SoCalGas
BUSINESS FORUM with CEDMC
MARCH 24, 2022
TRANSCRIPT

Introduction, Welcome

Darren Hanway, Sr. Manager of Energy Programs Team, SoCalGas

Welcome, your attendance shows you are as bullish about EE as we are. Sheila is running the slides, so thank you for your help.

Greg Wikler, Executive Director, CEDMC

Thank you to SoCalGas for meeting with us, it reflects the great partnership over the years to go through the EE Business Plan and we look forward to hearing about the specifics of your plan. We are trying to understand every PA's plan to put together helpful comments. This is a helpful opportunity to hear from you.

- **Darren Hanway: Business Plans**
- **Emma Ponco: Current and Future Solicitations**
- **Erin Brooks: Policy Changes SoCalGas Requested of the CPUC**

Starting with the Organizational chart, there have been a handful of changes. Please ask as many questions as you would like, this is an opportunity for us to give as much clarity as possible. We are reminding everyone about the antitrust guidelines.

Video

This is a follow up to last Fall's Business Forum's hype video. This one highlights our investment in green hydrogen powered by renewable technology. Angeles Link: Green hydrogen pipeline system. Darren: We are excited as a company to move into this new area.

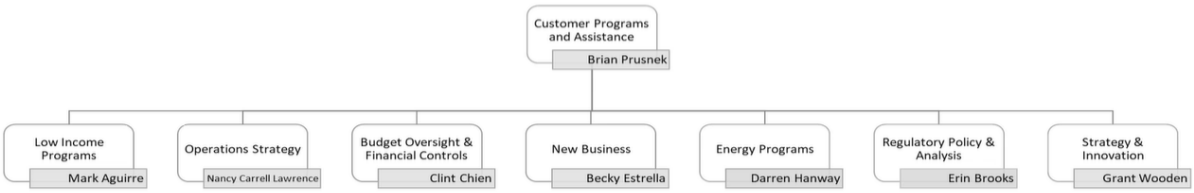
Darren Hanway, SoCalGas

Organizational Chart

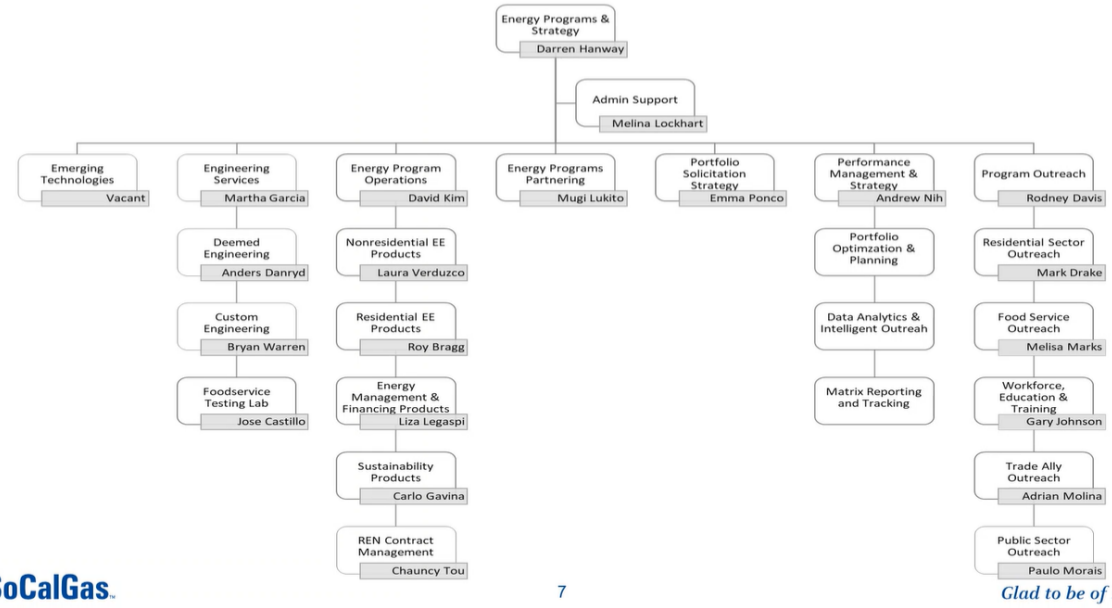
Please feel free to reach out to us, we are happy to connect and engage with you. For email cadence, it is first initial of first name last name @socalgas.com. For example, I am

dhanway@socalgas.com. This will allow you to connect with anyone on these charts and at SoCalGas via email.

