

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company for Approval of the 2009-2011 Low Income Energy Efficiency and California Alternate Rates for Energy Programs and Budget (U 39 M).	Application 08-05-022 (Filed May 15, 2008)
Application of San Diego Gas & Electric Company (U 902 M) for Approval of Low-Income Assistance Programs and Budgets for Program Years 2009-2011.	Application 08-05-024 (Filed May 15, 2008)
Application of Southern California Gas Company (U 904 G) for Approval of Low- Income Assistance Programs and Budgets for Program Years 2009-2011.	Application 08-05-025 (Filed May 15, 2008)
Application of Southern California Edison Company (U 338-E) for Approval of Low- Income Assistance Programs and Budgets for Program Years 2009, 2010 and 2011.	Application 08-05-026 (Filed May 15, 2008)

**RESPONSE OF SAN DIEGO GAS & ELECTRIC COMPANY TO THE
ADMINISTRATIVE LAW JUDGE'S RULING SEEKING FURTHER INFORMATION
ON LARGE INVESTOR-OWNED UTILITIES' 2009 – 2011
LOW INCOME ENERGY EFFICIENCY/CARE APPLICATIONS**

Kim F. Hassan
Attorney for
San Diego Gas & Electric Company

101 Ash Street, HQ12
San Diego, CA 92101
Telephone: (619) 699-5006
Facsimile: (619) 699-5027
Email: Khassan@sempra.com

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I. INTRODUCTION

In accordance with the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedures and the June 17, 2008 Administrative Law Judge’s (“ALJ”) Ruling (“Ruling”), San Diego Gas & Electric Company (“SDG&E”) hereby submits its response to the questions 21 through 31 and 35 through 36 contained in Appendix A of the Ruling regarding SDG&E’s Application for Approval of its Low-Income Assistance Programs and Budgets for Program Years 2009-2011 (“Application”).

II. RESPONSES

Questions for SDG&E

21. Your application indicates the following changes in LIEE measures:

SDG&E 2009	SDG&E 2008 Authorized
430 room AC units, 230 central AC	50 room, 74 central
9 evap. coolers	8
3830 refrigerators ¹	4,535
149,029 CFLs ²	68,899
8,241 homes weatherized ³	8,143
20,000 energy education ⁴	10,263
4,750 torchiere lamps	492
1,525 furnaces	942

- a. Please explain why the number of CFLs installed will significantly increase over time, and whether this increase is consistent with the following statement in D. 07-12-051:

Under our general energy efficiency rules, utility portfolios must include measures that provide long-term, enduring energy savings, and we emphasized this policy in our recent decision D.07-10-032. Examples include programs for installations of refrigerators, changes in codes and standards, and building modifications. *Lighting programs can provide short-term benefits, but the utilities should not rely on CFLs as a primary program focus, especially if the installation and the actual use of those products are not assured. D. 07-12-051, mimeo., p. 37 (emphasis added).*

Response:

In its Application, SDG&E proposes to increase the number of compact florescent lamps (“CFLs”) and CFL fixtures during PY 2009-2011 because these measures provide immediate and effective energy savings at a relatively low cost to SDG&E.⁵ For example, SDG&E proposes to install a variety of CFLs and CFL fixtures under its LIEE program for PY 2009 as follows: 140,029 CFLs, 12,000 interior hard-wired CFL fixtures, 2,150 exterior hard-wired CFL fixtures, and 4,750 torchieres at a total cost of \$2.7 million. The total electric energy savings⁶ associated

¹ The actual number of Refrigerator installations proposed by SDG&E for program year (“PY”) 2009 is 4,235.

² The actual number of CFL installations proposed by SDG&E for PY 2009 – 2011 is 140,029 per year.

³ SDG&E proposes 8,241 installations of Envelope and Air Seal Measures for PY 2009.

⁴ SDG&E proposes to provide In-Home Education to 20,000 homes annually for PY 2009 – 2011.

⁵ The CFL measures account for a minimal amount of SDG&E’s requested PY 2009-2011 budget—\$2.7 million for PY 2009, \$2.8 million for PY 2010, and \$2.9 million for PY 2011...

