The PRG asked questions about each proposal and discussed each proposal's score and possible fit within the SDG&E portfolio. The PRG concurred with SDG&E's decisions and made no changes to those shown above.

4. Flight 3

a. Initial Results

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

- No proposals were received for two RFPs
- 12 proposals were received for the other four RFPs
- One failed the Responsiveness Evaluation
- 11 proposals were reviewed
- 3 proposals were selected for award

b. PRG Input

The PRG met with SDG&E on April 15, 2008, to review the Flight 3 results. SDG&E presented the final scores and rankings from review process. The PRG asked questions about each proposal and discussed each proposal's score and possible fit within the SDG&E portfolio. The PRG concurred with SDG&E's decisions and made no changes to those shown above; however, the PRG was concerned that one of the awarded programs, while filling a portfolio gap, had a poorly defined implementation plan. The PRG recommended that SDG&E make award of that program contingent upon the bidder working with SDG&E to develop an acceptable plan which would increase the overall feasibility and effectiveness of the program.

B. Third-Party Program Renewal Process

1. Introduction

In addition to the competitive bidding process, SDG&E successfully implemented a review and assessment of its existing 2006 – 2008 EE third-party programs and renewed those programs that were judged likely to provide cost effective energy savings that were in line with

SDG&E and CPUC objectives during the 2009 – 2011 period.

2. Renewal Results

As a part of SDG&E's commitment to allocate 20% of the 2009-2011 Energy Efficiency Program Funds and CPUC Savings Goals to be contracted with third parties, SDG&E selected seven (7) 2006-2008 third-party programs for renewal in the 2009-2011 program cycle. These seven programs total $29 million in funding during this 3-year period. These programs and funds are incremental to those awarded under the competitive bidding process. No contracts will be executed until the Commission renders its approval of SDG&E's 2009-2011 Energy Efficiency Application.

3. Renewal Selection Process

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

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

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

1. Review and Assessment of 2006 – 2008 Programs

In late 2007, SDG&E developed a standard set of evaluation questions. These questions, which are listed below in the following subsection, were distributed to the appropriate SDG&E Program Managers. The Program Managers documented their responses to each question and used these responses to provide an overall recommendation to renew or not. Below are the renewal assessment questions:

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

- Regulatory and Reporting Compliance/Audits: Are implementer's reports accurate and on-time? Is implementer in compliance with all regulatory requirements? Is the implementer responsive to audit data requests? Are audit requests accurate and on-time?
- Are program/project savings claims clear, well documented and defensible?

2. Portfolio Fit

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

3. Evaluation Criteria

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

Table 1-20: Renewal Evaluation Criteria Resource Programs

Criteria	Threshold Level(s)
Savings Performance: Program has or is on-track to meeting savings goals	>50% of 3yr Goal
Budget Performance: Funds spent are reasonable given savings levels	% Savings Goal / % Budget > .8
Program Assessment: PM assessment of ongoing potential of the program	Good potential

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

Table 1-21: Renewal Evaluation Criteria
Non-Resource Programs for Residential, Non-Residential, Cross-Cutting

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

4. Submission and Review of Proposed 2009 – 2011 Programs

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

4. Potential Additional Third-Party Renewals

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

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

VII. Local Government Partnerships

SDG&E is working in Partnership with municipalities to deliver energy efficiency programs to residential and commercial customers through the LGP marketing channels. The LGP program is a multi-faceted approach in that SDG&E works with various City, County and "quasi-government" departments to promote energy efficiency, energy conservation and demand response. These collaborative programs are designed to enhance energy efficiency program offerings as well as serve as a marketing channel for projects to complement the portfolio. Specific program descriptions are in Appendix B.

Local Governments will provide additional marketing channels to educate their residents and businesses about energy efficiency which is expected to result in additional energy savings opportunities for the SDG&E portfolio.

City, County and "quasi-government's" are able to leverage their relationship with their staff, residents and businesses to help the utility promote energy efficiency, energy conservation and SDG&E programs and incentives. Partnering with local governments creates opportunities to impact energy use in multiple market sectors including: municipal buildings and operations, new home construction, existing home renovations, commercial redevelopment (hotel/convention center complex), small businesses and neighboring South Bay communities. These sectors are typically "hard to reach" and offer high energy-savings potential

Partners include:

- City of Chula Vista
- City of San Diego
- County of San Diego
- City of San Juan Capistrano
- Port of San Diego
- SANDAG
- ICLEI-Local Governments for Sustainability, Local Government Commission ("LGC") and Institute for Local Government ("ILG")
- Emerging Local Government Program: to provide additional opportunities during the program cycle to add LGP as needed.

Program components include:

- Municipal facility retro fit for energy efficiency improvements,
- Strengthened building energy codes and enforcement,
- Land use planning and design
- Education and Outreach
- CFL bulb recycling programs
- Green Building program
- Peer to Peer

- Staff training program
- Permit expedite and fee reduction programs
- Energy Plan development

A. LGP Selection Process

In 2006-2008, SDG&E had a mixture of partnerships that consisted of statewide government entities, local governments and "quasi-governments"[11]. This section describes SDG&E's proposal with respect to local government partnerships only. SDG&E's statewide and local institutional partnerships are discussed in other parts of this testimony. The statewide and local institutional partnerships were not subject to the selection criteria developed for local governments.

1. Proposed Partnership Structure and Statewide Consistency

SDG&E's proposed local government partnership structure for 2009-2011 continues to build upon the successes of the 2006-2008 local government partnerships. D.07-10-032 (at page 88) recognizes that "These entities may provide expertise the utilities do not have or better access to target groups and local communities. Local governments may be able to combine utility programs with their own complimentary, more comprehensive energy strategies." In addition, Chapter 12—Roles of Local Governments of CEESP explores a range of strategies that local governments can implement "to promote energy efficiency technologies and practices within their communities, in their own facilities and with their peers." Concurrently, as the

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

CEESP was being developed, SDG&E and the other utilities worked with the PRG to develop selection criteria for 2009-2011 local government partnerships that would reflect the strategies proposed for local governments in the CEESP. SDG&E's 2009-2011 portfolio plans to continue existing successful partnerships, expand its partnership portfolio with additional new local government partnerships, and expects to develop additional partnerships during the three-year cycle subject to potential budget constrains. This proposed portfolio of local government partnerships was developed with extensive consultation with the PRG as directed by the D.07-10-032 (at page 106) and is consistent with the intent of the Decision and the Policy Manual RuleVI.5.

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

process with identical selection criteria) to provide assistance in marketing utility programs, to deliver products and services and to achieve saving savings and other goals.

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

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

2. Criteria and Process

D.07-10-032 directed the PRG to oversee the development of the selection criteria and the subsequent selection of LGPs for the IOUs.[12] This section describes the process of creating the selection criteria, the process created for selecting LGPs, and the role of the PRG in each process.

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

a. Criteria Development

The process for selecting Partners was developed jointly by the IOUs with PRG input to be consistent statewide. This involved an agreed-upon process to develop selection criteria, where several meetings were held with local governments for their input, and included working with the PRG. Although this process for selection was relatively structured, the process was not a competitive solicitation process (like the third party solicitations).

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

The IOUs implemented the following recommendations of the PRG:

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

6. Send the draft Criteria to existing Partners for feedback.

The IOUs believe the final criteria, weighting and scoring process was mutually agreed by the IOUs and the PRG. The IOUs and PRG supplemented the criteria with a jointly developed definition of Partnership eligibility: New partnerships will be with government or quasi-government (non-profit that works directly with government entities, government associations, joint powers authorities, statewide associations, etc.) only. The final list of criteria included:

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

b. Selection Process

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

1. Require existing Partners to comply with CFA Criteria.

2. Require private sector firms and others who do not fit the definition of partner to change the proposed structure.
3. Edit the CFA language and format (e.g. length of Partners Abstracts and further clarity to Criteria definitions).
4. Score existing partners on the selection criteria.
5. Require both existing partners and potential new partners to submit abstracts that reflect the selection criteria and the guidelines in the call for abstracts.
6. Send a pre-announcement to local governments and agencies alerting them to the selection process and the upcoming CFA.
7. Send all abstracts submitted by prospective local government partners to the PRG for review.

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

c. Review by PRG

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

- Identify in the May 15 filing partnerships selected for 2009-2011 and include a fund for additional partnerships, including new partnerships to be developed over the course of the program cycle and for current applicants whose proposals need additional work and focus to develop a successful partnership.
- Ask partners to provide a future work plan regarding municipal buildings to supplement the information that most provided in the abstract regarding past work on municipal buildings.

3. Energy Efficiency Policy Manual

This section describes how the process of LGP selection and development meets the requirements regarding LGPs as contained in the Energy Efficiency Policy Manual. Section IV. Policy Rule VI.5 refers to the role of the partner in program design, development planning and implementation. SDG&E believes that the abstract solicitation process described above follows the intent of Policy Rule VI.5, and plans to ensure further compliance with this Item as contracts are negotiated and the programs are implemented. Policy Rule VI.6 refers to standard contact language. The 2009-2011 contract "templates" will be substantially similar to 2006-2008 templates that were developed to meet policy requirements that address the rights and responsibilities of the partners, program flexibility, information sharing, intellectual property ownership, reimbursement turn-around, and dispute resolution. Modifications may be made to reflect the individuality of the different partnerships, and to clarify existing language.

XI. Summary of Energy Efficiency Market Transformation Strategies

SDG&E believes its entire portfolio is designed to contribute to market transformation at various stages in the process. At the earliest stage, our Emerging Technology program helps to incubate new technologies that have are either just emerging from R&D development to commercialization or products that have not been successfully commercialized due to poor

marketing support and/or lack of credible energy savings tests. The Emerging Technology organization has an ongoing effort to identify these products, analyze the missing value proposition and project manage appropriate pilot tests to confirm or refute their value. Successful products are immediately presented to the impacted segment manager for incorporation into our program portfolio. Shower Start is a good, recent example of this transition where this product was tested in late 2007 and early 2008 and is now being included in our residential programs.

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

passed (Huffman AB1109, the 2007 California Lighting Efficiency and Toxics Reduction Act) that specifies minimum lighting efficiencies.

Ultimately, a successful product will achieve increasing market acceptance, lower costs through mass production, verified reliability through market testing and then be ready for consideration as a code or standard. Our Codes and Standards organization is charged with taking these mature products and, if appropriate for inclusion in a building or appliance code, completing case studies appropriate for use in a code or standard proceeding (i.e. Title 24 or Title 20). These case studies are used in the regulatory proceedings to provide evidence that the product is ready for code because of its demonstrated cost effectiveness, reliability and acceptance in the marketplace. Recent examples of this transition from programs to code are T-8 lamps, electronic ballasts and two-speed pool pumps which were all included as measures in earlier EE portfolios.

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

Each proposed program has proposed metrics to track their progress towards achieving market transformation. See Appendix B.

X. On-Bill Financing ("OBF") and Other Financing Opportunities

The CEESP cites leveraging various financing opportunities in order to stimulate and

expand investments in energy efficiency.[13] SDG&E has been promoting financing options to its residential multi-family and selected commercial customer groups (including local governments) through its 2006-2008 OBF program. This program has had measurable success in 2006-2008 and with the information provided by evaluation results, SDG&E has made modifications to improve program design and encourage more participation. These changes occurred in 2006, 2008, and 2009 through Advice Letter Filings and PAG Notification Process. For the next program cycle, SDG&E is only proposing changes to the funding mechanism for the loan pool. Additionally, SDG&E is exploring other financing opportunities including potentially partnering with financial institutions to increase financial assistance to customers; especially those considered hard to reach.