SoCalGas – Customer Programs & Assistance



SoCalGas – Energy Programs Team



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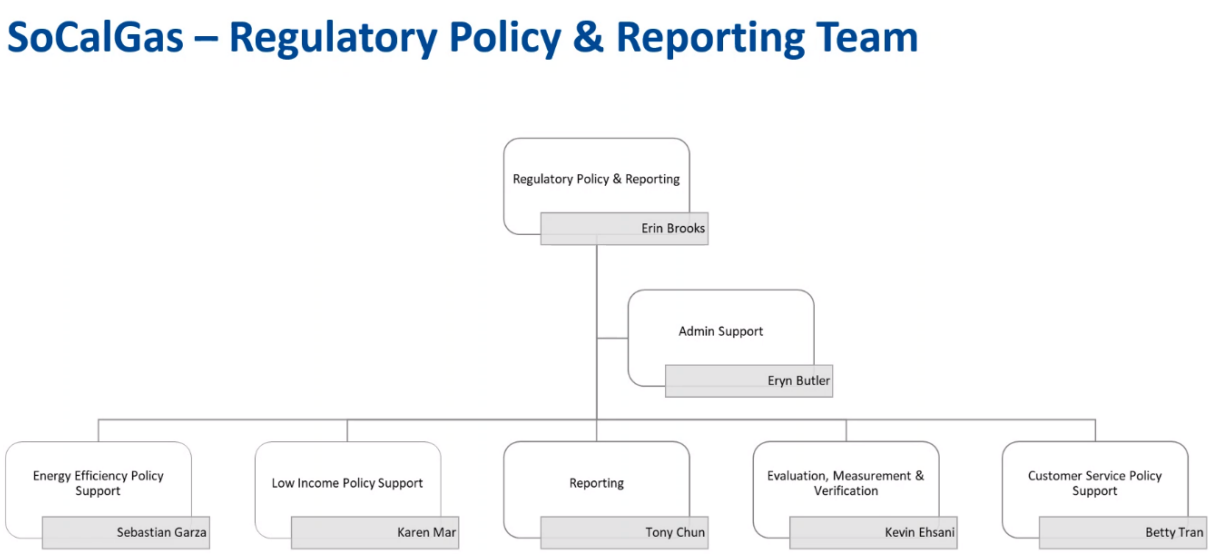
Erin Brooks, Regulatory Policy & Reporting Team



Darren Hanway, SoCalGas

2024-2031 Business Plan

Vision and Principals: We run the largest and most successful gas efficiency programs in the nation. This plan will accelerate California's progress toward clean energy goals through innovative and comprehensive consumer-centric decarb solutions. About 50% of our customers reside in disadvantaged communities as defined by the PUC. That is a large number, so focus on affordability and equity is a key driver for us. Also, education creates a sustained long-term commitment. Not to be blinded by a short-term lens, but to set everyone up for long-term success.

EE Opportunities

At our last Forum, Brian gave a discussion on Aspire2024, the goal was to be net GHG emission neutral, not just in facilities, but also in our macro level utilization, what flows through our system will be net zero by 2045. Three areas of focus for SoCalGas to reach our carbon neutrality goals, each are equally important:

- Hydrogen
- EE
- Renewable Natural Gas

We will triple down and expand our aggressive pursuit to expand each of these 3 items. Disadvantaged communities need our help more than ever with rising prices in general. We propose to include fuel switching as an eligible incentive for EE. In the Commission's regulatory

context, fuel substitution is a regulated fuel to a regulated fuel. Fuel switching hasn't been allowed because it is from an unregulated fuel, for example wood burning, to a regulated fuel.