⁶ Estimates for PY 2009 are based on an average installation of 7 CFLs per home for 20,000 homes annually.

with these CFL installations is 3,950,119 kWh annually and 40,888,338 kWh over the lifecycle of these CFLs and hard-wired CFL fixtures.⁷

SDG&E's proposed increase in measures for PY 2009-2011 is consistent with D.07-12-051 because the installation of CFLs and hard-wired CFL fixtures is not the primary focus of SDG&E's LIEE program. Nevertheless, SDG&E recognizes the significant contributions that CFLs and CFL fixtures provide in electric energy savings, and to ensure continued energy savings, every CFL and hard-wired CFL fixture under SDG&E's LIEE program will be installed at the customer's home by SDG&E personnel or SDG&E's contractor. Accordingly, SDG&E proposes to continue its efforts to transform the market by providing and installing CFLs and hard-wired CFL fixtures for eligible low income customers and ensure actual use of CFLs and CFL fixtures by educating customers regarding the benefits of using these measures to reduce energy consumption and reduce electric bills.

- b. State whether SDG&E or its contractors will install each CFL delivered to customers, or whether by contrast, SDG&E will give CFLs to customers to install themselves. If the latter, discuss whether energy savings counted for CFLs should be discounted to account for customers who do not install the lightbulbs.

Response:

Under SDG&E's LIEE program, all CFLs are installed by SDG&E personnel or SDG&E's contractor.⁸ As such, SDG&E does not leave any measure under its LIEE program for customers to install.

- c. Please explain the reason for decreases over time in any other measures listed above, or any other measures in Attachment A-2 to your application.

⁷ For CFL bulbs and hard-wired porch lights, the effective useful lives ("EUL") were taken from the CALMAC Workshop Report dated September 2000. Those EULs were 20 years for hard-wired porch lights and 8 years for CFL bulbs. In the PY 2005 LIEE Impact Evaluation, these two measures were combined into one. Therefore, an EUL for this measure was calculated by taking a weighted average of the installations for both measures in PY2005, and the result is an EUL for this combined measure of 9 years. For torchieres and interior hard-wired fixtures, the EULs were taken from DEER and are 9 years and 16 years respectively.

⁸ In addition, for every CFL installed, an incandescent or halogen lamp is removed from the home.

Response:

SDG&E proposes to reduce the installation of certain measures in PY 2009-2011 because of: 1) changes in program policy, 2) cost effectiveness issues, 3) lack of need, and 4) incompatibility with installation standards. The measures that SDG&E proposes to decrease in PY 2009-2011 include refrigerators, tankless water heaters, duct testing and sealing and central air conditioner tune ups. Below is a more detailed explanation for the measure reductions.

Refrigerators

Since 2006, the number of refrigerators that qualified for replacement has significantly decreased. This decrease is due to a change in the qualification requirements for refrigerator replacement, which allows for the replacement of refrigerators older than 10 years, rather than refrigerators manufactured before 1993.⁹ In PY 2008, SDG&E forecasted replacing approximately 4,500 refrigerators, and only replaced 1,266 as of May 30, 2008. According SDG&E proposes to replace fewer refrigerators in PY 2009-2011.

Tankless Water Heaters

SDG&E implemented the tankless water heater measure in its LIEE program in 2007. SDG&E initially projected 100 replacements per year for PY 2007 and PY 2008. However, SDG&E has only replaced 1 conventional storage water heater with a tankless water heater because the necessary upgrades to customer homes, e.g. need to upsize customers' natural gas lines to the appliance, need to reconfigure customers' existing plumbing system and the need to upgrade customers' ventilation systems to meet building code applicable to tankless water heaters, are cost prohibitive. For these reasons, SDG&E proposes to reduce the number of tankless water heaters installed in PY 2009-2011.

⁹ In *Assigned Commissioner's Ruling Approving the Proposals Contained In The November 1, 2005 Report of the Standardization Team as Modified*, issued on March 29, 2006 in Rulemaking ("R.") 04-01-006, the Commission authorized the utilities approved policies and standards relating to additional energy efficiency measures recommended for inclusion into the 2006 LIEE programs. One such policy approved changed the requirement for refrigerator replacement.

Duct Testing and Sealing

SDG&E implemented duct testing and sealing in its LIEE program in PY 2006.¹⁰ Original projections for this measure in PY 2006 assumed that 80% of all homes tested would receive duct sealing. However, based on SDG&E's experience since 2006, the duct sealing rate has dropped to approximately 21%, in part, because SDG&E's contractors are conducting fewer duct tests because the contractors are conducting more comprehensive examinations of the duct system configurations. Duct sealing has also decreased because the conditions of customer homes make the installation of this measure non-feasible pursuant to the 2006 Statewide Weatherization Installation Manual ("WIS Manual") guidelines.¹¹ For these reasons, SDG&E proposes to decrease duct sealing in PY 2009-2011.