A. PY 2006-2008 OBF Program

SDG&E proposed a robust OBF pilot effort for the 2006-2008 program cycle, which was approved by the Commission in D.05-09-043. The OBF pilot was originally envisioned to be implemented in two phases: Phase I was intended to be a two-year effort covering the initial development of the program, including making changes to the billing systems, creating marketing materials and efforts, and rolling out the program. Phase II was envisioned as a proposal for the "next generation" of OBF that would be based on the learning experience of Phase I.[14] Due to unforeseen issues that occurred during the development and "beta" testing periods, SDG&E requested and received approval for an extension of Phase I until the end of 2008.[15] Additionally, that extension deferred the Phase II "proposal" to be included as part of the 2009-2011 program filing (contained herein). During Phase I, as SDG&E gained experience

[13] California Energy Efficiency Strategic Plan, June 2, 2008, page 3-8.
[14] Spasaro Testimony, A.05-06-011, page 6.
[15] Advice Letter 1904-E/1699-G, effective 7/13/07.

and received market feedback, it filed for and received authorization to increase the loan cap, update credit requirements, and expand project eligibility.[16] In D.07-10-032, the Commission directed the California IOUs to propose OBF programs for institutional customers[17] for the 2009-2011 cycle[18]. Accordingly, in May 2008, SDG&E moved forward with an expanded offering for institutional customers by launching a "pilot institutional program" with a longer payback period and higher loan ceiling. Additionally, in December 2008, SDG&E requested and was granted approval to further broaden customer participation[19]. At the end of 2008, SDG&E proposed its "next generation" OBF program in a PAG Notification Letter and implemented it in January 2009. See Section 6 for more details on the program elements.

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

1. 2006-2008 OBF Program Summary and Results

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

Contractors have been the primary channel for customer participation and coordinating

[16] Advice Letter 1838-E/1650-G, effective 11/30/2006)
[17] Tax-payer funded government institutions such as cities, counties, etc
[18] D. 07-10-032, Page 92
[19] Advice Letter 2049-E/1823-G, effective 1/16/2009

measure installation represents the most complicated process for the customer. The contractors using OBF as a financing tool, provided feedback on program requirements which SDG&E used to continually streamline the procedures to increase both contractor and customer participation. Key accomplishments of OBF include:

- Completion of billing system to allow for monthly billing of loan charges
- Completed payment of projects to participating installation contractors
- Completed Contractor Kick-off meeting to introduce OBF program
- Internal policies and procedures completed
- Successful On Bill Financing collaboration with Small Business Super Saver, Express Efficiency, and Energy Bid programs
- 100% Inspection pass rate
- Only one default to date
- Successfully installed, financed and billed approximately 20 Institutional (tax-payer funded) sites
- Program Participation Statistics:
    - 144 Projects in financing process
    - $297,501– Approved from financing pending installation
    - $1,838,404- Paid and completed projects
    - 35% taxpayer-funded customers
    - 65% commercial business customers

2. Lessons Learned From the Implementation Phase

The 2006-2008 program cycle provided SDG&E with the following key lessons:

- Customers who are aware of and qualify for OBF have been very eager to take advantage of the interest free financing to help with their capital constraints.
- Contractors who market OBF require additional training and guidance to navigate the financing requirements and process.
- Customers prefer to use a list of pre-approved Contractors who market energy efficiency programs.
- Contractors who market utility programs should be required (in writing) to maintain a high level of customer service, accuracy and timeliness.
- On-Bill Financing requires on-going collaboration with internal departments including: IT, Billing, Accounting, Technical Services, Incentive and Rebate programs as well as Customer Services.
- Coordination with LGPs is key to driving energy efficient upgrades within institutional customer sites[20]

3. EM&V—Process Evaluation Results

D.07-10-032 OP 11 states, "SCE, SoCalGas and SDG&E shall present, as part of the strategic planning process, assessments of their respective on-bill financing pilot programs." A formal EM&V "process evaluation"[21] of SDG&E's OBF program was conducted early in the implementation of the program. While the conclusions of this study were based on few participants, the study results and program recommendations from the study, and subsequent actions taken, are summarized below.

- **In general, it appears OBF customers are satisfied with their participation in the program.** Customers interviewed did not issue any complaints with the OBF program.

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

[21] KEMA Process Evaluation of SDG&E's 2006-2008 Non-Residential Energy Efficiency Programs, available on http://calmac.org/publications/SDGE_FINAL_Report_-_Volume_I_of_III.pdf

Their expectations were met concerning several topics with respect to the loan payback period, program measure offering and program staff. Customers realized they could not easily find a zero percent financing program from another source.

- **Hidden fees can create out of pocket expenses for customers.** Some contractors are charging various clean up and disposal fees to OBF participants. In the event of an additional fee, customers do not have a clear mechanism to adjust their loan by the amount of the additional cost.

  Action taken: SDG&E's on-going training and vendor participation guidelines have addressed this issue and customers are made aware that all costs should be included in the loan agreement at the time of signing.

- **Contractors are an important factor in convincing participants to enroll in the OBF program.** The results of the in-depth interviews show that contractors have considerable influence on customer decisions.

  Action Taken: While vendors are not under contract with SDG&E, vendors are required to sign a vendor agreement in order to participate in On-Bill Financing. OBF representatives verify the customers' vendors prior to signing loan agreements.

- **Skepticism exists around real vs. stated energy savings.** Many small businesses are concerned about the accuracy of stated energy efficiency savings. Coupled with economic barriers, implementation of energy efficiency measures can be challenging at the very least. Convincing uncertain customers about the future benefits of energy efficient technologies and practices is still a challenge for the OBF program.

  Action Taken: OBF representatives calculate projects based on pre-inspections and the scope of work submitted by vendors on the customer behalf. The entire project scope and summary is then shared with the customer and the vendor prior to signing the loan agreement.

The following are recommendations presented in the study:

- **Establish and publish an approved contractor list.** Providing an approved contractor list will increase the accountability of contractors with the OBF program and encourage contractors to perform quality installations. OBF should list only the most qualified contractors with a proven track record of success.

  Action Taken: SDG&E has developed a mandatory vendor agreement specific to vendors who market and participate in On-Bill Financing. Vendors must agree to standards, milestones, and quality installations.

- **Recommend customer-contractor inventories immediately after measure installations.** To protect against simple contractor oversight and to aid the verification of measure installation, customer should conduct a thorough post-installation inspection of their equipment along side the contractor. This ensures that the equipment and the agreed upon equipment totals, especially for lighting, are correctly installed. The post-inspection will also aid in identifying equipment problems as early as possible.

  Action Taken: Due to bill impacts of OBF projects, all sites are pre- and post-inspected. SDG&E Quality Assurance inspectors expedite post-installation site inspections. All payments (rebate/incentive/project) are withheld pending a thorough accounting of measures and hours of operation.

- **Provide information on helping contractors market non-energy benefits.** Highlighting the additional advantages of energy efficiency beyond cost at the point of sale can weigh heavily on a customer's purchasing decision. This can include environmental benefits, reduced wear and tear, avoidance of health violations, increased quality of air, improved light color and temperature, lower maintenance costs, improved worker productivity, and taking advantage of a zero percent financing before the efficiency upgrade becomes a code and out of pocket expense.

  Action Taken: SDG&E will include in collateral materials information regarding non-energy benefits.

- **Consider extending the five-year loan payback requirement.** The five-year loan payback requirement is disadvantaging OBF participation for non-lighting projects. Program participation is substantially lower than previously forecasted. When project payback periods exceed the five-year maximum under OBF, customers have no choice but to go with the Express Efficiency program only or not install energy efficient measures at all.

  Action Taken: Through this Application, SDG&E is requesting to raise loan maximums to $250,000 and extending loan terms to 10 years or useful measure life for institutional customers only for the 2009-2011 program cycle.

4. Investigation of Other Financing Strategies

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

Key successful strategies include:

- Interest-free or low interest loans
- Managing default for ratepayers by:
  - Performing credit checks (or payments history with utility)
  - Allowing only low-risk customers to qualify (municipalities, etc.)
  - Aiming for bill-neutrality
  - Non-transferable loans
- Reducing administrative burden by maintaining a loan minimum

5. Program Modifications to 2006-2008 Program

OBF provides interest-free, unsecured, on-the-utility-bill financing for purchase and installation of qualified energy efficiency measures offered through various rebate/incentive programs offered by the Utility. When OBF was initially offered in 2006 the program had the following guidelines:

- 10% reduction of rebate/incentive;
- Loan amount: $5,000 to $50,000 per meter;
- Five-year maximum loan term;
- Up to $5 million of loan funds from utility working cash available during 2006—2008;

In 2006, SDG&E made the following program requirement changes via Advice Letter 1838-E/1650-G and PAG approval:

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

In 2008, SDG&E proposed and received approval through the PAG Notification Process to implement a pilot program for Tax Payer Funded, Institutional Customers with the following specific changes to the 2006-2008 program guidelines:

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

In January 2009, with approval from PAG, SDG&E implemented its 2009 OBF Program

with the following specific changes to the 2006-2008 OBF program requirements: [22]

(1) Making Reduced Rebate Conditional: Eliminate the reduced rebate requirement for comprehensive projects (e.g., lighting-only projects will continue to be discounted, unless additional measures are included)

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

6. Proposed OBF Loan

SDG&E proposes to create a new two-way balancing account for the loan pool, funded at $9 million from a refundable non-Public Purpose Program funds. For the 2006-2008 program cycle (as well as during the bridge funding period), the loan pool funding was borrowed from SDG&E's working cash as a way to jump-start the program. Now that SDG&E has experience with loan funds needed to support the program, SDG&E proposes to establish a ratepayer-funded loan pool to meet the anticipated demands during the 2009-2011 program cycle. Once established, this loan pool is expected to be sustainable, as the loan repayments will be recycled to fund additional loans (i.e., a "revolving" fund). Also, at the beginning of the next program cycle, as part of the efforts to transition OBF loan pool from utility working cash to ratepayer funding, SDG&E intends to transfer the remaining loan balances of existing loans to the newly created ratepayer-funded loan pool. SDG&E requests $9 million for this loan pool: Approximately $1.5 million to account for transition from utility working cash to ratepayer

[22] To support these program changes, SDG&E filed Advice Letter 2049-E/1823-G to revise Rule No. 40 On-Bill Financing Program to remove all references to rebates/incentives to allow energy efficiency programs which do not offer rebate/incentives such as Emerging Technology Program to work with OBF. This Advice Letter was approved with an effective date of January 16, 2009.

funding at beginning of 2009-2011 program cycle and $2.5 million each year over the three years from 2009 to 2011. No loan cap is proposed for this loan pool as SDG&E believes that OBF is contributing to a cost effective portfolio by providing positive support to energy efficiency rebate/incentive programs and should be allowed to grow as needed. This will create a sustainable loan pool with non-Public Purpose Program ratepayer funds since the loans are intended to be paid back and (minus defaults) should not be a "cost" to the EE and DR programs. Loan defaults, on the other hand, are costs to the program and will be charged to PPP funds with corresponding credits to the loan pool through accounting entries as they occur.