We propose to expand the definition of EE to expand un-combusted methane emissions. We have piloted over the past year some innovations in methane emissions behind the meter. Fugitive methane emissions (small leaks, misfiring burners), causing the methane not to be combusted, but seep out into the atmosphere. If we spot those issues, why not use those EE funds to include all behind the meter savings like this. The CPUC found 50% of all methane emissions come from about 3% of customers. They are mostly foodservice customers, with the high utilization of equipment. This is an opportunity.

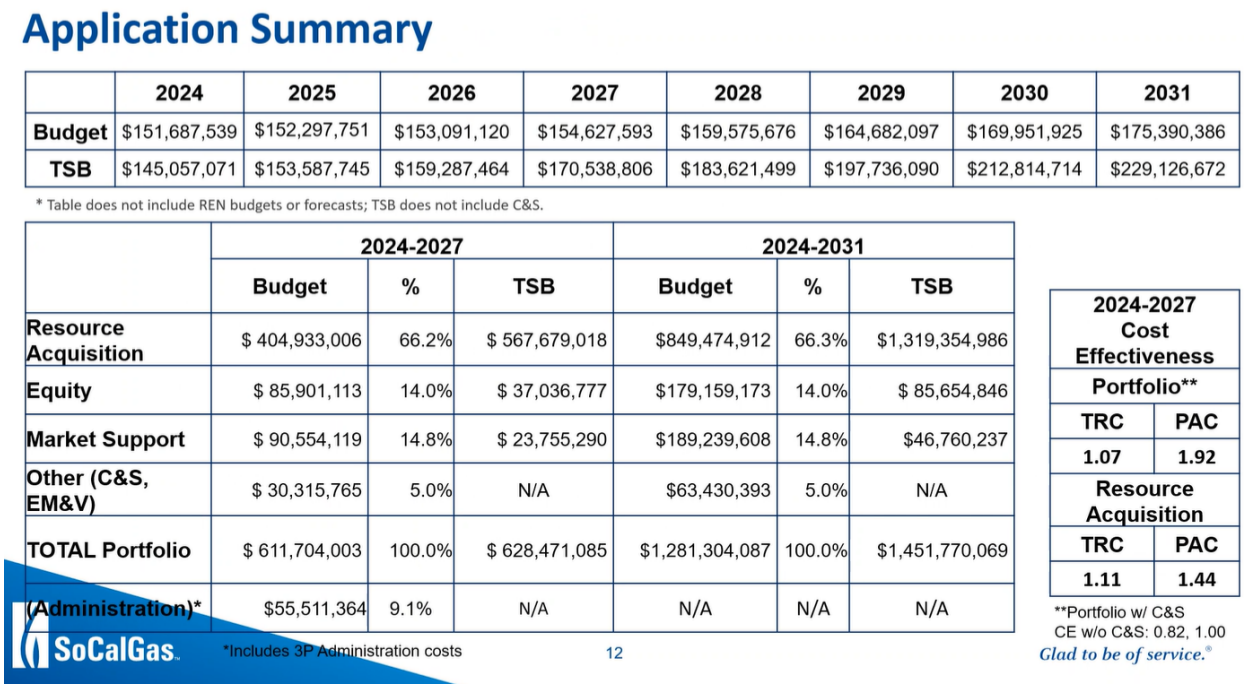
We are in the process of transitioning rebate solutions to include the most efficiencies. For example, water heaters that include tankless and highly efficient gas heat pumps. We want to be pushing customers to the most efficient option, not having them settle for a marginally efficient option. We want to provide the tools to allow them to participate.

Leverage the delivery channels of the labor workforce to identify EE opportunities in a safe and effective way. They are in homes and businesses already; they are the first point of contact and act as the energy advisor for the customer. We want to provide those resources, highly trained and certified workers on gas equipment to work with implementers to allow a greater level of efficiency accessibility for customers.

We are ramping up a business model where we provide a single point of contact for all utilities: gas, electric, water. A lot of your contracts have benefited from our water partnerships or our electric partners, and in the future air quality improvements. We are working to bring in grant dollars. We are acting as a hub or aggregator to bring in all savings to our customers. We want to continue to share these opportunities all delivered through SoCalGas and our business partners. This sets us apart from our peers.

We want to make EE valuable, palpable, and, for me, my monthly gas bill is lower than my Netflix bill. People may not be incentivized to save pennies, but if we work all together, savings on all utility bills could add up to a great enough monthly savings to get customers more apt to participate. That would bring the savings up all around.