Central Air Conditioning Tune-up

SDG&E implemented the central air conditioning tune-up measure in its LIEE program in 2007. However, pursuant to installation standards for the central air conditioning tune-up measure, as developed by the joint effort of the weatherization installation standardization team and participating public, a significant number of homes with central air conditioners had equipment that was in a state of disrepair, which made the provision of this measure non-feasible. Accordingly, SDG&E has adjusted the number of air conditioning tune-ups projected for PY 2009-2011 to more accurately reflect actual provision of this measure.

22. You propose to increase the education portion of your LIEE program approximately in the following amounts: from 10,263 energy education¹² sessions in 2008, to 20,000 in 2009. State why you propose the increases and explain how increased education efforts will lead to increased energy efficiency as well as safety and comfort. What number/percentage of your total education-related sessions will result in immediate installations of, or commitments/appointments to install, energy efficiency measures?

¹⁰ Decision 05-12-026 approved new measures (duct testing and sealing, high efficiency central air conditioners) for inclusion in the 2006 LIEE program measure mix.

¹¹ See WIS Manual at p. 7-26.

¹² To clarify, it represents In-Home Energy Education under SDG&E's LIEE program.

Response:

The difference in in-home energy educations provided in 2008 as compared to 2009 is entirely reflective of the number of treated homes proposed for each year. SDG&E proposed treating 10,440 homes in 2008 and is proposing to treat 20,000 homes each year for 2009 through 2011.

SDG&E anticipates that the increase in energy education sessions combined with SDG&E's new customized, audit-based approach to energy education will generate greater adoption of energy saving practices by customers. For example, each customer will be offered specific energy saving tips that are specific to that home based on the results of an assessment and audit performed at the home. Customer safety and comfort will be addressed and likely increased because SDG&E will identify household energy behaviors and install the appropriate mix of measures that will improve the comfort of the residence, while also assuring that any potentially unsafe conditions are found and corrected. In addition, SDG&E expects that the majority of education sessions will result in installation of energy efficiency measures. Where an opportunity to install measures through the LIEE program guidelines exist, those measures will typically be installed within 30 days.

23. Is your fund-shifting proposal limited in any way (e.g., by dollar amount or percentage of total)?

Response:

In its Application, SDG&E did not originally propose any fund-shifting limitations. However, SDG&E is now amenable to requesting and obtaining Commission approval prior to shifting funds to administrative costs from measure funding. SDG&E is also amenable to the Commission limiting the percentage of funds that could be shifted between commodities without approval through advice letter provided that the decision explicitly indicate that approval can occur after the expenditure and before the recording of the fund shifting in the following year. Because there are numerous installations of measures at any one point in time at the end of a budget cycle, it is virtually impossible to know the exact nature of the conditions to be encountered in the homes during the last months of the program cycle until several months after its conclusion. As a consequence, if an advice filing were required in advance of the program

expenditures it would force the IOUs to seriously curtail contractor activities near the end of a cycle to ensure that budgets were not exceeded.

It is important that SDG&E have flexibility to shift funds from the electric to the natural gas budget or from the natural gas to the electric budget during the 2009-2011 program cycle, without the need for advice letter filing which would likely result in delay. It is also important that the dual commodity IOUs have the flexibility to move money effectively to promote the installation of electric or gas measures that are of the greatest benefit to the customer without administrative delay. In administering this proposal, SDG&E intends to collect the appropriate electric or natural gas program costs from the appropriate respective customer base, i.e. electric program spending will be funded by electric customers and natural gas program spending will be funded by natural gas customers. Thus, SDG&E is not proposing that electric customers subsidize natural gas LIEE programs or vice versa. This proposal is consistent with the flexibility permitted to IOUs as recently as 2006, when fund-shifting was not limited by dollar amount or percentage among budget categories within the LIEE program.

SDG&E is requesting Commission authority to carry forward or carry back authorized funds within the 2009-2011 LIEE program funding cycle, in order to allow SDG&E the ability to respond to unforeseen conditions encountered in the homes treated, particularly near the end of each calendar year. Such authority would permit program continuity in a seamless manner across the three-year funding period and help achieve long term LIEE investments. SDG&E is also requesting the authority to commit carry-over measure funding as necessary into the next program cycle beginning in 2012, because many new construction projects require multiple years from the program commitment to construction and installation.

24. Do you foresee any confidentiality issue/problem with your proposal (Testimony, page 14) to share with one customer the household consumption with like homes in the neighborhood?

Response:

SDG&E does not propose to share any individual customer information for comparison purposes with other customers. Rather, SDG&E will compare customer energy use using the Home Energy Comparison Tool (“HECT”), and then share general information to customers

regarding the household consumption of other households that are similar in size and energy usage characteristics. As such, SDG&E does not foresee any confidentiality issue/problem, as there is no risk of releasing customer-specific confidential information.