To track the loan pool funding, SDG&E proposes to establish the On-Bill Financing Balancing Account ("OBFBA"). The OBFBA is an interest bearing, two-way balancing account, which will track the difference between ratepayer funding and actual loans provided to customers participating in SDG&E's OBF program. The two-way balancing account will afford SDG&E the flexibility it needs to ensure the loan program will adhere to the requirements of its commercial lender's license exemption. If approved, SDG&E would file a Compliance Advice Letter within 90 days of the effective date of the decision on this program to establish the OBFBA. Cost of loan defaults will be charged to Post-2005 Gas Energy Efficiency Balancing Account ("PGEEBA"), Post-1997 Electric Energy Efficiency Balancing Account ("PEEEBA"), or Advanced Metering and Demand Response Memorandum Account ("AMDRMA") respectively depending on the type of projects funded by the defaulting loan. The authorized funding will be collected through gas transportation/electric distribution rates and allocated to customers based on Equal Percent of Base Revenue ("EPBR") for SDG&E gas, and a System Average percentage Change ("SAPC") methodology for SDG&E electric. The balance in the OBFBA will be amortized as necessary to recover any undercollections associated with actual

loan funding above the authorized annual funding requirements embedded in rates in connection with SDG&E's annual regulatory account balance update filing for gas transportation/electric distribution rates effective January 1 of the following year. After repayment of all loans and termination of the OBF program, the disposition of the overcollection balance in the OBFBA will be refunded to ratepayers in connection with SDG&E's annual regulatory account balance update filing or address the balance in the SDG&E's next energy efficiency proceeding.

B. Residential Financing Opportunities

D.07-10-032 Conclusion of Law 25 states, "…The Utilities should … assess the opportunities for on-bill financing program for residential customers." First, it is important to note that SDG&E offers OBF to certain multi-family ("MF") residential customers (i.e., MF owners who do not reside on premise). While this is certainly a limited portion of the residential market, SDG&E was hoping this would allow it to preliminarily gauge residential demand for OBF.[23] So far, no inroads have been made into this market segment. Nonetheless, SDG&E will continue to offer OBF to this customer segment, and include the multi-family market segment in its continuing investigation of residential financing options.

Second, consumer/residential financing has more involved lending laws than commercial, which appear to be an administrative burden to comply with, including: lending law timelines, Fair Credit Reporting Act, loan statement format requirements versus utility bill design, Truth in Lending Act, Fair Debt Collection Act, Safeguards Rule, and loan repayment terms. The extensive reporting, disclosure, and compliance requirements associated with consumer debt potentially increases program administration costs.

Third, offering OBF more broadly to the residential market raises certain issues.

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

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

While SDG&E is subject to the commercial versions of those laws, they appear to be less onerous than the consumer lending laws. The Department of Corporations in its Release 60-FS ("Release"), issued on July 14, 2006, determined that the investor-owned utilities are not "engaged in the business" of a finance lender or broker under Financial Code Section 22100 of the California Finance Lenders Law ("CFLL") when making commercial loans under the conditions described in the Release.[24] Therefore, the IOUs are not required to obtain a finance lender or broker license under the CFLL when engaged in these financing activities "for energy efficiency purposes." Without this commercial lender license exemption from the Department of

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

Corporation, SDG&E may have been subject to a potentially large annual license fee (and a bond). The Release specifically noted that it did not apply to consumer lending.

The above considerations are related to SDG&E's opportunities to being a financial lender for the residential segment. However, SDG&E promotes other types of financing for residential customers. SDG&E is one of the major sponsors of "The Energy Loan", a Fannie Mae special product developed to provide homeowners with an unsecured finance option for specified energy efficient home improvements. This program is administered by Viewtech, an experienced lender with utility-sponsored programs in the nation and has been instrumental in the development of contractor quality control standards and processes; developing unique and proprietary quality control techniques specific for service-conscious utilities. Additional information on this program can be found at http://www.energyloans.org/main.htm.

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

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

C. Additional Financing Options

1. CEC's Energy Efficiency Financing Program

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

2. Issuing "Energy Efficiency" Bonds

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

3. Partnering with Financial Institutions

SDG&E is very supportive of partnering with financial institutions to provide energy efficiency loans to customers in an efficient and effective manner to supplement the on-bill financing option. In particular, SDG&E recognizes that financial institutions have the loan program expertise (credit scoring, etc.) to be a significant player in helping to facilitate upfront

equipment costs. SDG&E sees this partnership arrangement as the future to providing customer solutions to high upfront cost energy efficiency investments. With the current troubles in the banking community regarding the subprime and housing crisis, SDG&E intends to move prudently and in more of a pilot-niche market approach to these partnerships, and promote on-bill-financing as its primary vehicle for financial solutions until a more stable and robust financial market returns.

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

This particular bank would reach low and moderate income businesses since its charter is to "serve the underserved" in several areas of San Diego. Most of this particular bank's loans go to small business owners who are defined as of low or of moderate income. Although, the bank is small it provides a unique conduit for those hard to reach businesses that may not be serviced by larger banks or may not be focused on Energy Efficiency.

The partnership concept could be described as follows (numerics are provided purely for illustrative purposes):

"SDG&E would provide through its Energy Efficiency Program budget an investment of up to $1 million in this bank as an equity investment and the bank would then be permitted by its regulators to leverage up this new equity capital by a factor of about 10 to 1. Consequently, a $1 million investment would provide up to $10 million of available Energy Efficiency/or Renewable & Green loans to customers who perhaps would be otherwise hard to reach. Additionally, the bank would do all the underwriting, credit checks and absorb related loan losses. Since SDG&E's Energy Efficiency Program would be an equity investor in the bank it would be subject to losses up to the equity investment amount if the bank became illiquid and suffered significantly greater losses than expected."

SDG&E is requesting Commission approval to allow it to take the next steps in continuing discussions which could lead to partnering with this bank and future banks in similar relationships. Subsequent partnerships with financial entities could be customized relationships so that both SDG&E's and each bank's goals could be accommodated. Prior to finalizing arrangements, SDG&E will file an Advice Letter to request Commission approval for such partnerships.

4. Green Energy Systems

SDG&E, in some instances, encounters new and existing customers who are presented with the opportunity to maximize the energy savings on a major energy systems project they are planning (*e.g.* chiller system, boiler, co-generation), but for reasons such as scarce capital or perceived risk, elect not to make the investment in the highest efficiency option. This results in a lost opportunity for energy savings for the 20 to 30-year life of the equipment. In order to avoid this lost opportunity, SDG&E proposes the development of a "Green Energy Systems" ("GES")

program, pursuant to which they would have the ability to own or finance these large energy systems. Utility-owned or financed projects would be required to maximize the use of cost effective equipment. The customer would then pay, in concept, a surcharge that is lower than the incremental energy savings they are experiencing and would thus have a positive cash flow.

Under GES, SDG&E will seek to identify projects with the following characteristics:

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

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

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

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

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

On March 7, 2008 the Energy Division conducted a workshop to explore IDSM ideas and to address potential issues/challenges of integrating various demand-side management programs so that they collectively produce greater results. Subsequently the *Joint Assigned Commissioners' Ruling Providing Guidance on Integrated Demand-Side Management in 2009-2011 Portfolio Applications* ("Joint ACR") was issued in April 11, 2008. The Ruling provides guidance to the utilities regarding IDSM, ME&O, ZNE and other IDSM pilot projects and operational improvements was issued by the Commission. Additionally, on April 21, 2008 Assigned Commissioner's Ruling Requesting Comments on Proposed Energy Efficiency Measure for the California Solar Initiative Program, was issued to further the discussion how best to integrate/coordinate energy efficiency efforts with CSI.

This section of the testimony presents SDG&E's current and proposed integration activities across various program portfolios in different Commission proceedings, EE, LIEE, DR, AMI, DG and CSI. SDG&E submitted its 2009-2011 LIEE application (A.08-05-024) on May 15, 2008 and received approval in D.08-11-031-. SDG&E amended its 2009-2011 DR application (A.08-06-002) on September 19, 2008. The Commission issued D.07-04-043 on its AMI ("Smart Meter") proceeding. SDG&E notes that it is not the current program administrator of the DG and CSI program portfolios and they are currently assigned to the California Center for Sustainable Energy ("CCSE"). Although, these various proceedings are currently independent of each other, the CEESP provides vision and strategy to leverage these various program efforts to ensure the realization of the aggressive BBEES laid out by the Commission in D.07-10-032.

This section can be considered a "stand alone" chapter as required by the April 11 Joint

ACR. This comprehensive presentation of SDG&E's IDSM efforts across the different proceedings is being presented for the first time in this EE application as the EE application is the last application to be submitted to the Commission.[25] This was to ensure that all EE activities and programs addressing IDSM were fully vetted and developed prior to it being submitted in other proceedings.[26, 27] In the following sections, SDG&E addresses various aspects of its IDSM efforts in the order of priorities laid out by the April 11 Joint ACR.

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

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

1. Customer Programs Organization

Currently, SDG&E's Customer Programs organization is responsible for both Energy Efficiency and Demand Response Programs. The department was reorganized in 2006 such that these programs reside respectively by sector with its Residential segment manager and Commercial segment manager. This was SDG&E's initial effort in integrating its EE and DR program management. Moving forward into 2009, SDG&E is enhancing its comprehensiveness by restructuring how it designs and manages its program. In the past its programs were managed across the residential and non-residential markets uniformly. Beginning in 2009, the program managers will be responsible for segments rather than specific programs. The goal is to be even more knowledgeable about the needs of customer segments (residential owners and renters, non-

[25] The May 5th ACR and June 2nd ACR reset the due dates for the 2009-2011 EE application from May 15 to June 2 and finally to July 21.
[26] SDG&E will present this same chapter in the DR proceeding..
[27] On July 1, 2008, SDG&E submitted "Response of San Diego Gas & Electric Company to Assigned Commissioner's Ruling Ordering Large Investor-Owned Utilities to Comply with Prior Commission/Commissioner Directives" in which SDG&E discusses various LIEE integration efforts with EE and DR (at pages 4-6).

residential manufacturing, agricultural, hospitality, foodservice, institutional, etc) and increase market penetration through segment specific marketing and outreach. This additional step of segmentation enhances the company's ability to design program and communications materials geared towards managing the customer's energy needs in a comprehensive manner rather than the traditional piecemeal of offering independent programs. This approach will encourage segment program managers to first understand a customer's energy needs and offer assistance consistent with the loading order of the Energy Action Plan. Employees will receive proper training and have opportunities to improve their jobs skills to effectively manage the market segments assigned to them.

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

a. SDG&E-Specific ME&O Communication Strategies

SDG&E's messaging strategy will be to present IDSM as the complete energy management solution that can help customers save energy, as well as manage their energy costs. This effort is intended to improve customers understanding of "energy management" as a whole in regards to how EE/LIEE, DR and CSI can work together. Some of SDG&E's specific communications strategies:

- For general awareness communications, "un-brand" programs and instead focus messaging on program benefits (e.g., SDG&E is simplifying its nonresidential programs to move away from traditional program names such as Express Efficiency but work closely with customers to identify incentive opportunities.) This ultimately leads to better customer segmentation, personalized communication and messaging that is relevant
- For program-specific promotions, "match" programs together in terms of appropriateness for the customer and focus on benefits (e.g., LIEE energy efficiency customer programs, segmentation of commercial customers and targeting residential customers using other segmentation tools such as Prism codes).