Application Summary



Application Summary

	2024	2025	2026	2027	2028	2029	2030	2031
Budget	$151,687,539	$152,297,751	$153,091,120	$154,627,593	$159,575,676	$164,682,097	$169,951,925	$175,390,386
TSB	$145,057,071	$153,587,745	$159,287,464	$170,538,806	$183,621,499	$197,736,090	$212,814,714	$229,126,672

* Table does not include REN budgets or forecasts; TSB does not include C&S.

	2024-2027			2024-2031		
	Budget	%	TSB	Budget	%	TSB
Resource Acquisition	$ 404,933,006	66.2%	$ 567,679,018	$849,474,912	66.3%	$1,319,354,986
Equity	$ 85,901,113	14.0%	$ 37,036,777	$179,159,173	14.0%	$ 85,654,846
Market Support	$ 90,554,119	14.8%	$ 23,755,290	$189,239,608	14.8%	$46,760,237
Other (C&S, EM&V)	$ 30,315,765	5.0%	N/A	$63,430,393	5.0%	N/A
TOTAL Portfolio	$ 611,704,003	100.0%	$ 628,471,085	$1,281,304,087	100.0%	$1,451,770,069
(Administration)*	$55,511,364	9.1%	N/A	N/A	N/A	N/A

2024-2027 Cost Effectiveness	
Portfolio**	
TRC	PAC
1.07	1.92
Resource Acquisition	
TRC	PAC
1.11	1.44

**Portfolio w/ C&S
CE w/o C&S: 0.82, 1.00

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*Includes 3P Administration costs

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Our budget has increased year over year, and we are spending more to enable greater levels of efficiency. As we bring in dollars from the water agencies, air quality districts and grants, we are greatly increasing that dollar amount. We ensure we are the principal steward of ratepayer dollar savings. We have the most cost-effective programs. SoCalGas is the most cost-effective IOU in this effort.

Question

Richard Hart, Cascade Energy: Use of established labor resources could be very helpful. Two questions:

- Is there a list of the services that these people can provide?
- Are there costs to use these services?

Darren: I am not big on the enhanced service charge for enhanced services. In our programs, there's a symbiotic relationship. We want to bring your expertise and ours together to maximize. If we have resources in the field, they are paid for regardless, they are there for the community to advance EE. We want to utilize our resources to make us most successful and there's no nickel and dime for our resources.

Question

Richard Hart: Industrial customers can see significant co-benefits from water and gas savings efforts. What is the process for tapping into the water agency partnerships?

Mugimi Lukito, SoCalGas: We work with a lot of water agencies. They have their own mechanisms on how to handle their own programs. A lot of smaller agencies don't have the resources to handle large industrial, we can be the conduit if needed. LADWP is large and they do have a custom program for large industrial. They require resources to handle, manage and measure. The more time we have, the better. You can come to me or work with a program manager, we would be happy to help figure out solutions. If there are also gas savings that's better, that means there are more resources. If you come across a water opportunity, contact us as soon as possible.

Question

Greg: Co-benefits are interesting, with the TSB, that doesn't allow to cut across agencies. I like the theme; it is important to recognize the array of benefits that aren't counted in the CPUC. Could you share your thought on this?

Darren: The partners we work with have their own obligations. If LADWP works with us on their behalf, we don't claim the savings, they do. We don't make money, but number one, it is the right thing to do, and second, if we can bundle, it will make our job easier. There may be some benefit on the water side, looking at the water energy nexus, there is a lot of energy needed to convey water into California. If we save for water, they will claim it, and we will claim energy benefits upstream that was saved.

Darren Hanway

Resource Acquisition

The takeaway goals from SB350, we need to double gas efficiency by 2030. We will achieve that. It brings tremendous innovation, we are the only gas-only SEM in the country, we enabled point of click micro loans. We have a laser focus on expansive engagement. We want to fill in the gaps we know and we want to rely on you to fill in the gaps we don't know. The IDEEA360 Solicitation will be ongoing, it will be an open solicitation.

