



LIQB SUBCOMMITTEE MAY 7, 2024

SoCalGas Response Letter & Actions

Agenda

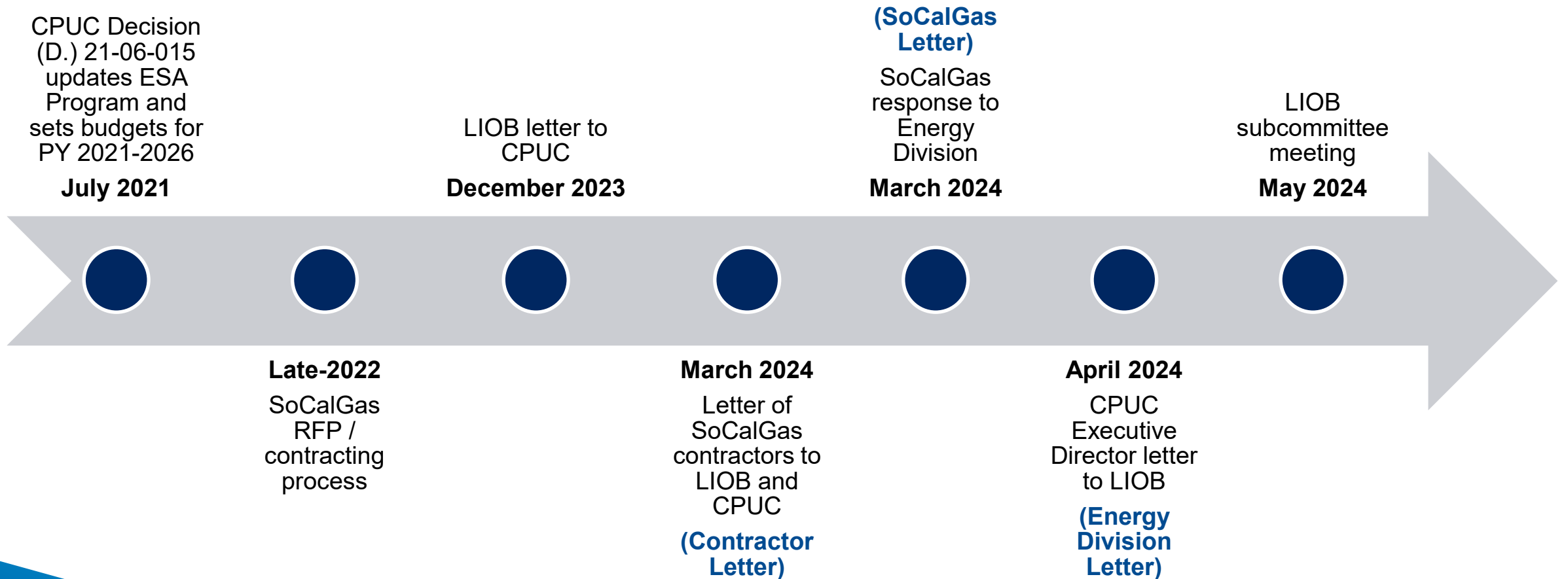
1. Antitrust Compliance Reminder
2. Timeline of Events
3. Recommendations of Contractor Letter
4. Summary of SoCalGas Letter
5. Updates (throughout)

Antitrust Compliance & Confidentiality Reminder

- » Purpose of this meeting is for Southern California Edison (SCE) and Southern California Gas company (SCG) to provide presentations of their respective response letters and actions taken related to Energy Savings Assistance (ESA) Program challenges and issues presented by its contractors, and discussion on proposals.
- » Discussion should focus on proposals the Commission should adopt and/or actions the Commission should take through the regulatory process.
- » The discussion should NOT suggest actions that meeting participants might take outside of the regulatory process that could inhibit competition.
- » The discussion should NOT disclose confidential information such as pricing information, contract terms or other competition-related information.

- » To avoid antitrust concerns:
 - No discussion of confidential pricing terms.
 - No discussion of other confidential contract terms.
 - No discussion of non-public information, including confidential market sensitive information protected under the D.06-06-066 Matrix.
 - No discussion of another (non-attendee) market participant's confidential information.
 - No discussion of boycotting market participants or customers.
 - No discussion of dividing the market or agreements not to compete entered into outside of the regulatory process.
 - No discussion of actions that could be taken outside of the regulatory process that could inhibit competition.