25. Do you have any research indicating that the LIEE cash rewards you propose (Testimony, page 16) will increase LIEE enrollment or energy savings? Will only new customers be eligible or existing customers as well? Will the program be in effect for one year, or every year? Are other incentives besides cash incentives under consideration?

Response:

Although SDG&E does not have supplemental research on whether a cash reward will increase LIEE enrollment, SDG&E does have research on rewards programs, which includes a process and impact evaluation of the SDG&E PY 2005 20/20 Program,¹³ that suggests that SDG&E's rewards proposal will likely increase energy savings.¹⁴ In the evaluated program, 92,325 households were issued bill credits for reducing their consumption by at least 20% from the previous year. Total MWh reduction for these customers was 70,899. After adjusting for free-riders and for customers who reduced without knowledge of the program or incentive, the net savings attributed to active program participants were 14,994 MWh. Other instructive findings from this evaluation include the following:

- Over 75% of the total program savings were due to adjusted cooling use.
- Customer surveys indicated that roughly 30% of the customers who received a rebate were aware of the program and had undertaken some effort to achieve savings.
- The evaluation found that the program did not provide sufficient education or assistance for customers to save energy.

Only new customers participating in the LIEE program beginning in PY 2009 will be eligible for the customer rewards. SDG&E proposes to offer the customer reward element of the

¹³ SDG&E's 20/20 program was implemented in 2005 to encourage customers to reduce energy during the energy crisis at that time. The concept is the same as SDG&E proposes in its Application which is to encourage customers to reduce their energy consumption by changing their behaviors.

¹⁴ Wirtshafter Associates, Inc. Evaluation of the California Statewide 20/20 Demand Reduction Programs, June 2006. This document is available at <http://www.calmac.org/search.asp#PubDate>.

LIEE program every year in PY 2009-2011. SDG&E is currently considering a bill credit as the program incentive to eligible customers, rather than a cash incentive.

26. Why are the measures in Table 7 (Testimony, page 17) the same across all usage levels?

Response:

The measures in Table 7 are the same across all usage levels because all customers will have access to the same measures. However, customers will not receive the same measures because the installations of measures will be based on the results of the in-home energy audit that will identify measures that are most appropriate to a particular residence and those likely to produce energy savings for the customer.

27. Do you have any numbers related to your statement that “many of the LIEE contractors and subcontractors already hire their crews from the low income community. For example, CBOs hire from the training programs they currently administer through their agencies? (Testimony, page 25.) How many persons were hired in the last budget cycle, by year, if you know?

Response:

SDG&E’s current prime contractor Richard Heath and Associates (“RHA”) currently employs 21 outreach workers, 18 of those employees were previous LIEE customers. The subcontractors who work for RHA are mainly Hispanic, and many who come from the low-income communities served by the LIEE program. At this time, SDG&E does not have specific numbers related to the subcontractor workforce. In addition, SDG&E does not know how many persons were hired in the last budget cycle.

28. How many employees (at the utility, contractors/subcontractors, and community based organizations) and what types of employees does your LIEE program currently have, and how will these numbers change in 2009, 2010 and 2011 if your budget is approved?

Response:

SDG&E

SDG&E has a total of 21.5 full-time employees (“FTE”) allocated to its LIEE program. The types of employees are as follows:

<u>Type of Employee</u>	<u>FTE</u>
Management	11.0
Non-Management/Union	4.5
Contract	6.0
Total	21.5

For PY 2009-2011, SDG&E does not anticipate a change in its current level of FTE’s allocated to the LIEE program due to the proposed increase in budget levels. The LIEE budget increase requested for PY 2009-2011 will primarily be used to install measures and to provide services to qualified low income homes. However, SDG&E is also moving program administration in-house as opposed to having a third-party program administrator or prime contractor as it has now. This change is anticipated to require an increase of up to 6 FTEs, 4 of which will be management and 2 will be non-management employees.

Contractor

SDG&E currently contracts with an outside contractor, RHA, the prime contractor to manage the field activities of its LIEE program. Under the LIEE program, the prime contractor performs outreach to customers, determines customer eligibility and enrollment, and provides in-home energy education and assessment of the home. The prime contractor subcontracts the LIEE weatherization activity and heating, ventilation and air conditioning (“HVAC”) work to licensed community based organizations (“CBOs”) and private contractors.