Market Support

This is Rodney Davis' team. We have dedicated teams that focus on home builders, trade allies, foodservice, and the public sector. We leverage those long-standing connections for you and with you to facilitate greater program participation. We will bring it all to the table to make sure we are the leader of the pack.

There are exciting new technologies. Advance gas heat pump technologies with water heater. We will see this next year, cheaper to install, purchase, and will be more efficient than electric. Water and heating and cooling air can be a single unit all through clean gas.

Equity

We have spent a lot of effort building up outreach, higher incentives, lower copays, etc. This is a focus of water and electric partners as well.

Emma Ponco, SoCalGas

Program Solicitation Update

The program solicitation has 3 phases. The decision approved the 2-stage solicitation process. We are on the last phase by the end of 2022. We have 11 works in progress.

Solicitation Overview

We have our independent evaluators in each step to advice and PRG members engaging stakeholders during a solicitation process. We actively work together and we will continue to have solicitation experience that is seamless. Behavioral, industrial, large markets are carried over from 2021. In 2022 Living wise, training, residential EE kits, non-residential EE partnering. They are in various stages. The CPUC requirements, for 2022, are smaller budgets to meet the 60% goal. We've incorporated new approaches to the solicitation strategy. In 2023, we will initiate the IDEEA365 program, this is a new solicitation.

Question

Greg: Has it been challenging to get to 60%?

Emma: We do recognize there is a challenge to meet the 60%n requirements. For us to get programs contracted in 2022, and the uncertain market. We developed a list of smaller solicitations to do it promptly and to attract smaller partners.

Darren: To add to that, there is a policy ask from us to move toward a single stage solicitation. These processes take too long. It has taken us too long to onboard activities after contract negotiations. We will do better. The process has too many steps, it is too bureaucratic. We look to the commission to streamline it, and maintain a structure, but have the structure appropriate for the outcome. We hope to be much quicker to market in the future.

Greg: We have made the same arguments at stakeholder meetings. I am curious, perhaps part of it is an overextended interpretation of what the pay for performance model should look like. We can ask to redefine to a more holistic pay for performance approach.

Darren: I am in complete agreement. It is an area that we could and should work together.

Greg: The CPUC has asked the independent evaluators to look at existing contracts for better ways to do pay-for-performance.

Question

Siva Sethuraman, Cascade Energy: When the 2023 IDEEA365 solicitation comes out will it be specific to Resource Acquisition, Equity or Market Support?

Darren: It will be for all, we would like your assessment to find gaps and propose solutions to fill the gaps, open to any and all good ideas.

2022 Solicitations Program Overview

Emma: Darren mentioned changes in energy markets, and length of time holding for 1 program solicitation. We've changed the approaches in2022. To meet 60%, we met with the Energy Division, and requested that for programs less than $1million, do it as a single stage. For the programs over $1 million, we will hold them as a 2-stage solicitation. This is for us to try to get to 60% and figure out what works better. Single stage is the preference, and how do we move forward between a 1 and 2 stage process? How would it benefit customers, larger community business partners and our internal business operations?

Erin Brooks, Policy Manager, SoCalGas

Requested CPUC Policy Changes

We grouped them into 2 categories: new policies and modifications of existing.

New categories include incorporating methane savings into EE. This is for food service. Remedying behind the meter methane leaks to capture them as energy efficiency. If there is less gas needed through fewer leaks, that is EE, less gas for the same amount of work. We have tested this and are ready to expand to count toward TSB and energy savings, also reducing GHG.

Expanding EE using representative employees. We had asked for an exemption of 60% outsourcing. Working with unions, it is hard for you to leverage that easily as individual implementers. To expand in a meaningful way, we would like to use our staff while they are on site to help deliver EE while they are already present. We want to do this in partnership with you all, it is challenging for an implementer to go ahead and do it.

Updating the avoided cost benefits for upstream water delivery. Water pumping is usually electric. In the past, we haven't used the savings. Now with TSB, we can now claim those water energy savings. The workpapers will be updated, but it is a process, we want to bring it to the attention.

Question

Greg: The Commission might way that's not in our jurisdiction. There are proposals to put more CET funding in place. A lot of those benefits that are under counted for water, they could be accommodated in CET. Is that a stretch?