- Solutions will be bundled to aggressively include EE, LIEE, DR and CSI opportunities. This will focus communications on customer benefits and industry segment needs; not programs. SDG&E will provide energy management "packaged" solutions for each industry segment. Example: "Get the complete Energy Management Solution tailored for your business.

- SDG&E began using the "Go Green. Save Green" theme in its 2007 residential energy efficiency program communications. This will be expanded into all communications to reinforce how taking advantage of these programs can help them achieve their "green" goals (GHG emissions reductions, conservation, approval of their customers, and other benefits) while also saving money in the long run.

- Expand EE and LIEE in-home education to residential customers that will include information on GHG, Smart Meters, and tie-in with EE, DR, CSI.

- New Construction programs will continue to work with various industry participants to encourage comprehensive solutions in new homes and buildings that incorporate not only EE measures, but also DR technologies (programmable smart thermostats, Auto DR) and CSI opportunities. This approach is essential to meeting the Commission's BBEES towards net zero energy new construction homes and building.

- Local Government Partnerships ("LGPs") provide opportunities to communicate the IDSM message not only to their own organization but to their peers and their constituency through communication avenues unique to them.

- EE Third Party programs also present opportunities to provide IDSM messaging and customer education materials to general residential customers, LIEE customers and nonresidential customers. Third Party program providers are encouraged to co-brand and co-market with SDG&E and other Third Party providers where multiple program opportunities exist. An example is the co-marketing of the AC tune-up program with the Summer Saver AC cycling program

b. Statewide ME&O

- EE Statewide ME&O is primarily implemented through Flex Your Power with additional ME&O efforts for hard-to-reach customers. On the other hand, DR Statewide ME&O is

implemented through Flex Your Power Now!. These two programs are complimentary since it provides a common platform that allows customers to associate "Flex Your Power" with managing energy through energy efficiency incentive programs, conservation messages and during critical peak times.

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

c. Customer Relations Management Tool ("CRM")

CRM is a comprehensive information technology tool that is designed to integrate and optimize the administration of all demand response and energy efficiency programs at SDG&E. Some of the functionality of the system include rebate and incentive processing for both EE and DR program participants, online enrollment, consolidated results tracking and reporting, automated energy savings calculations, customer equipment database, marketing plan development and market segment development. This integrated tool will facilitate the ongoing development and management of integrated DSM programs at SDG&E

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

1. Exemplary Specific Programs That Offer IDSM Audits

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

- The Home Energy Comparison Tool ("HECT"), SDG&E's online tool that compares a residential customer's energy usage to other customers who have similar demographics in their neighborhood and used in conjunction with SDG&E's Home Energy Efficiency Survey, provides EE and DR recommendations for customers to reduce their energy use. Customers without on-line access can avail themselves of this service by calling SDG&E's Energy Information Center. This tool has been in place since 2007 and will be

enhanced and offered to LIEE customers. Additionally, SDG&E is undergoing a comprehensive review of current and planned energy and bill management tools with regards to energy, rates and bill analysis to determine a single integrate strategy and plan to provide comprehensive, "simple to use" and accessible tools for its customers.

- Home Energy Efficiency Survey ("HEES") is a comprehensive multi-lingual energy audit tool designed to reach a wide range of residential customers via online, phone or direct mail. The audit results provide customers with suggested EE and DR recommendations to reduce their energy use and energy costs. The survey tool also supports the CSI requirement that homeowners complete an EE audit prior to participating in the CSI program.
- CFL recycling program will be available to all SDG&E residential customers, both LIEE and non-LIEE customers. Key elements include distribution of CFL disposal bags at all lighting turn-in exchanges and outreach events. In addition, the information will include a listing of various participating retail sites throughout San Diego County that LIEE participants can visit to properly dispose of CFL waste products.
- PEAK Student Energy Actions ("PEAK") program, offered by SDG&E in partnership with The Energy Coalition, is a standards-based program focused on DR and EE that educate children about energy usage and management and provides them with tools to "practice" learnings at home.
- KWickView tool (DR) assists customers with energy management and is available to all nonresidential customers with demand greater than 200 KW and all other DR customers.
- DR Customer Education, Awareness and Outreach program will be coordinated with various EE education and outreach efforts to provide comprehensive energy options to customers.
- SDG&E has updated its protocols to deliver combined EE and DR audits through its Technical Assistance program (DR) and its Green Business Assessments (EE). These audit services could be used to meet CSI audit requirements. SDG&E will be adding green house gas emission inventory calculators to the audit process in 2009.

- SDG&E's Mobile Workshops (EE) which provides on-site training for large customers and assists customers in identifying their integrated energy management opportunities.

2. IDSM Coordination of Incentive Programs

- In the residential market, SDG&E will continue to jointly market its Summer Saver DR program (AC cycling) with its AC tune-up program. LIEE customers with air conditioners are also eligible to participate in both programs. As SMART METERS are rolled out during this program cycle, SDG&E has plans to utilize increased customer usage data to better target high energy users and provide customers with customized feedback in their homes' EE and DR opportunities.

- Multi-family - SDG&E's LIEE will leverage with EE programs and activities to ensure that all possible efficiency opportunities within this sector are fully captured. The LIEE program excludes efficiency improvements within common areas, and also excludes tenants within a given complex that do not meet certain income guidelines. Coordination with EE will allow SDG&E to more effectively "cover" any" potential efficiency gaps and ensures greater program participation.

- Home Electronics - REEP intends to explore untapped savings opportunities through plug load efficiency. A recent EIA study of residential electricity end use estimated that electronic (plug load) products will account for 19% of the residential electricity consumption by 2020. The largest product contributor will be entertainment type equipment. The continued purchase of these high energy use products will eventually off-set the efficiency gains associated with other home products (refrigerators, dishwashers, etc). Therefore a statewide collaborative campaign will be undertaken in 2009-2011 to educate consumers about their purchases and to work closely with retailers and manufacturers to promote and stock consumer plug load products that use considerably less energy. The educational campaign will include development of informational collaterals and fact sheets. LIEE's collaboration will include providing this information in the customer's home assessment and energy audit and EE's collaterals at LIEE community outreach and events.

- For customers with existing central or room air conditioning units not eligible for replacements, due to outside approved climate zones and/or not LIEE eligible, SDG&E's LIEE team will work with EE to provide information to LIEE customers regarding the EE air conditioning programs and services. The programs and services include HVAC tune-ups and annual bill credits for cycling their central air conditioner. These services are currently provided through SDG&E's EE Third Party programs.
- All LIEE customers in need of appliances not provided through the LIEE program will be referred to LIHEAP agencies if qualified, or to SDG&E's EE programs for efficiency ratings and rebates information.
- LIEE plans to coordinate with EE Third Party program implementers, such as the Mobile/Manufactured Home Innovative Outreach and Measure program, where low-income customers residing in mobile/manufactured homes will be provided the opportunity to enroll in LIEE and other assistance programs. SDG&E will meet with the third party contractor to discuss and pursue integrating both programs and expect to have a partnership with LIEE program in place within the next four months.
- For the 2009-2011 SDG&E Energy Efficiency Third Party Contractor programs, both EE and LIEE personnel will work closely together to determine which residential contractor programs could have LIEE integrated into the program. As third party contracts are negotiated in the following months, SDG&E will discuss with the EE-selected third parties (which will be submitted to the Commission in SDG&E 2009-2011 EE application on July 21, 2008), the third parties capacity and incremental budget requirements to incorporate LIEE outreach, education and services into their proposed EE program. Additionally, SDG&E will provide training and education to third party contractors who are not currently participating as LIEE contractors. This will ensure that LIEE customers are either offered or made aware of the portfolio of energy savings programs and services that are available to them and the benefits that can be achieved from program participation, i.e., energy savings, greenhouse gas reduction and other benefits.
- The Energy Saver Bonus program provides incremental incentives to customers/contractors that implement an EE and DR program at a customer site. This

program has proven effective at convincing DR Aggregators to expand their business model to include EE products and likewise with EE contractors to also offer DR products to customers and will be leveraged even further in the future. Incremental incentives are funded out of respective EE or DR programs. If the customer is approached by a DR contractor and successfully participates in an EE program, the incentive is funded through DR. On the other hand, if an EE customer enrolls in a DR program through the outreach efforts of the EE contractor, the incentive is funded through EE.

- The Technical Incentives ("TI") (DR) easily coordinates with any of the nonresidential EE incentive programs. For example, a customer who installs an EE measure (e.g., high efficient chiller) and also installs either Auto DR technology or reliable EMS systems is eligible for EE incentives for the high efficiency chiller and TI incentives for the Auto DR/EMS system. EE/DR incentives are determined by the benefits associated with EE and DR, respectively.

- SDG&E was recently awarded, by the CEC, the New Solar Homes program administration in San Diego and is integrating the program into its New Construction energy efficiency program and DR programs to provide a complete energy management solution to this customer segment. This integration effort provides a testing ground for development of future Codes & Standards for ZNE.

- SDG&E's Sustainable Communities (EE) program (now integrated into its Savings By Design Program), first offered in 2004-2005 program cycle, has been offering IDSM services to SDG&E's new construction community through the promotion of sustainable design and green building practices. Customers that go through this program are candidates for LEED certification. One of SDG&E's program participants, a multi family/community center" project earned the first "Zero Energy Net Home" project designation by the CEC. SDG&E proposes to continue this program in its 2009-2011 EE application.

C. Optimization (Technology & Systems Integration)

1. EE/DR Emerging Technologies ("ET")

SDG&E EE and DR Emerging Technologies programs are implemented by the same

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

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

2. PIER/SMUD/SDG&E Pilot

SDG&E has partnered with Sacramento Municipal Utility District ("SMUD") and PIER to work with a Developer to build 2 ZNE subdivisions, one in Sacramento and the other in San Diego. These homes will contain high efficiency windows, insulation, lighting, HVAC, water heating and appliances; photovoltaic arrays; DR-enabled; energy storage (in some cases); and V2G and V2H test. Results from these projects are expected to be replicable; expand our knowledge; set the stage for the next level ZEH that will have a nationwide impact. SDG&E's contribution to this project is coming out of its 2006-2008 ET program budget.

3. Codes & Standards

SDG&E has proposed Codes & Standards programs in both its DR and EE applications, with separate budgets. The objective is to promote through CASE studies and active participation in CEC proceedings the next generation of California Title 24 codes and standards that incorporate integrated systems that provide both EE and DR benefits.

4. Smart Meters

Starting as early as next year, smart meters will allow customers to see how much energy they are using at any given time, with the use of a smart device, such as an in-home display. In addition, customers will be able to view their previous day energy usage online.

Through the Emerging Technologies program efforts described above, projects are planned to develop technologies that enable customers to tap into their "smart" home while they are away. For example, a smart home equipped with a HAN will allow customers to remotely connect to, monitor and control many different automated digital devices. For example, a homeowner at work or on vacation can potentially use a cell phone or their computer to switch appliances on or off, arm a home security system, control temperature gauges, control lighting or program a home entertainment system. Alternatively, the monitoring devices could notify the customer when an appliance is no longer operating at peak efficiency and suggest maintenance actions.