SDG&E obtained the following information from RHA:

RHA employees

<u>Type of Employee</u>	<u>FTE</u>
Administration / Supervision	5.0

Clerical	11.0
Outreach & Enrollment	21.0
Weatherization Installation	5.0
Appliance Installation	8.0
Gas Appliance Inspection	8.0
Total	59.0

RHA Subcontractors

<u>Type of Employee</u>	<u>FTE</u>
CBO Weatherization Crews	13.0
CBO Administrative Staff	8.0
Private Contractor Weatherization Crews	24.0
Private Contractor Administrative Staff	8.0
Private Contractor HVAC Crews	10.0
Total	63.0

29. On page 34 of SDG&E’s application under section H. Competitive Bid, SDG&E notes that they have submitted an RFP plan to the Energy Division and are awaiting feedback. Energy Division reports that SDG&E did not submit this plan. Explain.

Response:

SDG&E submitted its Low Income Energy Efficiency Request for Proposal (“RFP”) Plan for PY 2009-2011 to Mr. Sean Gallagher of the Director of the Energy Division on March 24, 2008. A copy of the letter and the draft RFP Plan is provided below.



However, in subsequent communications between SDG&E and the Energy Division staff, it was determined that because SDG&E does not intend to continue to use a prime contractor to

implement its LIEE program beginning in 2009, Energy Division approval of SDG&E's RFP is no longer be applicable, pursuant to D.06-12-038 and D.07-06-004.

30. How did SDG&E determine its proposed split between gas and electric in terms of measures and program costs?

Response:

SDG&E did not predetermine a natural gas or electric split for its measures or program costs. In developing its programs measure mix each year, SDG&E makes a determination as to the quantity of measures to be installed for each eligible home and their installation costs. This results in the allocation split between natural gas and electric for SDG&E's LIEE program.

31. On page 14 of SDG&E's application, SDG&E is proposing the elimination of the 3-measure minimum currently required for participation in the LIEE program. What would be the cost (administrative cost, marginal costs) of implementing fewer than 3 measures as contrasted with the benefits (energy bill savings and energy usage savings)?

Response:

Although SDG&E does not know the costs associated with implementing fewer than 3 measures,¹⁵ SDG&E anticipates that such costs will be minimal because the cost associated with contacting these customers today and going through the enrollment and assessment processes is already built into the total cost of enrolling a customer. Thus, by eliminating the 3-measure minimum SDG&E anticipates the ability to potentially decrease the cost per enrollment. In addition, SDG&E and RHA currently have a process in that allows a limited number of RHA's outreach personnel to not only enroll and assess a customer, but to also install most minor

¹⁵ SDG&E proposes to eliminate the 3-measure minimum in response to the Commission's programmatic initiative "to provide all eligible LIEE customers the opportunity to participate in LIEE programs and to offer those who wish to participate all cost-effective energy efficiency measures in their residences by 2020." SDG&E believes that many of its customers may only need a small number of measures to improve the energy efficiency of their homes. Currently when a customer is contacted for program participation, that customer goes through an enrollment process along with an assessment for "all feasible" measures. In the event that a customer does not need at least 3 measures, the customer is not enrolled in the program and is therefore not eligible to receive any measures.

measures. SDG&E anticipates that this process could be expanded to include more outreach personnel, which will allow those customers who only need a few measures to participate in the program and receive the benefits associated with the measures installed.

Questions for all IOUs (if not answered previously; if answered, indicate where)

35. The tables in Attachment 1 compare various metrics in your applications across all four IOUs. You will note that the following discrepancies appear among the IOUs; please explain them:
- a. The results of SCE's Modified Participant Test for cost effectiveness are far higher than those for the other utilities. Please explain the discrepancy.

Response:

SDG&E is unable to address any calculations conducted by SCE because SDG&E was not privy to those calculations.

- b. The IOUs budget increases do not result in comparable increases in energy savings. Please explain.

Response:

SDG&E agrees that the increase in the budget does not result in a comparable increase in energy savings. There are several reasons why this is the case, including 1) measure costs are increasing, 2) contractor installation costs are increasing, 3) our measure mix has changed for PY2009 to 2011 with a larger proportion of savings coming from gas measures, 4) a different set of savings estimates is being used for this application, many of which are lower than those previously used,¹⁶ 5) outreach and education activities are being increased for PY2009 to 2011, and 6) development costs for an audit tool has also been budgeted.

On a total program basis, the increase in energy savings is significant. If both kWh savings and therms are converted to a common denominator,¹⁷ the total energy savings estimated

¹⁶ Results of the PY 2005 Impact Evaluation were made available in December 2007. For many of the program measures, the results of this study found savings estimates to be lower than those estimated in the previous impact evaluation. For example, CFLs were found to save 16 kWh per bulb whereas the previous (PY 2001) impact evaluation reported results of 22 kWh per bulb.