Timeline of Events



Recommendations of Contractor Letter

Recommendations

In an effort to restore the effectiveness of the ESA Program, an effort that certain IOUs acknowledge requires improvement in the Mid-Cycle Progress Report we request that the Commission intervene immediately so that the following occurs promptly:

1. Adjust from a program goal to a program target so that ALL ELIGIBLE LOW-INCOME HOUSEHOLDS participate in the ESA Program regardless of the expected Therm Savings.
2. Make HCS measure changes that allow contractors to install ALL FEASIBLE MEASURES in low income homes.
3. Make program budget changes that allow IOUs to increase the current compensation schedule by 15 to 20% (this increase can be justified by contractors evaluating and sharing current industry cost standards through the immediate performance of a market rate study), and allow for possible future increases if necessary.
4. Allow all contractors' costs to be covered by the program.

Summary of SoCalGas Letter



Addresses LIOB emergency motion to the Energy Division to take a comprehensive look at ensuring Investor-Owned Utilities (IOUs) can make adjustments to compensation (for example, advance payments and contractor compensation increases) while balancing energy savings goals and be held harmless by the CPUC

Responsive to the ED Staff's request to include (a) actions already taken, and (b) ideas of further actions to respond to contractors' concerns

Background Regarding SoCalGas Letter



- Addresses the ESA “main” Program
 - SoCalGas does not serve as the lead administrator of the ESA multifamily or pilot plus / deep programs, run by SDG&E and SCE, respectively
- SoCalGas is supportive of the health of its contractors to sustain & implement the ESA Program for the long-run
- SoCalGas is regulated by the California Public Utilities Commission

SoCalGas is Actively Adjusting Program Conditions



- To improve program performance toward meeting energy savings goals
- Adjust compensation in response to changing market conditions, however this must be done within the parameters of the program budget
- Support participation and availability of measures for customers

SoCalGas Implemented Adjustments

No.	Category	Action(s) Taken	Timing
1.	Performance Based Bonuses	<ul style="list-style-type: none"> SoCalGas introduces a Performance Based Incentive (PBI) that increases contractor compensation for meeting Key Performance Indicators (KPIs) 	<ul style="list-style-type: none"> Jan 2023
2.	Enrollment Fees	<ul style="list-style-type: none"> SoCalGas materially adjusts enrollment fee compensation 	<ul style="list-style-type: none"> May 2023
3.	Compensation for Measures	<ul style="list-style-type: none"> SoCalGas increases compensation for High Efficiency (HE) Wall Furnace measure SoCalGas increases compensation for Smart Fan Controller measure SoCalGas increases compensation for two mobile home Forced Air Unit (FAU) furnace measures 	<ul style="list-style-type: none"> June 2023 Nov 2023 Feb 2024
4.	Additional Measures	<ul style="list-style-type: none"> Added Tankless Water Heater measure Added Smart Fan Controller measure 	<ul style="list-style-type: none"> Sep 2023 Oct 2023

SoCalGas Implemented Adjustments

No.	Category	Action(s) Taken	Timing
5.	Compensation for Overhead Costs	<ul style="list-style-type: none"> Increased compensation through a fuel surcharge to address increasing fuel / gasoline costs 	<ul style="list-style-type: none"> Nov 2023
6.	Maximizing Annual Budget	<ul style="list-style-type: none"> SoCalGas reallocates funds reserved for PBI that were not earned to support use of all available budget SoCalGas implements committed fund process to support completion of work associated with Program Year (PY) 2023 enrollments 	<ul style="list-style-type: none"> Throughout 2023 Dec 2023
7.	Total Compensation (labor, overheads, other costs)	<ul style="list-style-type: none"> SoCalGas adds Washer Assessment fee to support increased costs / inflation SoCalGas introduces Weatherization installation fee SoCalGas introduces Gas Appliance installation fee SoCalGas introduces Electric Appliance (washer) installation fee 	<ul style="list-style-type: none"> Nov 2023 Feb 2024 Feb 2024 Apr 2024

Estimated Impacts of Changes



- In aggregate, the running total of compensation increases and the addition of high-therm savings measures have resulted in ~ \$4.1 million in fees
- In aggregate, to date contractors were paid \$850,000 in performance bonuses, which are additional earning opportunities
- The new committed funds process resulted in utilizing an estimated additional ~ \$5.5 million of 2023 budget
- SoCalGas will continue efforts to identify when budget will be unused and shift so that it can be redeployed within the program year
- The new measures added to our current offerings made a meaningful impact on therm savings and budget spend for some contractors.