Erin: I don't think so. The preference is to have it as an avoided cost. For embedded energy in water, their own calculation should link to the CET. I don't think it's there yet. There is some precedent on this with avoided gas infrastructure cost. We think with the water energy calculator 2.0, that should solve the problem.

Question

Siva Sethuraman: Would SoCalGas advocate for a separate line item for methane emissions leak within CET because it has ~21x more GHG benefits than CO2?

Erin: We can get back to you, we haven't gotten so far as to talk about what avoided cost we are looking to achieve. For now, we are looking at energy equivalency.

Darren: Our drive is to provide value added services. Benefits are secondary, we think this is a good idea and need to do it and the back end will present itself.

Question

Richard Hart: Upstream water efficiency is complemented by downstream wastewater efficiency. Could both be included?

Erin: When we talk about measures that save water, the energy savings we claim are reduction in hot water. That is electric energy that is embedded. Now there's wastewater that needs to be treated, is that what you are asking? (yes). That can certainly be complimented. I will look to see if it includes wastewater. Let me take a look and see if we can include.

Greg: There will be push back from the commission about what can be included. I think it will be more of a conversation on how to enhance avoided cost calculations.

Erin Brooks, Policy Manager, SoCalGas

Modified Policies

- Modify fuel substitution test to include fuel switching
- Increase equity and market support funding limits. We had the highest percentage dedicated to equity and we can do more.
- Change statewide funding program funding minimum. They can revisit the 2016 numbers and make a target.
- 3rd party solicitation flexibility
- Improve Current Advice Letter Requirements on 3rd Party Solicitations
- Revisit the Ex-Ante score. Why give us a grade, come and talk to us
- Expand Energy Strategy to non-residential sectors
- Introduce real-time EM&V

Question

Greg: On the revisit ex-ante process, doesn't that transition to CalTF get rid of that legacy scoring dinosaur?

Erin: It does, but currently we use both, the scoring workpaper approval through CPUC and we also currently use CalTF. We would like to utilize CalTF only. On calculated support, SB1131. On the parallel review, is that still needed in this world? Calculated programs have changed that way they have been delivered.

Greg: We support real time EM&V. The antiquated approach for ascribing attribution, we are behind. The Commission has been reticent because of old decision language. Are you keying off best industry practice?

Erin: Yes, anything that you can say and give examples of other jurisdictions who have been doing better. We will lean on you to cue that up.

Question

Siva Sethuraman: Kudos on the ground breaking Angeles Link effort!! Two questions - when is it expected to come online? Will it reach parity with current NG prices? thanks!

Erin: The filing we made was for a memo account for the cost on breaking ground. We are looking at the completion of the project – we will have to get back to you. We are open to having another conversation with CEDMC members with the Angeles Link team. We can meet again.

Greg: We would love to have that included in the Spring Symposium as well, it will be in LA. I will talk to Darren about it offline.

Question

Stuart: For Erin: On the expanding strategic energy to non-res sector, has that been floated with the CPUC?

Erin: They are a little reticent looking at how SEM has been designed with treasure hunts and cohorts. They asked about why not residential? Residential customers don't have energy management systems. Commercial would count. There is openness.

Question

Stuart: 2022 solicitations that are 1-stage criteria under $1 million, is that total or annual value?

Emma: That is annual value.

Question

Cody Coeckelenburgh, Lincus: On the non-regulated fuel switching, how big of a hurdle is this? I am curious.

Erin: We've proposed for customers who already have the infrastructure. We are talking about someone who wants to have a natural gas BBQ and they already have natural gas in their homes. We don't see it as a bug hurdle, but so far, the commission hasn't focused on it. So far, they focus on regulated fuels. EE is first in the loading order. AS we shift to still consider our needs, but to more reduction of GHG emissions, otherwise it is load building.

Darren: There's support for this at local air quality districts. They want to reduce charcoal, wood burning, usage given the particulate matter. Three is incentive out there, this is complementary and we are working to build support here.

No further Questions

Greg: This has been really helpful, thank you for the excellent opportunity. Thank you to SoCalGas for taking the time to meet with us. This has been a really great discussion.

End of CEDMC Business Forum with SoCalGas