From a DR perspective, SDG&E's smart meter could become a part of a customer's home area network and potentially communicate peak day events to customer digital devices. For example, on a hot day, the smart meter could send a signal to the home's HAN to help the customer conserve energy. Various smart devices could then process this signal, based on customer's preferences. A smart refrigerator might reduce energy consumption for the duration of the conservation effort, or the customer could monitor and control the devices via cell phone or e-mail, including turning devices on or off and up or down. The smart meter infrastructure will help enable the smart devices of tomorrow.

D. Statewide Integrated DSM Program

The CEESP encourages programs that integrate the full range of DSM options: EE, DR

and DG as fundamental to achieving California's strategic energy goals.

The IOUs have identified IDSM as an important priority. SDG&E has included separate PIPs on IDSM as well as specific integration activities within each program implementation plan at the Statewide and local program levels as instructed by the CPUC.

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

E. Strategic Development and Integration

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

technology and other staff.

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

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

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

E. Proposed IDSM Pilot—Sustainable Community Case Studies

SDG&E, together with SoCalGas, will be working with a Master Community Developer on a development with a long build out schedule to serve as a test bed for integrating proven and emerging technologies for EE/DR and CSI with the goal of promoting sustainable design and ZNE. More details on the program implementation plan can be found in Appendix B.

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

1. Develop Cross-Cutting Integrated Programs Design:

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

2. Provide Comprehensive Energy Management

- Promote connectivity of "Smart Home" with "Smart Grid"
- Leverages upstream (infrastructure) and downstream (building) synergies
- Incorporates integrated horizontal (land use) and vertical (buildings) design optimization
- Promote energy and demand management solutions
- Integrates emerging and proven technologies
- Provides feedback loops for end-users (e.g., in-home displays)

3. Provide Integrated Sustainable Communities Incentives

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

SDG&E is entering this project at approximately year 5 of the process of a projected 15-20 year project.

SDG&E's requested budget for the 2009-2011 program cycle is limited to funding the initial preparation work including analysis and evaluations of the proposals. It is possible that within the program cycle, new homes and small commercial business buildings may be completed but it is not anticipated that there will be a large number of these buildings. If the

project accelerates quicker than the timeline shown above and SDG&E requires additional funding, SDG&E will request additional funding from the Commission through the Advice Letter process.

F. Proposed IDSM Pilot—Micro Grid Comprehensive Energy Efficiency Delivery Pilot

SDG&E's Transmission and Distribution Group is preparing to begin a demonstration project that will investigate improving the reliability of delivering electricity by providing local generation to select substations. Through this project SDG&E will select a representative substation and site a dedicated power plant to meet the energy needs of customers fed from the substation. Additionally, this project will investigate new communication and control strategies required to serve this unique "Micro Grid".

This effort will allow SDG&E to form new, creative partnerships with key stakeholders like California Center for Sustainable Energy ("CCSE") and local governments to achieve an integrated demand-side management community. This innovative pilot will provide a path for future programs to offer comprehensive energy solutions to customers. In addition to energy efficiency, this pilot is unique in the level of coordination and integration with other programs like DR, CSI and Smart Meters to achieve cross-cutting energy solutions for customers.

G. Making IDSM a Success

Currently these different components of IDSM are in several regulatory proceedings with different policy objectives and rules. Different methodologies for measurement and verification, and cost effectiveness are in place for each of these programs. However, as we analyze and incent these customer projects that present themselves through these IDSM efforts, it will be become imperative that new approaches to valuation and measurement will need to be

developed. For example, customers would prefer that these integrated project cost effectiveness are analyzed at the project level and not as individual components. In the TI/EE example above, the customer would most likely be persuaded to install the integrated system if the project sponsor could do a payback analysis that identifies the consolidated savings from the project. This would require new methodologies to determine energy savings and demand reductions and cost effectiveness. Additionally, the EE or TI measure on a stand alone basis could present themselves as non-cost effective but when bundled together may improve its cost effectiveness. This is one of the major activities identified in the statewide IDSM program.

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

XII. Proposed Training Programs In Support of Strategic Plan Vision

The goal of a statewide Workforce Education and Training ("WE&T") Strategic Planning Program is to ensure California's workforce is sufficiently trained and engaged to contribute in achieving the state's energy efficiency potential. WE&T Strategic Planning is a joint investor-owned utility ("IOU") program that serves as a planning support and administrative function to accomplish the greater California Energy Efficiency Strategic Plan ("CEESP") WE&T long-range activities and goals. For more details see Appendix B.

In order to meet the state's growing workforce demand, a concerted planning effort with a wide variety of initiatives and multiple funding sources beyond ratepayer funds is required.

Such an effort will demand the collaboration and involvement of secondary and post-secondary education leaders, technical and professional organizations, state agencies, economic and labor development organizations, utilities, and construction and manufacturing businesses that deliver energy efficiency solutions. The IOUs will support the larger statewide effort, and will help facilitate ongoing development of WE&T activities through their WE&T Strategic Planning Program.

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

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

I. Proposed Program Portfolio Funding Levels

A. Proposed Program Funding Levels

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

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

1. Administrative Costs

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

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

- Other Administrative Costs include managerial and clerical labor, including payroll taxes and vacation/sick leave, human resources support and development, travel and conference fees. These include administrative costs incurred by third party program implementer or any subcontractor to the program.
- Overhead and General and Administration Costs includes program support for regulatory reporting, IT services & support, reporting databases, EM&V/ED data request responses, third party bidding process, CPUC financial audits, regulatory filings support and other adhoc support required across all programs. Regulatory support **does not** refer to the IOU's corporate Regulatory and Legal Functions. These functions are not covered by EE funds.

2. Marketing and Outreach Costs

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

3. Direct Implementation Costs

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

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

EM&V Costs are the labor and material costs incurred to conduct process and measurement studies required to evaluate the program. SDG&E only provides the EM&V budget at the portfolio level and not at the program level pending further direction from the Commission. The 8 percent budget of total program allocation for EM&V excludes SDG&E's proposed funding for activities associated with SDG&E's support of CEESP.

The following tables provide the proposed program budgets by program year for the

Preferred and Mandated scenarios. Detailed program costs are available in Appendix F Table 7.1 and Appendix F.1 Table 7.1 for the Preferred and Mandated scenarios, respectively.

Table 2-1: Preferred Scenario—2009-2011 Program Budgets

San Diego Gas and Electric	2009	2010	2011	2009-2011
Total Programs Budget	$99,236,228	$100,375,479	$96,277,743	$286,969,752
#x EM&V - Evaluation Measurement & Verification	$8,576,506	$8,576,506	$8,576,506	$25,729,518
#y LIEE - Low Income EE (LIEE)	$0	$0	$0	$0
Total SDG&E Portfolio Budget	$107,812,734	$108,951,985	$104,854,249	$321,618,968

Table 2-2: Mandated Scenario—2009-2011 Program Budgets

	2009	**2010**	**2011**	**2009-2011**
Total Programs Budget	$156,826,284	$158,788,674	$157,354,478	$472,969,436
#x EM&V - Evaluation Measurement & Verification	$13,709,259	$13,709,259	$13,709,259	$41,127,777
#y LIEE - Low Income EE (LIEE)	$0	$0	$0	$0
Total SDG&E Portfolio Budget	$170,535,543	$172,497,933	$171,063,737	$514,097,213

5. Proposed Costs Not Included in Performance Earnings Basis Calculations

Costs related to the following implementation activities of CEESP for the Preferred and Mandated scenarios are listed in Witness Gaines' Testimony, Chapter I, Section 2. These activities are primarily undertaken to support CEESP or have major contributions towards the achievements of CEESP objectives. These costs are not to be included in the calculation of the 20 percent minimum requirement for Third Party programs.

II. Proposed 2009-2011 Energy Efficiency Fundshifting Guidelines

For the 2006-2008 program cycle, the Commission recognized and approved the need for IOU program administrators to have flexibility "to make decisions, without undue restrictions or delays, so they can effectively manage their portfolios to meet or exceed the Commission's

savings goals cost-effectively."[29] The proposed fund shifting guidelines ("Guidelines") are an extension of the fund shifting guidelines approved for 2006—2008 energy efficiency programs. In the 2006—2008 program cycle, the Commission recognized and approved the need for IOU program administrators to have flexibility to use their knowledge of evolving market conditions and technologies to maximize energy savings. Additionally these Guidelines are needed to provide the IOU program administrators with flexibility to manage the 2009-2011 portfolio, adapt to changing market conditions, and optimize resource potential to meet the hard line energy savings and demand reduction targets, annually and cumulatively. SDG&E fund-shifting and program flexibility proposals are consistent with PG&E, SCE and SoCalGas.

SDG&E proposes selective modifications to the current Guidelines to: (1) change to the current treatment of mid-cycle portfolio funding augmentation; (2) recognize the elimination of the policy advisory group in 2009-2011; and (3) clarify language contained within the 2006-2008 Guidelines for 2009-2011. These proposed Guidelines are consistent with PG&E, SCE and SoCalGas' proposals.

A. Modify Treatment Of Mid-Cycle Funding Augmentation

In D.07-10-032, the Commission set a Policy Rule IV.12 that does not allow IOUs to claim energy savings and demand reductions results towards the achievement of the Commission energy efficiency goals because mid-cycle funding augmentation provides a "bonus" to utilities without any undue risk bestowed upon them.[30] D.07-10-032 also indicates that "in effect, mid-cycle funding augmentations provide the utilities with additional funding to accomplish a goal

[29] D.05-09-043, dated September 22, 2005, Section 8.9 Fund Shifting Guidelines, p. 144.
[30] D.07-10-032, dated October 18, 2007, OP 7, p. 143.

that was set with a lower budget."[31] As a result of this rule, IOUs are now discouraged from pursuing all cost-effective energy efficiency even though there may be energy efficiency funds available from prior years. SDG&E proposes the elimination of the 2006-2008 mid-cycle funding augmentation rule for 2009-2011 as it: (1) creates a disincentive to propose new programs with augmented funding; (2) punishes, unnecessarily, IOUs when market conditions change which may require additional funds to incent customers in order to achieve the Commission energy efficiency goals, (3) creates a contradiction to the California's Energy Action Policy[32] and Commission policy[33] to pursue all cost-effective energy efficiency; and (4) mid-cycle implementation of fully developed energy savings strategies contained in the CEESP.

The inability to record results from mid-cycle funding sends the wrong signal to IOUs that stifles program innovation and creation of promising programs. This is contrary to the Commission's desire to promote innovation and test new program designs. Another key flaw of the 2006-2008 mid-cycle funding augmentation rule is it assumes that during the program implementation cycle the marketplace remains static and acts just as assumed during the planning process. This is unrealistic. The marketplace is dynamic with many actors and unforeseen influences which can foreclose expected opportunities as well as create new opportunities. The mid-cycle rule also contradicts California's Energy Action Plan[34] which calls

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[31] D.07-10-032, dated October 18, 2007, p.98.

[32] Energy Action Plan identifies specific goals and actions to ensure that adequate, reliable, and reasonably-priced electrical power and natural gas supplies are achieved and provided through cost-effective and environmentally sound strategies. A copy of the Energy Action Plan, including the 2008 Update, is posted on the Commission's website at http://www.cpuc.ca.gov/static/energy/electric/energy+action+plan/index.htm. See also, D.05-09-043, mimeo., p. 15 and Energy Efficiency Policy Manual Version 3.1, dated January 8, 2008, Rule II.2, p. A-2 .