¹⁷ In converting both to Btu, the total Btu of 78,188,572,688 for PY2009 is a 101% increase over total Btu for PY 2008 of 38,993,057,0121.

for PY 2009 is an increase of 101% over 2008 compared to a budget increase of 58%. The majority of the increased savings is attributable to gas measures.

c. The ratio of energy savings to dollars budgeted is decreasing over time for PG&E and SDG&E. Please explain.

Response:

The reasons for this are provided in the answer to question 35b.

d. The energy savings per homes is decreasing for PG&E. Please explain.

Response:

SDG&E is not able to respond to this question on behalf of PG&E.

e. The dollars spent per home are increasing for all IOUs. Please explain.

Response:

SDG&E cannot speak for the other IOUs, SDG&E developed its PY 2009 - 2011 budget based on an average cost per home as shown in the table below.

	High Users	Medium Users	Low Users
PY 2009	\$1,165	\$1,058	\$855
PY 2010	\$1,168	\$1,058	\$850
PY 2011	\$1,193	\$1,091	\$872

SDG&E expects the average cost of treating a home in PY 2008 to be approximately \$1094 per home.¹⁸ This actually represents a slightly higher cost per home than SDG&E projects in 2009, 2010 and 2011 for low to medium users. The money spent by SDG&E per home is increasing for high consumption households because additional measures and program enhancements (such as high efficiency washers, furnace standing pilot conversion, and an audit tool) that were not included in the PY2008 program have been added for PY2009 to 2011

36. How do you plan to incorporate the Commission's zero net energy by 2020 in new residential construction goal from the Energy Efficiency proceeding into your LIEE program? Give details.

Response:

Consistent with the Commission's goal of achieving zero net energy, SDG&E, in its energy efficiency application that will be filed on July 21, 2008, will include a residential new construction component to address affordable housing applications. A portion of the LIEE authorized measure budget will be used to provide funds to builders to incorporate energy efficient measures into their affordable housing plans.

¹⁸ Seemingly, the metrics used in the Commission's Attachment 1 are not complete. SDG&E's dollars per home treated figure for 2008 reflects a cost of \$886.85. This was calculated based on SDG&E's authorized budget for 2008 of \$13,302,740 and 15,000 treated homes. However, SDG&E's 2008 authorized budget of \$13,302,740 was based upon treating 10,440 homes. SDG&E believes the source of the 15,000 treated homes used in Attachment 1 is from Table A-3 in its PY 2009-2011 Application. SDG&E does in fact anticipate treating as many as 15,000 homes in 2008 but only through the use of carryover funds from prior years in the amount of \$3,107,854 which will result in an average cost of approximately \$1094 per home.

III. CONCLUSION

SDG&E appreciates this opportunity to provide further detail and clarity regarding its Application and looks forward to working with the Commission and other interested parties in this proceeding. This concludes SDG&E's responses.

Respectfully submitted,

/s/ Kim F. Hassan

Kim F. Hassan

Attorney for
San Diego Gas & Electric Company

101 Ash Street, HQ12
San Diego, CA 92101
Telephone: (619) 699-5006
Facsimile: (619) 699-5027
Email: Khassan@sempra.com

Embedded Word Documents on page 11

San Diego Gas and Electric Initial Plan for Issuing Request for Proposal for 2009 -2011 Low Income Energy Efficiency Program Services March 21, 2008

Introduction

Below is SDG&E's plan for completing a competitive bid process of its LIEE program.¹⁹ SDG&E is requesting written approval of its Request for Proposal process from the Commission's Energy Division Director or his designee prior to the actual issuing of a RFP for services provided by its Low Income Energy Efficiency (LIEE) program as directed by the Commission.²⁰

As the strategic planning process and application process continues for the 2009-2011 LIEE programs, and additional input is received from the Commission and stakeholders-- through public meetings and written comments--this Initial Plan may be modified. SDG&E will submit any material modifications to this Initial Plan resulting from further program development to the Energy Division Director for written approval.

Background

On December 14, 2006, the California Public Utilities Commission issued Decision (D.) 06-12-038, which approved SDG&E's low-income assistance programs for years 2007 and 2008, and directed SDG&E to conduct a competitive solicitation for a third-party administrator (a.k.a. prime contractor) of its Low Income Energy Efficiency (LIEE) for the 2008 program year. Subsequently, SDG&E, jointly with Pacific Gas and Electric (PG&E), filed a Petition to Modify D. 06-12-038 to defer for one year the competitive bid processes ordered in D. 06-12-038. The Commission granted the Joint Petition to Modify in D. 07-06-004 and directed SDG&E to obtain written approval from the Director of the Energy Division, or a designee, prior to issuing the RFP and prior to signing contract(s).

