SDG&E
BUSINESS FORUM with CEDMC
MARCH 29, 2022
TRANSCRIPT

Welcome

Greg Wikler, Executive Director, CEDMC

Thank you to the SDG&E team, Rama, Jenn, Elaine for taking the time to meet with us today. Our principal purpose is to cover the recently filed EE Business Plans.

Introduction

Rama Moorthy, SDG&E

Thank you, what we plan to share are in line with the slides we shared at the CAEECC meeting, they are a little more granular and we will go into more depth and we have more time for the Q and A section. Jenn will be our presenter today.

We are the Fab 3 Trio at SDG&E in Energy Efficiency:

- **Rama Moorthy: Energy Efficiency Program Manager**
- **Elaine Allyn: EE Core Programs, she runs a large team**
- **Jenn Taylor: Statewide Programs and Statewide Administration Affairs, and Portfolio Analytics.**

Jenn Taylor, Portfolio Optimization and Statewide Program Manager, SDG&E

SDG&E Vision and Strategy

I will give you an overview of our application today. Our Primary goal is to serve our customers and make significant progress toward achieving the state's GHG reduction and decarb goals. Our strategies are to

We plan to do this through a number of strategies:

Reinforce commitment to innovation in customer offerings and technology advancements, including bill substitution measures in collaborating with 3rd party implementers. We intend to

outsource all our program offerings, so partnering with 3rd party implementers will be key. Mobilize end-to-end EE market participants. Encourage outreach and educators to all providers and participants with an emphasis on underserved communities. And finally, employ strategies to help reduce the high cost of long-life electric measures and associate investments required for fuel substitution.

Application Summary

Application Summary

	2024	2025	2026	2027	2028	2029	2030	2031
Budget	$ 79,664,685	$ 83,915,516	$ 82,638,623	$ 85,940,881	$ 85,940,881	$ 85,940,881	$ 85,940,881	$ 85,940,881
TSB	$ 66,866,561	$ 76,501,655	$ 77,996,216	$ 86,093,559	$ 86,093,559	$ 86,093,559	$ 86,093,559	$ 86,093,559

	2024 - 2027			2024 - 2031		
	Budget	%	TSB	Budget	%	TSB
Resource Acquisition	$ 201,505,010	61%	$ 253,631,301	$ 411,987,359	61%	$ 545,130,405
Market Support	$ 77,932,135	23%	$ 52,986,118	$ 157,113,951	23%	$ 104,945,925
Equity	$ 20,945,517	6%	$ 840,573	$ 42,556,337	6%	$ 1,755,898
C&S, EM&V	$ 31,777,044	10%	$ -	$ 64,265,584	10%	$ -
Total Portfolio	**$ 332,159,706**	**100%**	**$ 307,457,992**	**$ 675,923,230**	**100%**	**$ 651,832,228**
Administration	$ 25,973,707	8%	$ -	$ 53,907,514	8%	$ -

	2024 - 2027 Cost Effectiveness	
	TRC	PAC
Portfolio	0.81	0.97
Resource Acquisition	1.06	1.29