[33] D.07-10-032, dated October 18, 2007, p. 2.

[34] Energy Action Plan identifies specific goals and actions to ensure that adequate, reliable, and reasonably-priced electrical power and natural gas supplies are achieved and provided through cost-effective and environmentally sound strategies. A copy of the Energy Action Plan, including the 2008 Update, is posted on the Commission's website at http://www.cpuc.ca.gov/static/energy/electric/energy+action+plan/index.htm. See also, D.05-09-043, mimeo., p. 15 and Energy Efficiency Policy Manual Version 3.1,dated January 8, 2008, Rule II.2, p. A-2 .

for the pursuit of all cost-effective energy efficiency by discouraging IOUs to supplement their program portfolios with promising new/enhanced programs. Thus, for 2009-2011, SDG&E proposes to modify the mid-cycle funding policy rule to allow all utilities to count all installed energy efficiency results towards the Commission's aggressive energy savings and demand reduction goals.

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

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

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

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

from D.05-09-043.

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

In Decision 07-10-032 (p. 95), the CPUC permitted the IOUs for the 2009-2011 cycle and beyond to "spend next-cycle funds in the current budget cycle (once the next-cycle portfolio has been approved) to avoid interruptions of those programs continuing into the next cycle and for start-up costs of new programs." The CPUC then lays out rules for spending next-cycle funds. Unfortunately, this process does not avoid the interruptions from program cycles since the IOU portfolio is typically not approved until September or October of the year prior to the start of the program cycle and in multiple instances portfolio approval has been delayed beyond October (as is the current case). Well before September or October, third-parties and government partnerships, as well as core program, managers are requesting assurance that incentives and programs will be available for the next year (next cycle). Moreover, IOUs are allocating resources to ensure timely start for the next program cycle. SDG&E requests that this procedure be revised to allow utilities to spend up to 15 percent of the next-cycle funds prior to the next-cycle portfolio being approved. This revised process will allow the IOUs to facilitate the rolling-budget concept envisioned by the CPUC. Accordingly, SDG&E requests authority from the CPUC to spend up to 15 percent of next-cycle funds in the year prior to a new cycle.

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

SDG&E is concerned that the "Funding Projects with Lead Times Beyond Three Years" process laid out by the CPUC in D.07-10-032 (pp. 97-98) cannot be implemented as written. While the process for encumbering funding laid out by the CPUC is reasonable and provides adequate guidance for SDG&E to commit funds from the next program cycle to fund programs

that will not yield savings in the current cycle, it requests that long-term projects that require funding beyond the 3-year program cycle be specifically identified in the utility portfolio plans. In addition, the utility portfolio plans shall include an estimate of the total costs broken down by year and associated energy savings. SDG&E cannot predict the expected energy saving projects that will be committed during the 2009-2011 program cycle at this time. These long-term projects are identified as SDG&E works with its customers in promoting EE opportunities. SDG&E proposes to identify these long-term projects as well as the dollar value of the encumbered funds, up to 20 percent of the value of the current program cycle budget as stated in D.07-10-032, in its quarterly reports to the CPUC. This will allow the CPUC to review the encumbered funds on a regular basis and will facilitate SDG&E' pursuit of projects that will produce energy savings beyond the current program cycle.

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SECTION 3
PROPOSED EVALUATION, MEASUREMENT AND VERIFICATION PLANS AND BUDGETS

I. Introduction

Consistent with D.07-10-032 9 (at page 110), SDG&E's budget proposal includes a set aside of 8 percent of its total portfolio funding for both utility and Commission-managed EM&V studies, policy support, and strategic planning projects. SDG&E recommends that consistent with the 2006-2008 EM&V allocation, 6 percent be allocated for the Commission staff budget and 2 percent for the IOU budget. However, because of the substantially larger budget amounts in the 2009-2011 program cycle, SDG&E is unconvinced that a total set-aside of 8 percent of each IOU's total portfolio budget is necessary. The estimated 2009-2011 EM&V budget under SDG&E's Proposed scenario is $25.7 million. Under SDG&E's Mandated scenario, the EM&V budget is $41.1 million. Therefore, SDG&E recommends that following the approval of the 2009-2011 program portfolios, that the utilities work closely with Commission staff and CEC staff to develop appropriate EM&V plans and budget requirements. Similar to the 2006-2008 process, SDG&E recommends that the utilities submit advice letters for approval to provide public review and formal Commission approval.

This section of the testimony will describe general plans for SDG&E's own energy efficiency process evaluation and market analysis projects.

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

("CEUS") and the Industrial End Use Study ("IEUS").

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

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

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

Group 1: Residential Programs

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

Group 3: Partnership Programs

Group 4: Non-Residential Programs

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

II. SDG&E-Specific Program Activities

In addition to the above groupings, over the course of the funding cycle SDG&E anticipates identifying specific needs for certain programs to be studied in order to optimize program achievements. While many of the programs and specific areas of research are unknown at this time, SDG&E believes there will be a need to study program components that aren't materializing as anticipated. Therefore, as these issues occur, SDG&E will select a contractor and submit its request to the Energy Division to obtain approval to conduct the study as required per the California Evaluation Energy Efficiency Protocols[35] ("Protocols").

A. Process Evaluations of Standard Portfolio

The process evaluation consists of in-depth examinations of the design, delivery, and operations of energy programs in order to improve the ability of the program to achieve energy savings and accomplish other program goals. The California Evaluation Framework[36] (Framework) defines a process evaluation as:

> "A systematic assessment of an energy efficiency program for the purposes of (1) documenting program operations at the time of examination, and (2) identifying and recommending improvements that can be made to the program to increase the program's efficiency or effectiveness for acquiring energy resources while maintaining high levels of participant satisfaction."[37]

Certainly, the primary reason for conducting process evaluations is to identify and

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[35] "Process Evaluation Protocol in the California Energy Efficiency Evaluation Protocols: Technical, Methodological and Reporting requirements for Evaluation Professionals," prepared for the California Public Utilities Commission by The TecMarket Works Team, April 2006.
[36] "The California Evaluation Framework," prepared for the California Public Utilities Commission and the Project Advisory Group, June 2004 by the Tec Market Works team.
[37] Ibid, p. 207

recommend changes in a program's operational procedures or systems that can be expected to improve the program's efficiency or cost-effectiveness. These recommendations need to be developed so that they support the program or the program's operational practices consistent with the program theory or with recommended change to the program theory.[38]"

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

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

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

Program Design

- Program design, design characteristics and design process;

[38] Ibid, p. 209.

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

Program Administration

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

Program Implementation and Delivery

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

Market Response

- Customer interactions and satisfaction (both overall satisfaction with key program components and including satisfaction with key customer-product-provider relationships and support services);
- Customer participant energy efficiency or load reduction needs and the ability of the program to provide for those needs;
- Market allies interactions and satisfaction;
- Low participation rates or associated energy savings;
- Market allies needs and the ability of the program to provide for those needs;
- Reasons for overly high free-riders or too low a level of market effects, free-drivers or spillover; and
- Intended or unanticipated market effects.[39]

B. Quantitative Baseline and Market Transformation Information

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

The utility program planners have worked closely with their respective EM&V staffs and with each other to identify available information and propose potential metrics that can be used for the program implementation plans. Each utility and each program has some data available,

[39] Protocols, pp. 135-136

but attempts to distill the limited available information into a common set of agreed-upon metrics have proved far more difficult to accomplish at this time and instead suggest a means of developing meaningful indicators.

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

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

C. Title 20 Saturation Study Requirements

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

D. Statewide and National EM&V Organization Activities

SDG&E, together with PG&E, SCE and SoCalGas, have coordinated/sponsored statewide EM&V activities, meetings and forums that allow a wide variety of stakeholders to participate and be informed of ongoing utility EM&V activities and state-of-the-art EM&V practices and coordinate statewide utility EM&V activities. An example of this is the California Measurement Advisory Council ("CALMAC"), which the utilities alternate chairing. The utilities also provide support for maintaining the CALMAC website (http://calmac.org/) which houses all measurement and evaluation studies sponsored by California since 1994.

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

E. EM&V Strategic Planning Activities

SDG&E has proposed several strategic planning activities in support of the CEESP. These are discussed in Section 1 above. SDG&E proposes to conduct appropriate EM&V studies to establish baselines, market transformation-type studies and evaluate the effectiveness of its pilot proposals. SDG&E will work with the other utilities and Commission staff to review and finalize study designs and determine whether statewide studies can be conducted for these strategic planning activities.

F. SDG&E EM&V Staffing Requirements

SDG&E will require staffing in order to conduct and manage its own internal EM&V studies; manage out-sourced EM&V Process Evaluation and Market Assessment studies; provide

required data by the Load Impact contractors selected by Energy Division Staff; respond to data requests from outside parties, provide input to Energy Division evaluations and studies; participate in CPUC sponsored workshops and forums; manage Statewide Studies; and provide feedback to program implementers.

III. Energy Division-Managed Studies

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

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SECTION 4
REVENUE REQUIREMENTS AND COST RECOVERY

I. Overview

SDG&E in this amended filing presents a CPUC mandated program scenario that incorporates revisions in response to various CPUC directives. The amended filing also presents for CPUC review a program portfolio that incorporates SDG&E's Preferred scenario. The presentation of SDG&E's Preferred scenario is permitted by CPUC ruling dated October 30, 2008, in Application 08-07-021 et al. The 3-year funding levels proposed by SDG&E for the Mandated and Preferred scenarios are $514,097,214 and $321,618,969, respectively.

The increased costs for 2010 will also include a true-up of the authorized 2009 bridge funding revenue requirement adopted in D.08-10-027[40] recorded in its Energy Efficiency 2009-2011 Memorandum Account ("EEMA") [41]offset by any available overcollections recorded in its balancing accounts for program years prior to 2009. SDG&E's approved 2009 bridge funding is $101,735,767.

A. Proposed Scenario Funding

In order to meet the adopted savings and demand reduction goals and to support the CEESP under the Preferred scenario, SDG&E is proposing the annual total program budget of $107,206,323 for 2009, 2010 and 2011. These budgets are further divided into the electric and natural gas budget requirements for each year. The electric and gas budgets were determined based on the program designs and the targeted measures. For electric measures, the incentive

[40] D.08-10-027, Decision Adopting Bridge Funding for 2009.
[41] The Energy Efficiency 2009-2011 Memorandum Account (EEMA) was established pursuant to Decision (D.) 08-10-027 and approved through Advice Letter 2034-E, 1809-G. The purpose of the EEMA is to record the difference between the revenue requirement adopted for the 2009 Bridge Funding period and the revenue requirement requested in SDG&E's 2009-2011 Energy Efficiency Application (A.) 08-07-023.

program budgets for these measures determine for the most part the electric incentive budget. For gas measures, the incentive program budgets for these gas measures determine for the most part the gas incentive budget. There are measures, however, that have both gas and electric benefits. For these measures the incentives are allocated between the electric and gas budget by using the electric and gas percentage allocations of the program benefits (using the total avoided cost benefits in dollars). With the exception of lighting programs, the program administration costs were also allocated between gas and electric budgets using the same avoided costs percentages. The following section presents the electric and natural gas funding proposals.