Since the two decisions from the Commission directing SDG&E to conduct a competitive bid process for its LIEE program, the Commission has issued two additional decisions which impact LIEE programs statewide. D. 07-10-032 sets the stage for California's next generation of energy efficiency and ordered that a California Energy Efficiency Strategic Plan be developed by the investor-owned utilities (IOUs), with public input, which is to address how the state can enhance energy efficiency efforts and results throughout the state. D. 07-12-051 established a statewide Programmatic Initiative for the LIEE program to provide all eligible customers the opportunity

¹⁹ Per D. 06-12-038

²⁰ Per D. 07-06-004

to participate in LIEE programs and to offer those who wish to participate all cost-effective energy efficiency measures in their residences by 2020. D.07-12-051 also directs that the LIEE program be expanded to make it available to more customers, that the cost-effectiveness of the program be improved, and that the program be designed in ways to make it a reliable energy resource for the state of California. The decision further directed in these two decisions that the IOUs were to develop a strategic plan for LIEE and include it in the California Energy Efficiency Strategic Plan to be filed on May 15, 2008 and to also file program applications for 2009-2011 reflective of the Strategic Plan on May 15, 2008.

SDG&E's RFP is being developed along side the 2009-2011 Application and the LIEE Strategic Plan. To the extent that the Commission makes significant changes in the program design proposed by SDG&E in its application that significantly impact the validity of the bid process, SDG&E will be forced to re-issue its RFP which may in turn delay implementation of SDG&E's LIEE program past January 2009.

Contents of Request for Proposal (RFP)

SDG&E is planning to not seek the services of a prime contractor for PY 2009 through 2011 but to instead act as the program's administrator--awarding and overseeing contracts for program operations and delivery of services. SDG&E currently, and historically, contracts the implementation of its LIEE program to a prime contractor who subcontracts many of the installation portions of the program to other licensed contractors in the community. For the 2009-2011 programs, SDG&E is proposing to contract directly with implementation contractors, thereby eliminating the prime contractor function and reducing administration costs.

In 2005, SDG&E implemented a Workflow Automation System known internally as HEAT (Home Energy Assistance Tracking System). This system provides SDG&E with the capabilities necessary to manage all aspects of the LIEE program and the participating contractors. HEAT has allowed SDG&E to systematically implement business controls that replicate program requirements as established in the LIEE Statewide Policies and Procedures Manual. The use of the HEAT System streamlines the delivery of program services and allows for increased customer service. The HEAT system also enables SDG&E to meet all of its current reporting requirements.

By not utilizing a prime contractor for the LIEE program, SDG&E expects to realize an annual savings of approximately \$300,000 to \$500,000 by reducing duplicative administration expenses. Adopting this business model will also allow SDG&E to more closely monitor program activity and contractor performance. Ultimately, it is SDG&E's goal to increase program efficiencies while ensuring the highest levels of customer satisfaction.

As administrator, SDG&E plans to issue a RFP at the end of May 2008 for services provided through its LIEE program. The RFP is to be electronically issued statewide to contractors currently in the LIEE program, to other licensed contractors who have expressed an interest in receiving the RFP, and to SDG&E Diverse Business Enterprise contractors that are not currently

associated with the SDG&E LIEE program. Prior to issuing the RFP, SDG&E will notice all interested parties to request an RFP if they are interested in submitting a proposal.

The RFP will seek contractors to deliver the following services:

- Promotion of the program, enrollment and education of customers (outreach), and home assessment²¹
- Installation of weatherization measures, duct testing and sealing
- Furnace clean and tune and natural gas appliance testing (NGAT)
- Installation of furnaces, air conditioning, duct sealing, and replacement of water heaters,
- Installation of energy efficiency refrigerators
- Inspections

A contractor can bid to deliver all program services but will only be contracted with to provide those services listed above that are deemed by SDG&E to not create a conflict of interest. Contractor will be able to cite its preferences for which service it prefers to contract for should conflicting bids be accepted.

Information to be included in the RFP

- Scope of work for each service
- Home Energy Assistance Tracking (HEAT) system workflows for each service
- Proposal Requirements
- SDG&E Service Agreement Terms and Conditions
- DBE Subcontracting Plan
- Evaluation Criteria
- Service and Measure Rate Sheet(s)
- Historical Housing Types and Frequency Rates
- Service Area Map
- Statewide Policy and Procedures Manual & Installation Standards
- Mandatory Bidders Conference Information

Contractor proposal(s) to include:

- Response to all Proposal Requirements including
 - Licensing
 - Contractor Experience
 - Technical Qualifications,
 - Completed Service and Measure Rate Sheets
 - Marketing Plan when bidding Outreach
 - Summary of Operations
 - DBE Subcontract Plan

²¹ SDG&E will continue to promote, enroll, and educate customers to generate leads for the program itself, along side contractors.