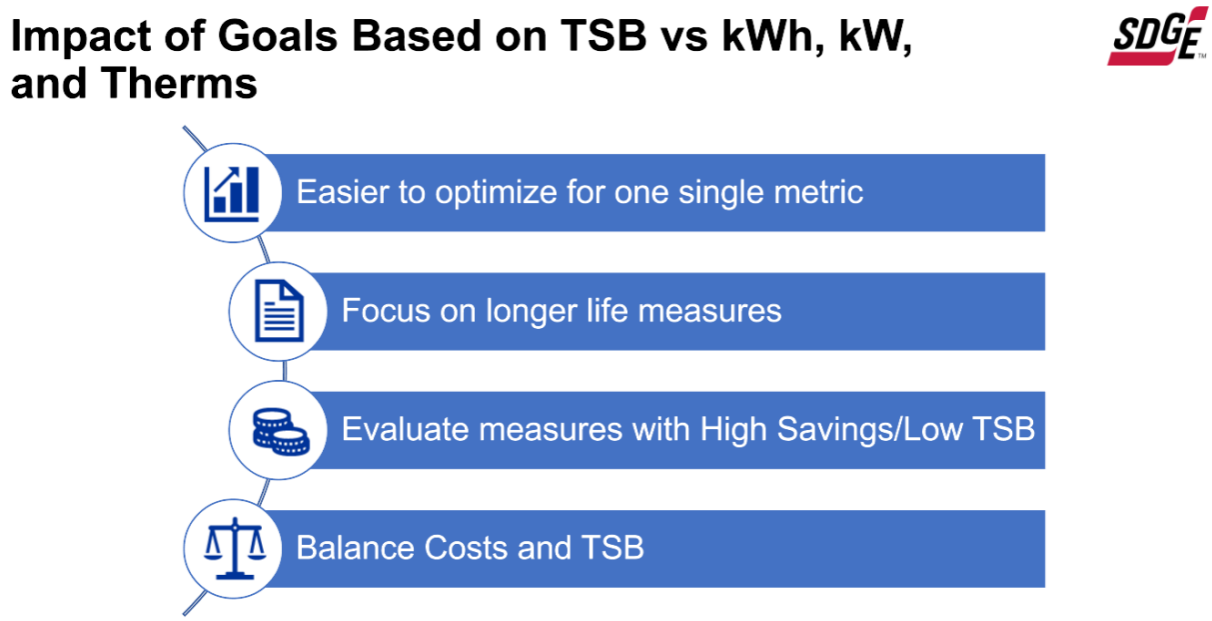
This is the high-level total system benefits chart. We are requesting $332 million in the first 4-year term, and $675 million in the next 8 years. We are expecting to exceed our targets for TSB for all of the 8 years. I have removed codes and standards, so this is the TSB for all programs excluding codes and standards.

Comparing the immediate 4-year term with what SDG&E filed in the 2022-2023 BBAL, through the bottom-up budgeting approach, we were able to reduce our 2023 budget request. It came through further refinement in sector offerings and sector potential.

For 28-31, we were able to flatline our 2027 because the TSB exceeded our current TSB goals from the prior potential and goals study. Prior to the 28-31 app period, potential and goals will be updated twice, which could result in significant changes.

We were able to achieve a TRC of 1.06 for the resource acquisition segment and stay under the 30% market support and equity cap, and maintain our 60% outsourcing target and meet the 25% statewide outsourcing targets. Lots of targets here! We plan to incorporate a pay for performance compensation structure in all of our 3rd party contracts, including market support and equity. We estimate our 3rd party contracts are about 76% of our total portfolio throughout the application period.

Impact and Goals Based on TSB vs kWh, kW, and Therms



There were a number of changes that had to happen in the portfolio planning. As we shifted from electric and gas savings methods to the single metric of total system benefit. It has been a learning curve, and this was our first opportunity to do this. It is a lot easier to optimize to a single metric as opposed to the kWh, kW and therm. There's more of a focus on measures that have a longer life, so those that will produce a higher system benefit. This will inevitably move us away from a reliance on the BRO measures, as those measures don't have a long life or they produce a lower TSB. Once we were able to identify TSB, we then had to evaluate those measures that have higher savings, but a low TSB impact, which could affect our cost effectiveness. Measures that provide higher energy savings for customers may still be worth keeping in the portfolio even if their TSB impact is minimal. Finally, since TSB only looks at the benefits side, we have to evaluate the cost effectiveness of measures even if they bring in considerable TSB.

Question

Greg: On the TSB, I notice SDG&E overall exceeds the TSB goal by a wide margin. I am curious, am I misreading that or is that the case? Your TSB for 24-27 exceeds the goal as set forth in the potential and goals study.

Jenn: Yes, that is correct. There's a number of different factors for us to optimize our TSB goal. We have to take into consideration statewide programs; we get an allocation of TSB based on how many dollars we put into statewide programs. We want to make sure we meet it at the local level. Our local programs are planned to meet the TSB specifically in SDG&E service territory.

Question

Siva Sethuraman, Cascade Energy: Does TSB apply to market support and equity?

Jenn: SDG&E has an overall TSB goal and market support and equity programs, while the primary goal isn't going to be resource acquisition, there could be elements of those program designs that deliver short term quantifiable energy savings, so we've put those forecasts in the application. It was minimal in the equity segment, but mostly in the TSB for market support that came from the statewide new construction programs, which PG&E is the lead for.

Question

Greg: On market support and equity, you mentioned pay for performance objectives is going to be applied in those segments as well. Pay for performance metrics are very different for those segments. We hope you are not looking to use the same contractual approach that you use for resource acquisition pay for performance for 3rd parties as you use for market support and equity. Do you have any comments on that?