SDG&E is proposing an annual electric budget of $91,058,178 for years 2009, 2010 and 2011, respectively, which will be funded through a combination of Public Goods Charge ("PGC") (these are also referred to as Public Purpose Program ("PPP") funds, authorized by Assembly Bill ("AB") 995, and Procurement funds,[42] originally authorized in D.03-12-062 for 2004 through 2005 only.[43] D.05-09-043 OP 4 authorized the continuation and increase in Procurement funds for 2006-2008. SDG&E also proposes to fund the electric budget requirements first through the identification of unspent and uncommitted PGC program dollars from previous years (including applicable interest), PGC overcollections related to sales, and the interest that has accrued in the Post-1997 Electric Energy Efficiency Balancing Account ("PEEEBA") and the Electric Procurement Energy Efficiency Balancing Account ("EPEEBA") plus current year PGC collection. This will include a true-up of the authorized 2009 bridge funding revenue requirement adopted in D.08-10-027[44] recorded in its EEMA. SDG&E is proposing to continue the collection of Procurement funds which will be used to fund the

[42] The terms "Public Goods Charge" and "Public Purpose Program" are used interchangeability.
[43] D.03-12-062 at page 67.
[44] D.08-10-027, Decision Adopting Bridge Funding for 2009.

remainder of the electric budget requirements. The electric procurement funds are recorded in SDG&E's EPEEBA.

During the 3-year program cycle, SDG&E's authorized PGC funds, including unspent and uncommitted and annual escalations due to inflation; Procurement funds at the current authorized level of approximately $25 million, and balancing account interest will not be sufficient to meet the budget proposed in this application. Pursuant to Public Utilities Code §399.8, the non-low income component of the PPP rate may not exceed the level of the rate components effective on January 1, 2000. Therefore, SDG&E proposes to fund any "shortfall" through the continuation of the Energy Efficiency Procurement charge at a rate level necessary to recover the overall electric efficiency "shortfall."

SDG&E seeks authorization of its projected annual gas budget requirements of $16,148,148, for years 2009, 2010 and 2011, respectively. For its natural gas budget, SDG&E is proposing to use the PPP Gas surcharge funds authorized through AB 1002 and D.04-08-010. SDG&E also proposes to fund the gas budget requirements through the identification of unspent and uncommitted PGC program dollars from its Post-1997 Gas DSM and Post-1992 Gas DSM (pre-1998) Balancing Accounts (including applicable interest), as well as PGC overcollections related to sales plus current year PGC collection. SDG&E is currently authorized to collect over $7 million. Any "shortfall" will be addressed by increasing the level of PPP funds collected through the Gas PPP Surcharge. The Gas Surcharge is updated annually through an advice letter request filed in October to establish the PPP surcharge rates effective January 1 of the subsequent year.

The following table shows the annual budget requirements for the Preferred scenario, the available funds in each of the balancing accounts, the current levels of authorized PGC and

Procurement funding, and the budget allocations across customer class.

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Table 4-1: Preferred Scenario—Available Funds or Shortfalls for 2009 through 2011 Programs

Total Program Budget[3]	**107,206,323**		**107,206,323**		**107,206,323**			
	2009		**2010**		**2011**		**TOTAL**	
	Electric	**Gas**	**Electric**	**Gas**	**Electric**	**Gas**	**Electric**	**Gas**
Total Program Budget[3]	**91,058,178**	**16,148,145**	**91,058,178**	**16,148,145**	**91,058,178**	**16,148,145**	**273,174,534**	**48,444,435**
Electric PGC Budget	**34,800,000**	**16,148,145**	**52,707,974**	**16,148,145**	**53,454,121**	**16,148,145**	**140,962,095**	**48,444,435**
Electric Procurement Budget	**56,258,178**		**38,350,204**		**37,604,057**		**132,212,439**	
Total Program Budget	**91,058,178**	**16,148,145**	**91,058,178**	**16,148,145**	**91,058,178**	**16,148,145**	**273,174,534**	**48,444,435**
PGC Balancing Account								
Authorized Public Goods Charge (PGC) - Collections[1]	34,800,000	7,448,936	35,530,800	7,605,364	36,276,947	7,765,076	**106,607,747**	**22,819,376**
Efficiency Budget (1998-2008)	39,600,000	4,070,660	16,953,414	603,744	16,953,414	603,744	**73,506,828**	**5,278,148**
Forecasted Unspent/Uncommitted Pre-1998 DSM Year end 2008 Balance	-	-	223,760	457,504	223,760	457,504	**447,520**	**915,008**
Amortization of Unspent Funds in Rates	(39,600,000)	(4,070,660)	-	-	-	-	**(39,600,000)**	**(4,070,660)**
Other Available Funds From PGC Balancing Account	-	-	-	(8,699,209)	-	(16,180,742)	**N/A**	**N/A**
Total Available PGC Balancing Account Funds	**34,800,000**	**7,448,936**	**52,707,974**	**(32,597)**	**53,454,121**	**(7,354,418)**	**140,962,095**	**24,941,872**
Procurement Balancing Account								
Current Authorized Collection[2]	51,338,475		51,338,475		51,338,475		**154,015,425**	-
Other Available Funds From Procurement Balancing Account			(4,919,703)		8,068,568		**N/A**	**N/A**
Total Available Procurement Balancing Account Funds	**51,338,475**		**46,418,772**		**59,407,043**		**154,015,425**	-
Total Available Funding	86,138,475	7,448,936	99,126,746	(32,597)	112,861,164	(7,354,418)	**294,977,520**	**24,941,872**
PGC (Shortfall) Excess	-	**(8,699,209)**	-	**(16,180,742)**	-	**(23,502,563)**	-	**(23,502,563)**
Procurement (Shortfall) Excess	**(4,919,703)**	**NA**	**8,068,568**	**NA**	**21,802,986**	**NA**	**21,802,986**	
Assumptions/Notes:								
(1) Assume 2008 Authorized Electric Revenues in PPP rates for Energy Efficiency, assume 2008 Authorized Gas Revenues in Gas PPP Surcharge rates for Energy Efficiency, and an escalation rate of								
2.1% annually based on the 2004 Gross Domestic Product Deflator for years 2007 and 2008.								
(2) Assume 2009 Authorized Electric Revenues in PPP rates for Procurement.								
(3) SDG&E's forecasted annual expenditures (see Appendix F Table 4.1) based on the forecasted program acitvity may vary from the requested budget.								
However, the carry over/carry under within the program cycle should compensate for this difference.								

Table 4-2: Mandated Scenario—Available Funds or Shortfalls for 2009 through 2011 Programs

Total Program Budget[3]	**171,365,738**		**171,365,738**		**171,365,738**		**514,097,214**	
	2009		**2010**		**2011**		**TOTAL**	
	Electric	**Gas**	**Electric**	**Gas**	**Electric**	**Gas**	**Electric**	**Gas**
Total Program Budget[3]	**150,147,626**	**21,218,112**	**150,147,626**	**21,218,112**	**150,147,626**	**21,218,112**	**450,442,878**	**63,654,336**
Electric PGC Budget	**34,800,000**	**21,218,112**	**52,707,974**	**21,218,112**	**53,454,121**	**21,218,112**	**140,962,095**	**63,654,336**
Electric Procurement Budget	**115,347,626**		**97,439,652**		**96,693,505**		**309,480,783**	
Total Program Budget	**150,147,626**	**21,218,112**	**150,147,626**	**21,218,112**	**150,147,626**	**21,218,112**	**450,442,878**	**63,654,336**
PGC Balancing Account								
Authorized Public Goods Charge (PGC) - Collections[1]	34,800,000	7,448,936	35,530,800	7,605,364	36,276,947	7,765,076	**106,607,747**	**22,819,376**
Budget (1998-2008)	39,600,000	4,070,660	16,953,414	603,744	16,953,414	603,744	**73,506,828**	**5,278,148**
Forecasted Unspent/Uncommitted Pre-1998 DSM Year end 2008 Balance	-	-	223,760	457,504	223,760	457,504	**447,520**	**915,008**
Amortization of Unspent Funds in Rates	(39,600,000)	(4,070,660)	-	-	-	-	**(39,600,000)**	**(4,070,660)**
Other Available Funds From PGC Balancing Account			-	(13,769,176)	-	(26,320,676)	**N/A**	**N/A**
Total Available PGC Balancing Account Funds	**34,800,000**	**7,448,936**	**52,707,974**	**(5,102,564)**	**53,454,121**	**(17,494,352)**	**140,962,095**	**24,941,872**
Procurement Balancing Account								
Current Authorized Collection[2]	51,338,475		51,338,475		51,338,475		**154,015,425**	-
Other Available Funds From Procurement Balancing Account			(64,009,151)		(110,110,328)		**N/A**	**N/A**
Total Available Procurement Balancing Account Funds	**51,338,475**		**(12,670,676)**		**(58,771,853)**		**154,015,425**	-
Total Available Funding	86,138,475	7,448,936	40,037,298	(5,102,564)	(5,317,732)	(17,494,352)	**294,977,520**	**24,941,872**
PGC (Shortfall) Excess	-	**(13,769,176)**	-	**(26,320,676)**	-	**(38,712,464)**	-	**(38,712,464)**
Procurement (Shortfall) Excess	**(64,009,151)**	**NA**	**(110,110,328)**	**NA**	**(155,465,358)**	**NA**	**(155,465,358)**	

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B. Mandated Scenario Funding

In order to meet the adopted savings and demand reduction goals and to support the Energy Efficiency Strategic Plan under the Mandated scenario, SDG&E is proposing the annual total annual program budget of $171,365,738 for 2009, 2010, and 2011. These budgets are further divided into the electric and natural gas budget requirements for each year. The electric and gas budgets were determined based on the program designs and the targeted measures. For electric measures, the incentive program budgets for these measures determine for the most part the electric incentive budget. For gas measures, the incentive program budgets for these gas measures determine for the most part the gas incentive budget. There are measures, however, that have both gas and electric benefits. For these measures the incentives are allocated between the electric and gas budget by using the electric and gas percentage allocations of the program benefits (using the total avoided cost benefits in dollars). With the exception of lighting programs, the program administration costs were also allocated between gas and electric budgets using the same avoided costs percentages. The following section presents the electric and natural gas funding proposals.

SDG&E is proposing an annual electric budget of $150,147,626 for years 2009, 2010 and 2011, respectively, which will be funded through a combination of PGC or PPP funds, authorized by AB 995, and Procurement funds originally authorized in D.03-12-062 for 2004 through 2005 only. D.05-09-043 OP 4 authorized the continuation and increase in Procurement funds for 2006-2008. SDG&E also proposes to fund the electric budget requirements first through the identification of unspent and uncommitted PGC program dollars from previous years (including applicable interest), PGC overcollections related to sales, and the interest that has accrued in the Post-1997 PEEEBA and the EPEEBA plus current year PGC collection. This will

include a true-up of the authorized 2009 bridge funding revenue requirement adopted in D.08-10-027 recorded in its EEMA. SDG&E is proposing to continue the collection of Procurement funds which will be used to fund the remainder of the electric budget requirements. The electric procurement funds are recorded in SDG&E's EPEEBA.