ESA Program Budget Requirements



- The ESA Program budget established in CPUC Decision (D.) 21-06-015 was relatively flat
- The ESA Program is subject to 1-way regulatory account treatment
- The CPUC amended rules for ESA main budgets (cannot be shifted across program years)

Table 10: ESA Approved Budgets (SoCalGas)⁹

SoCalGas Approved Budgets by Category

	2021 (July 1 to Dec. 31)	2022	2023	2024	2025	2026	Total
Program Total	\$67,066,667	\$116,291,771	\$116,314,160	\$116,304,297	\$116,339,399	\$116,030,525	\$648,346,760

* Snapshot of Appendix, Table 10 from CPUC D.21-06-015.

SoCalGas & Contractor Performance Growth

ESA Main Program	2022		2023 *	
Savings per Home	6		20	
Energy Savings	741,410	52%	1,018,274	71%
ESACET result	0.33		0.63	

* Preliminary published results. Amended results reflecting work performed through the committed funds process will be issued in June 2024.

SoCalGas Continues to Review Compensation



- SoCalGas explained in its letter that it will continue to evaluate adjustments without exceeding the budget, if possible:
 - Monitoring the impacts of the most recent compensation changes in February 2024
 - Considering input from contractors
- SoCalGas changes considered would include:
 - Making further adjustments to installation fees from our review, possibly as early as May
 - Evaluating additional changes to compensation of individual measures

SoCalGas Engagement With Contractors

Summary

February 16 – 21, 2024:
Separate ad hoc conversations

April 11, 2024:
Most recent quarterly
contractor meeting

By April 30, 2024 (and after):
Separate ad hoc conversations

Outcomes:

Description

- Customer Assistance Program Manager & staff met with all contractors individually to discuss challenges and concerns
- Discussed ESA Program delivery considerations and general business matters
- SoCalGas has made efforts to reach each of its contractors, and held several conversations
- SoCalGas is using output from conversations to contribute to its current evaluation of installation fees and compensation of measures
- Previously resulted in certain of the listed adjustments

Update on Compensation Adjustments

Summary

Monitoring of most recent impacts:

Process to evaluate compensation by measure:

For LIOB understanding:

Additional considerations:

Description

- SoCalGas performed an evaluation and will be announcing adjustments to its installation fees, to be effective as of May 15, 2024
- SoCalGas has started an evaluation of compensation by measures
- SoCalGas will continue to monitor the impact of changes upon the available budget
- Further changes are dependent on budget availability
- SoCalGas's approach is to consider business challenges of all contractors

SoCalGas ESA Main Budget & Expenditures

ESA Main Program	Budget	Actual	Percent
2022	\$116,291,771	\$104,436,368	90%
2023 *	\$94,836,845	\$73,130,846	77%
2024 **	\$95,080,003	\$11,100,096	12%

* Preliminary published results from 2023 Low-Income Assistance Programs Annual Report. Amended report is planned be filed in June 2024 reflecting work performed through the committed funds process.

** As reflected in the March 2024 monthly report. Note that “close-out” work from 2023 was performed during January – March, so values shown do not reflect a traditional first quarter results.

Additional Contractor Recommendations



The SoCalGas letter pointed to the recommendations summarized in the contractor letter as options that would provide greater flexibility to compensate contractors



Health, Comfort & Safety:

- Adjusting therm savings from a program goal to a program target
- Make changes to Health, Comfort and Safety measures
- ***SoCalGas to present on HCS measures at ESA Working Group Meeting on May 29***



Budget Changes / Covering All Costs:

- Make program budget changes / allow all contractors' costs to be covered
- ***Commission action is necessary to incur program expenditures above the current budget***
- ***SoCalGas will continue to consider adjustments to contractor compensation within the parameters of its budget***

Update on Contractor Recommendations



Health, Comfort & Safety

- If the energy savings goal is adjusted to a target, SoCalGas is working on approaches to place an increased emphasis on providing Health, Comfort & Safety measures
- SoCalGas will present a plan to change approach for certain measures that render negative savings for the service provided



Process / Plan

- SoCalGas to present HCS recommendations at ESA Working Group meeting on May 30
- Effort underway to identify impact of changes (e.g., in reporting of energy savings) for implementation purposes
- Coordination occurring with Energy Division Staff to determine if ESA Working Group can sanction program changes

Update on Contractor Recommendations



Budget Flexibility

- SoCalGas recommended the Commission consider a memorandum account to provide Program Administrators the opportunity to track ESA Program expenditures above budget and up to a capped percentage, subject to reimbursement
- SoCalGas supports addressing through the ESA Working Group or the Midcycle Report Advice Letter processes, if permissible