Jenn: Yes, it would be a different type of performance, those programs are not geared toward TSB as the resource acquisition are, we would be measuring different types of performance and incorporate that into the contract.

Greg: Hopefully a bit more of an even negotiation process than resource acquisition. We hopefully will see it evolve; we know things have been moving forward on pay for performance with the CPUC, trying to make sure those mechanisms are viable going forward.

Question

Cody Coeckelenburgh, Lincus: Thank you, my question is on performance contracting in equity and market support sectors. I know that not all of the targets have been set for market support and equity programs, and I am curious and can you provide examples on how you would set performance requirements on those types of programs? And also, could you speak to how we can ensure equity objectives on programs that have pay for performance requirements, when historically we have prioritized efforts as implementers where there is less risk, and easy to achieve, which has resulted in a lack of equity in programs.

Jenn: As far as the metrics and setting of targets, we made a policy recommendation for CAECC to reconvene and help set targets specifically in the market support and equity working group. We put that in the application to be addressed. Secondly, as we stand up programs and solicitations, those are the things we will have to develop during solicitations and contract negotiations. I don't have specific examples at this time.

Cody: Are you concerned at all about being able to deliver on equity programs that have pay for performance contracting?

Rama: We are leaning on CAECC and a collaborative process to help us to develop performance requirements, and that is yet to happen. Also, I don't believe there will be an issue on tracking performance metrics for equity and market support programs. We have had non-resource programs in the past that have stipulated what the performance requirements are and haven't had a problem. I think we will have a more uniform process with CAECC to develop those performance metrics and that will be a guiding principle for us.

Elaine: For example, with equity, some of the programs are focused on outreach, as an example, we might do the pay for performance structure about their outreach and how many they are reaching and the types of customers that they reach. That would be the main target, so those are just thoughts, but it really will depend on the design of the program and we will work 1 on 1 to make sure the performance metrics match.

Cody: That really helps, I appreciate it. I believe you are launching equity and market support programs now based on BBAL approvals, and I just don't see CAECC reconvening on time to define supplemental markets ahead of the business plan application approvals. Are you taking intermittent steps toward performance contracting toward these programs?

Elaine: Yes, we do have some guidance, we are just getting ready to start solicitations on those programs, so we are 18 months out. We are hoping to get more guidance, but we also have a framework already set.

Question

Siva: Are equity and market support structured to be primarily local specific or are there statewide programs too?

Jenn: There are statewide programs for market support and equity where statewide has left gaps. PG&E has their new construction contracts classified as market support. I believe there is a new statewide WPMT(?) program that's classified as equity, which is classified as equity. SDG&E has their QIQM HVAC programs as market support, so three are a number of programs both in market support and equity that are statewide. Also all the PAs have included market support for statewide and equity to help fill the gaps where statewide has left one.

Equity Segment

Equity Segment

	2024	2025	2026	2027	Total
Budget	$5,145,073	$5,125,189	$5,272,550	$5,402,705	$20,945,517

Equity Programs

- Residential Single Family Equity Program
- Residential Multi-Family Equity Program
- Small Business Outreach
- SW WE&T Career and Workforce Readiness

Equity segment discussions can be found in Exhibit 2, Chapter 3, starting on page 49

Strategies & Objectives

- Target vulnerable communities as defined by ESJ
- Make EE products and services more accessible
- Simple, comprehensive customized energy management solution
- Implement concierge approach to cross-promote and encourage engagement
- Explore the expansion of various procurement vehicles and intervention strategies to find targeted, deeper or incremental savings

Segment Metrics	Innovations
• Number of customers served, buildings served; contractors/workers served. • Savings obtained from the Small Business Outreach Program.	• Focus on Hard-to-Reach and DAC Communities as identified in the ESJ • Concierge approach for vulnerable communities • Use 3Ps to help design innovative strategies for deeper savings in such communities

SDG&E's equity segment is the small segment of the portfolio, accounting for 6% of the total budget. We plan to competitively solicit all of our programs and the application is our first chance to propose new programs in market support and equity and we are proposing new programs for equity: Single family and multifamily equity program, and small business outreach that will target small business customers. The overall strategy and objective is to focus on small business customers as defined by the ESJ and make the EE products more accessible, create a simple energy management solution and encourage customer adoption.