During the 3-year program cycle, SDG&E's authorized PGC funds, including unspent and uncommitted and annual escalations due to inflation; Procurement funds at the current authorized level of approximately $25 million, and balancing account interest will not be sufficient to meet the budget proposed in this application. Pursuant to Public Utilities Code Section 399.8, the non-low income component of the PPP rate may not exceed the level of the rate components effective on January 1, 2000. Therefore, SDG&E proposes to fund any "shortfall" through the continuation of the Energy Efficiency Procurement charge at a rate level necessary to recover the overall electric efficiency "shortfall."

SDG&E seeks authorization of its projected annual gas budget requirements of $21,218,112, for years 2009, 2010 and 2011, respectively. For its natural gas budget, SDG&E is proposing to use the PPP Gas surcharge funds authorized through AB 1002 and D.04-08-010. SDG&E also proposes to fund the gas budget requirements through the identification of unspent and uncommitted PGC program dollars from its Post-1997 Gas DSM and Post-1992 Gas DSM (pre-1998) Balancing Accounts (including applicable interest), as well as PGC overcollections related to sales plus current year PGC collection. SDG&E is currently authorized to collect $5 million. Any "shortfall" will be addressed by increasing the level of PPP funds collected through the Gas PPP Surcharge. The Gas Surcharge is updated annually through an advice letter request filed in October to establish the PPP surcharge rates effective January 1 of the subsequent year.

Table 4-2 above shows the annual budget requirements for the Mandated scenario, the

available funds in each of the balancing accounts, the current levels of authorized PGC and Procurement funding, and the budget allocations across customer class.

II. Closure of Pre-1998 Demand-Side Management ("DSM") Balancing Accounts

SDG&E has been maintaining its Electric and Gas Post 1992 DSM (pre-1998) Balancing Accounts to cover any outstanding activities related to its PY 1994 through PY 1997 beyond 1997. With the AEAP Settlement approved in D.03-08-028, SDG&E has determined that it no longer has any outstanding electric or gas activities that need to be tracked in these balancing accounts. Should the Commission approve SDG&E's budget request and the funding sources as shown in Table 4-1, SDG&E is proposing to transfer the balance in these accounts to the electric and gas PEEEBA and close the Electric and Gas Post-1992 (pre-98) DSM Balancing Accounts. The Electric and Gas DSM Bidding Balancing Accounts will be addressed outside of this application.

III. Management of SDG&E's Electric Procurement Energy Efficiency Balancing Account and Post-1997 Electric Energy Efficiency Balancing Account

Consistent with its proposal recently filed in Advice Letter 2006-E, SDG&E plans to annually transfer the funds as identified in Table 4-1 lines 7, 18, and 23 from SDG&E's Electric Procurement Energy Efficiency Balancing Account ("EPEEBA") to the Post-1997 Electric Energy Efficiency Balancing Account ("PEEEBA") in order to efficiently record all 2009-2011 energy efficiency electric expenditures.[45] For t2006-2008 the Commission did not approve a distinct set of electric energy efficiency programs associated with electric procurement and a separate set of electric energy efficiency programs associated with SDG&E's PGC fund; however, it did authorize the collection of both electric procurement and energy efficiency

[45] Advice Letter 2006-E was filed on July 17, 2008.

funding from customers, the funds from these two sources are used to fund all of SDG&E's electric energy efficiency activities. Therefore, in order to track and report total electric expenditures accurately and efficiently, SDG&E will transfer funds from its EPEEBA to the PEEEBA on an annual basis so as to minimize efforts in managing two separate balancing accounts and ensuring accurate reporting of electric expenditures. SDG&E will continue to collect and record revenues as set forth in this request into its EPEEBA and PEEEBA. SDG&E will make the appropriate transfer in December close of business and the transfer will be reflected in SDG&E's Annual PPP Update Advice Letter, which is filed in October 1 of every year effective on January 1 of the following year.

IV. Proposed Funding Flexibility For Electric and Gas Program Budgets

SDG&E proposes funding flexibility for its electric and gas budgets that would allow SDG&E to continue to fund successful program activities in each fuel category should they require greater funds that what was originally planned for. The current natural gas and electric budget proposals were developed based on the forecasted benefits that each set of programs will bring. However, during the program cycle, the natural gas programs may require more program funds than what the Commission finally approves for this program cycle and ,on the other hand, the electric programs may not require as much as what is finally approved. The reverse may be true. SDG&E proposes that the Commission allow SDG&E to continue funding each set of programs as necessary during the program cycle without additional authorization in order to ensure meeting both SDG&E's electric and natural gas savings goals for as long as SDG&E does not exceed the authorized total 2009-2011 energy efficiency budget (electric and gas combined). SDG&E proposes to true-up its gas and electric PPP balancing accounts at the end of the 2009-2011 program cycle to reflect the actual gas and electric expenditures for the program cycle. The

PPP electric balancing account will be trued-up in 2010 via the Advice Letter process set forth in D.03-04-027 OP 2 that orders SDG&E to file an advice letter by October 1 of each year to revise its electric PPP rates effective January 1 of the following year. Similarly SDG&E will true-up its natural gas PPP balancing account in 2010 via the Advice Letter process set forth in D.04-08-010 OP 22 that orders SDG&E to update on an annual basis its surcharge rates to fund PPP programs effective January 1 of the following year.

V. Electric Cost Allocation Methodology

SDG&E is proposing no changes in the current customer class allocations for electric energy efficiency program costs identified in Table 4-1 and Table 4-2. The current factors were adopted in D. 05-09-043.

SDG&E does not propose to alter the cost allocation of the Non-Low Income component of the PPP rate in this proceeding. The Non-Low Income component of the PPP rate is allocated to customers based on the System Average Percent ("SAPC") methodology for the Renewables, and the RD&D components.

SDG&E recovers its electric energy efficiency program costs through a portion of the Non-low Income component of the electric PPP surcharge, as well as through the Procurement Energy Efficiency Surcharge rate authorized in D.03-12-062. Pursuant to Public Utilities Code Section 399.8, the non-low income component of the PPP rate may not exceed the level of the rate components effective January 1, 2000. Therefore, SDG&E proposes to recover future EE revenue requirement increases above the authorized amount included in the PPP Non-low Income component through the Procurement EE Surcharge rate mechanism. Therefore the procurement EE Surcharge revenue allocation would be a residual calculation, designed to achieve the total proposed EE cost allocation by class constant.

A. Rate Design Proposal for SDG&E Electric Budgets

Consistent with the revenue allocation approach, the electric EE surcharge is determined by dividing the EE program costs by total forecast kWh sales. SDG&E used California Public Utilities Commission (CPUC) approved billing determinants based on its 2008 General Rate Case Phase 2 to formulate the EE rate.[46] SDG&E's currently effective direct allocation methodology was adopted by the CPUC in D.05-09-043. SDG&E proposes no change to this EE rate design method in this proceeding. Surcharge rate impacts of both the Preferred scenario and Mandated scenario for SDG&E's electric customers for years 2009-2011 are shown below in Tables 7-3 and 7-4 for 2010 and 2011, respectively.

Table 4-3: Energy Efficiency – Electric
2010 Preferred Class Average Total Rates

	Present Total Rate (¢/kWh)	2010 Proposed Total Rate (¢/kWh)	Change (¢/kWh)	(%)
Residential	18.265			
Mandated		18.942	0.677	3.7%
Preferred		18.410	0.145	0.8%
Small Comm.	18.616			
Mandated		19.700	1.084	5.8%
Preferred		18.848	0.232	1.2%
Med. & Large C&I	15.344			
Mandated		16.038	0.694	4.5%
Preferred		15.493	0.149	1.0%
Agriculture	18.079			
Mandated		19.086	1.007	5.6%
Preferred		18.294	0.215	1.2%
Lighting	15.948			
Mandated		16.590	0.642	4.0%
Preferred		16.086	0.138	0.9%
System Total	16.726			
Mandated		17.455	0.729	4.4%
Preferred		16.883	0.157	0.9%

[46] A new SDG&E 2008 electric sales forecast was approved in D.08-02-034.

Table 4-4: Energy Efficiency – Electric
2011 Proposed Class Average Total Rates

	Present Total Rate (¢/kWh)	2011 Proposed Total Rate (¢/kWh)	Change (¢/kWh)	Change (%)
Residential	18.265			
Mandated		18.654	0.389	2.1%
Preferred		18.388	0.123	0.7%
Small Com.	18.616			
Mandated		19.239	0.623	3.3%
Preferred		18.813	0.197	1.1%
Med. & Large C&I	15.344			
Mandated		15.743	0.399	2.6%
Preferred		15.470	0.126	0.8%
Agriculture	18.079			
Mandated		18.657	0.578	3.2%
Preferred		18.262	0.183	1.0%
Lighting	15.948			
Mandated		16.317	0.369	2.3%
Preferred		16.065	0.117	0.7%
System Total	16.726			
Mandated		17.145	0.419	2.5%
Preferred		16.859	0.133	0.8%

VI. Natural Gas Allocation Methodology and Rate Design Proposal

SDG&E is proposing no changes to the current customer class allocations for natural gas energy efficiency program costs identified in Tables 7-1 and 7-2. See Tables 7-5 and 7-6 for 2010 and 2011, respectively, for the resulting PPP Surcharge Rate impacts for SDG&E's natural gas customers under the Preferred and Mandated scenarios.

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Table 4-5: Energy Efficiency – Gas
2010 Proposed Class Average Total Rates

	CARE Customers			Non-Core Customers		
	2009	2010	Change	2009	2010	Change
Customer Class	¢/th	¢/th	%	¢/th	¢/th	%
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Core						
Residential	3.641			6.673		
Mandated		4.826	32.5%		7.858	17.8%
Preferred		3.983	9.4%		7.015	5.1%
Commercial/Industrial	4.959			7.992		
Mandated		10.145	104.6%		13.178	64.9%
Preferred		6.455	30.2%		9.488	18.7%
Natural Gas Vehicle	N/A			3.408		
Mandated		N/A	N/A		3.408	0.0%
Preferred		N/A	N/A		3.408	0.0%
Noncore						
Commercial/Industrial	N/A			8.283		
Mandated		N/A	N/A		13.762	66.1%
Preferred		N/A	N/A		9.864	19.1%

Table 4-6: Energy Efficiency – Gas
2011 Proposed Class Average Total Rates

	CARE Customers			Non-Core Customers		
	2009	2010	Change	2009	2010	Change
Customer Class	¢/th	¢/th	%	¢/th	¢/th	%
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Core						
Residential	3.641			6.673		
Mandated		4.359	19.7%		7.391	10.8%
Preferred		3.937	8.1%		6.969	4.4%
Commercial/Industrial	4.959			7.992		
Mandated		8.100	63.3%		11.132	39.3%
Preferred		6.255	26.1%		9.287	16.2%
Natural Gas Vehicle	N/A			3.408		
Mandated		N/A	N/A		3.408	0.0%
Preferred		N/A	N/A		3.408	0.0%
Noncore						
Commercial/Industrial	N/A			8.283		
Mandated		N/A	N/A		11.601	40.1%
Preferred		N/A	N/A		9.652	16.5%

SECTION 5
WITNESS QUALIFICATIONS

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

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

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

The purpose of my testimony is to support Sections 1, 2, 3 and 4 of this Exhibit and Appendices A, A.1, B, C, D, E, F and F.1.