- Listing of any exceptions to SDG&E's Terms and Conditions

Evaluation:

The RFP will direct bidders to take into consideration all aspects of the RFP in the preparation of their responses. The evaluation criteria will include but not necessarily be limited to:

- Corporate Information
- Experience in the Industry
- Financial Position
- Cost
- Data Systems Capability
- Local Presence in Community
- Ability to meet SDG&E Corporate Goals, which includes supplier diversity and environmental benefits
- Ability to meet program goals set by SDG&E and/or the CPUC

SDG&E will develop a scoring criteria matrix to be used in selecting finalists. Finalists will then be asked to make a presentation on their proposals to a panel comprised of SDG&E program and contract management personal who will determine the final contract awards.

Schedule

To meet the CPUC's requirements, and allow ample time for all the RFP steps to take place in time for the 2009 program launch, the following timeline is proposed:

Activity	Date
Issue RFP	5/28/08
Pre-bid Conference	6/6/08
RFP Q&A's	Q's by 6/16/08 A's by 6/26/08
Proposals due	7/17/08at 5:00 pm PDT
Finalists notified and invited to present proposals	Week of 8/4/08
Presentations by finalists	Beginning 8/6/08
Proposal(s) selection and notification	8/27/08
Negotiate final terms and issue contracts	10/13/08
Receive approval from Director of Energy Division to sign negotiated contracts	10/24/08
Contracts signed—Work begins	11/1/08



Joy C. Yamagata
Regulatory Manager

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San

March 24, 2008

A. 06-06-032

Mr. Sean Gallagher
Director-Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Subject: SDG&E Submittal for Approval of Low-Income Energy Efficiency Request for Proposal Plan

Dear Mr. Gallagher:

Attached please find San Diego Gas & Electric Company's (SDG&E) Request for Proposal Plan (RFP Plan) for bidding its Low-Income Energy Efficiency (LIEE) program for years 2009-2011. Commission Decision (D.) 06-12-038 directed SDG&E to competitively bid the contract for administration rather than to continue to contract with its prime contractor, Richard Heath & Associates. After reviewing the program elements, prime contractor function, and the new database system which supports SDG&E's LIEE program and processes, SDG&E is planning to retain program administration in house and to bid the other elements of the program, thereby eliminating the prime contractor function and streamlining the administration of the program and saving administration costs.

D. 07-06-004 modified D. 06-12-038 and required that SDG&E obtain written approval prior to issuing the RFP for the prime contractor and prior to signing a contract. Even though SDG&E is planning to modify its program design to eliminate the prime contractor function, SDG&E believes approval from the Commission of its LIEE 2009-2011 RFP process is still required. Therefore, SDG&E is requesting approval from the Energy Division Director, or designated representative, of the attached RFP Plan by no later than April 21, 2008, This will allow SDG&E to issue the RFP in a timely manner, sign contracts in 2008, and allow for January 1, 2009, implementation. SDG&E will also submit the results of the RFP and plans for issuing contracts for approval as directed by D.07-06-004.

If you have any questions or require additional information, please contact me.

Sincerely,

Joy C. Yamagata
Regulatory Manager

Enclosure

cc: Kim Hassan – Sempra
Central Files

CERTIFICATE OF SERVICE

I hereby certify that a copy of **RESPONSE OF SAN DIEGO GAS & ELECTRIC COMPANY TO THE ADMINISTRATIVE LAW JUDGE'S RULING SEEKING FURTHER INFORMATION ON LARGE INVESTOR-OWNED UTILITIES' 2009 – 2011 LOW INCOME ENERGY EFFICIENCY/CARE APPLICATIONS** has been electronically mailed to each party of record of the service list in A.08-05-022, A.08-05-024, A.08-05-025, A.08-05-026, and R.07-01-042. Any party on the service list who has not provided an electronic mail address was served by placing copies in properly addressed and sealed envelopes and by depositing such envelopes in the United States Mail with first-class postage prepaid.

Copies were also sent via Federal Express to Administrative Law Judge Sarah R. Thomas and Commissioner Dian Grueneich.

Executed this 27th day of June, 2008 at San Diego, California.

 /s/ Jenny Tjokro
Jenny Tjokro