High level segment methods are around the number of customers, building contracts, that are underserved by their programs as well as any savings achieved by the outreach program. Incorporate all the equity metrics as proposed by the working groups. For innovation, include a focus on each tier, focus on vulnerable communities and again, relying on our 3rd parties to design innovative programs and encourage EE adoptions.

One of the biggest challenges in scaling up this segment was the amount of dollars that were already earmarked in the market support and equity segments by the statewide programs. Our opportunity to expand to the local level was limited by that 30% budget cap.

Resource Acquisition Segment

Resource Acquisition Segment

	2024	2025	2026	2027	Total
Budget	$48,115,551	$50,824,269	$49,944,603	$52,620,587	$201,505,010

Resource Acquisition Programs*

- Lodging
- Grocery, Restaurant and Food Storage
- Wholesale/Retail/Office
- Private Institutions
- Non-Residential Behavioral

- Newly proposed RA Programs, all RA programs listed in Exhibit 2, Table 8
- RA segment discussions can be found in Exhibit 2, Chapter 3, starting on page 27

Strategies & Objectives

- Incorporate a pay-for-performance approach to align incentives with TSB
- Serve all market sectors with programs designed and implemented by 3PIs
- Meet or exceed EE Portfolio savings and TSB goals
- Meet or exceed CE threshold of 1.0 (by targeting TRC within Solicitations)
- Explore the expansion of various procurement vehicles by leveraging market opportunities to achieve targeted, deeper, or incremental savings

Segment Metrics

- Energy Savings – first year annual and lifecycle ex ante (pre-evaluation) gas, electric, and demand savings (gross and net)
- Cost Per Unit Saved – Program Administrator Cost (PAC) levelized ($/unit) and Total Resource Cost (TRC) levelized ($/unit)
- Total System Benefit
- GHG Savings

Innovations

- Use 3Ps to help design innovative strategies for deeper savings in these communities
- Single source for customers

This is our largest segment, accounting for 61% of our overall portfolio budget. Due to the number of acquisition resource programs we have, I only included the newly proposed ones here on the slide. We plan to divide up the commercial sector into targeted sub-markets focusing on lodging, grocery, wholesale retail, office and private institutions. We also propose to have it in non-residential behavioral programs, which we don't currently offer. Our overall strategy includes a pay for performance compensation approach, ensuring all market sectors are designed and implemented by our 3rd party implementers, meet or exceed our portfolio TSB goals, and increase TRC. Some key metrics include energy savings, TRC, TSB, GHG savings, and all of our programs are outsourced.

Question

Greg: On the non-residential behavioral, is that different from strategic energy management or is it an SEM approach?

Elaine: It is a behavioral program, it is a BRO, so it is separate.

Market Support Segment

Market Support Segment

	2024	2025	2026	2027	Total
Budget	$18,661,344	$20,002,059	$19,473,278	$19,795,454	$77,932,135

Market Support Programs

- Local Residential Fuel-Substitution
- Property Management
- Local WE&T
- OBF
- 3P IDEEA
- SW Residential and Non-Residential New Construction
- SW Emerging Technologies
- SW WE&T Career Connections
- SW HVAC QIQM

Exhibit 2, Chapter 3, page 35

Strategies & Objectives

- Deliver technical training, continuing education, and industry-recognized certifications to ensure a skilled workforce can implement quality energy savings projects
- Collaborate with appropriate organizations to expand awareness and access to energy efficiency education
- Educate all customers on the value proposition of energy efficiency and hiring skilled workers to implement projects
- Provide ease of access to the workforce to attend training
- Continue to promote financing options for customers to facilitate the purchase and installation of qualified energy efficiency measures

Segment Metrics	Innovations
• Target Metrics for SDG&E programs will be set after a sufficient period to collect baseline data (approximately 2 years)	• Use 3Ps to design innovative strategies to help support the long-term success of the EE market

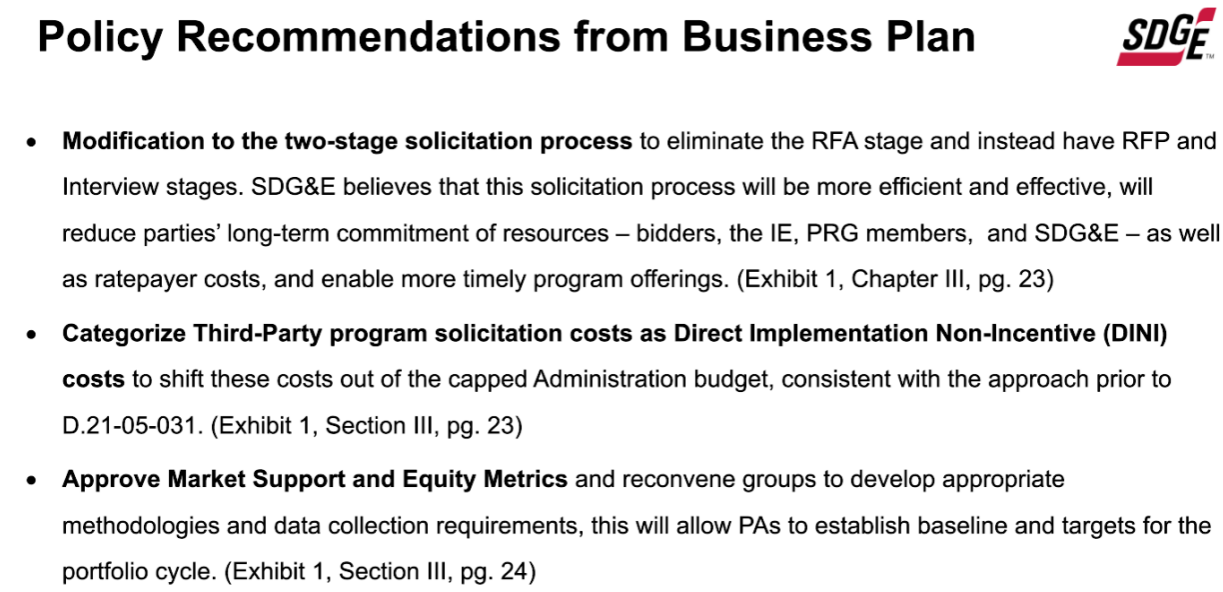
7

Our market support segment is about 23% of our total portfolio budget. Most of the budget here is for statewide. The money left over we were able to add a couple new programs, including the local, residential fuel substitution program, a program geared to engage property manager education for leased spaces, and a new local WE&T program.

Objectives include: Deliver technical training to ensure a skilled workforce, collaborate with organizations to expand awareness and access to EE, educate customers on the value of EE and hiring skilled workers to implement projects, and financing options.

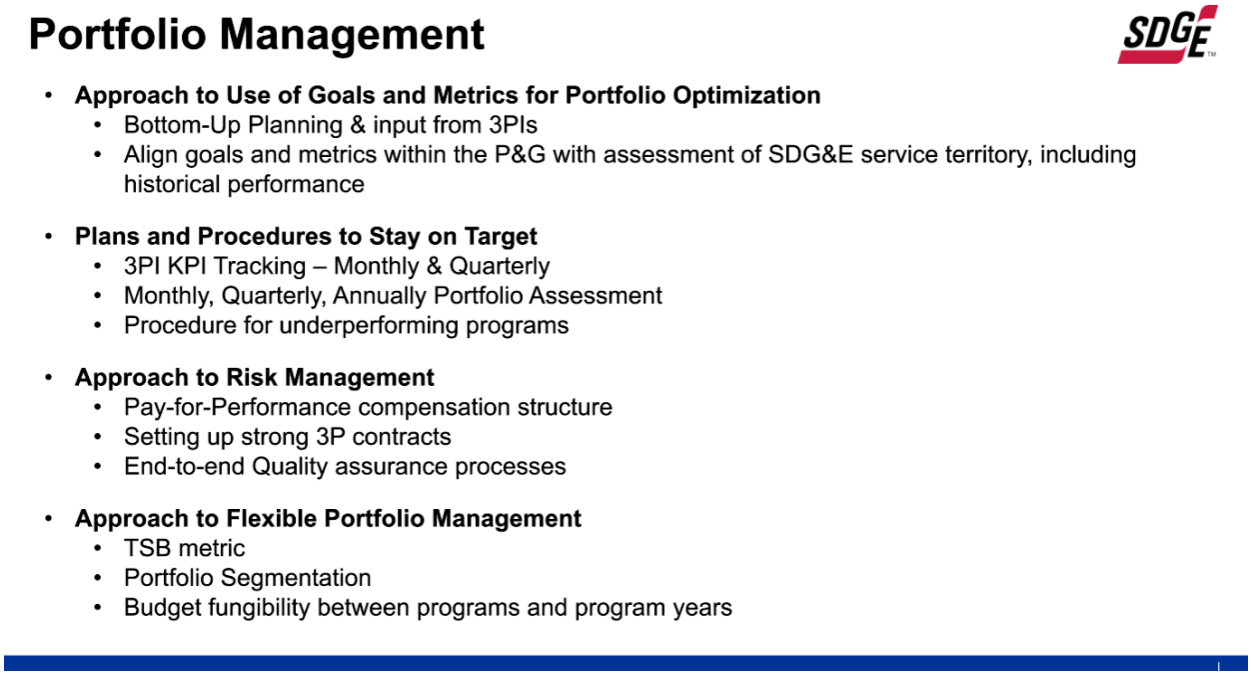
Target metrics will be set once we can collect data for baseline and we've adopted all the metrics as recommended by the market support working group. We are relying on 3rd parties to design and deliver these programs.

Policy Recommendations from Business Plans



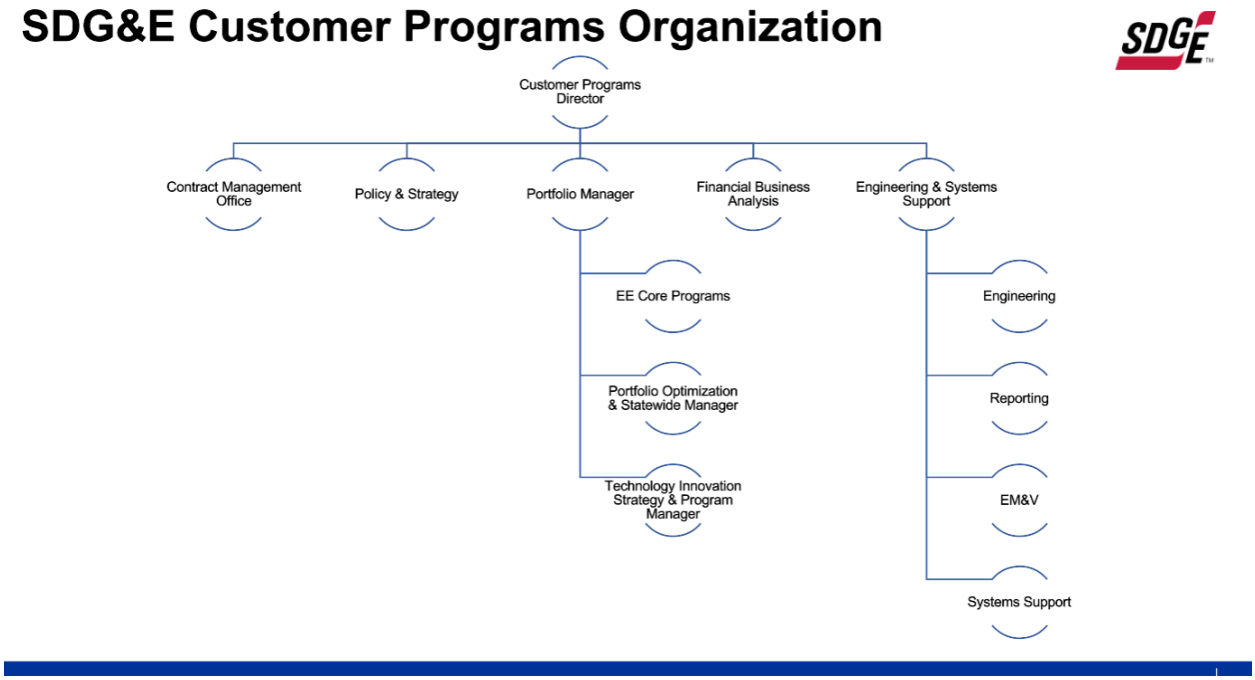
Policy Recommendations in the application. Number one for us was the modification of the 2-stage process for solicitations. To eliminate the RFA stage and have an RFP plus interview stage, more of a 1-stage, 2-step process. This will make the solicitation process more efficient and boost the long-term commitment of resources for everyone. And it will help ratepayer costs for more timely offerings. Secondly to categorize 3rd party solicitation costs as direct implementation costs. This will support the current policy manual that says these costs should be direct implementation. There was contradictory language in the latest decision. We want to call it out and shift these costs back to implementation so it doesn't impact our administrative caps. Last, to approve the market support and equity metrics as proposed by both of the working groups.

Portfolio Management Strategy



This is designed to help the portfolio stay on track and meet goals and targets. The basis is a bottom-up planning that included input from all current 3rd party implementers. We aligned the goals from the most recent potential and goals study with our own assessment of the SDG&E service territory, including historical performance. Once it is operating, we have processes to monitor and keep the portfolio on track. Including regular KPI tracking of all of our 3rd party programs, assessment of the portfolio and set plans and procedures for underperforming contracts. Along with these is our risk management. SDG&E has included a pay for performance compensation structure for 3rd party contracts and end to end quality assurance processes. There are a number of key elements to allow for flexibility in portfolio management, including the introduction of the single metric TSB, portfolio segmentation, and the ability to shift budgets between programs and program years.

Org Charts



Question

James Hanna, Energy Solutions: Can you offer additional explanation to Local Resy FS (Fuel-Substitution) (slide 7)

Jenn: Like all of our programs in the application, they will all be going out to bid. We are looking for an implementer to design for a residential space, and converting those customers from gas to electric.

Question

Siva: Looks like there is budget fungibility between years - does that mean 3P programs can achieve goals over the program period as opposed to an annual basis?

Elaine: The decision language does give us fungibility from the decision from the business plan and that's exactly what we are hoping it does mean, that the 3P does meet goals and exceeds budget. It allows us to move within program years without having to wait for that next program year.

Question

Hob Issa, Lincus: Do you have a timeframe for when the market support RFPs will launch?

Elaine: It is in the application, some are launching in April/May, so please pay attention to the PEPMA website, that's where we will be advertising them.

Question

James: Can we have a few names in the Org chart? Specifically, Director and Managers

Rama:

- Director of Customer Programs: Hollie Bierman
- Portfolio Manager: Rama Moorthy
- EE Core Programs: Elaine Allyn
- SW & Portfolio Administration: Jen Taylor
- C&S and ET: Kate Zeng
- EM&V: Kelvin Valenzuela

Question

Greg: It is more of a compliment, it looks like SDG&E is looking to exceed the 60% 3rd Party, and wondering if you have any ambition in mind or goal to exceed that amount, and what is driving that decision?

Jenn: Yes, we are looking to go above and beyond. 60% is the floor, not the ceiling. We are committed to outsourcing all of our programs. Right now, that gets us to about 76% of the total budget that will be outsourced.

Question

Greg: Your policy ask on the budget reallocation, is that tied in as well? Will that raise the ratio if the CPUC grants that request, or is it unrelated?

Jen: It is unrelated, that is strictly an internal cost. The cost associated with funding and evaluating and staff time relating to solicitations.

Question

Siva: Has / will SDG&E advocate for an OBF - no incentive program? Curious what SDG&E's perspectives are? thanks!

Rama: As of now, we are not changing in OBF, but that option is always open as we tailor our programs to meet customers and the market.

Elaine: We have been having conversions. We are looking at the best way to frame our OBF program to be able to serve our customers and we have 3rd parties involved in that. It is one of the options, we are looking at the best way to serve our customers, getting feedback from 3rd parties and making sure that it is something that is doable.

Question

Cody: About the filing budgets, we're seeing about 80 million dollars a year, and they last few years, it has been around that. It has been much higher in the past. We've seen a decrease in expenditures, and why do you think the $80-$85 million budget is reasonable for SDG&E and why do you think you'll be able to achieve those expenditures against those filing budgets?

Jenn: The past couple of years, we were hit really hard with COVID and our small customers have been hit hard too. And we are reliant on small business customers and we are seeing a lot of drawbacks from COVID. To try to participate in this segment, by the time we are in the application period, we hope to be fully implementing through 3rd parties. There has been ramp down, ramp up and delays in solicitation, which is why we are advocating for single-stage to tighten up the timelines to make things more achievable in the near-term.

Rama: 2021 was our first full year of 3rd party programs, and we had some challenges with getting them going on time and making sure we are all operating on the same uniform baseline and communication. It took time to set them up and launch. This is all teething trouble as we transition to full 3rd party. We didn't spend as much as we thought we would due to some of those issues.

Elaine: We spent a significant amount of time working with current 3rd party implementers and ones we know have been servicing legacy programs to right size those markets and to to make sure we are serving those in the most comprehensive way possible. It did lower our overall budget request.

Question

Cody: Do you have any inclination why $80 million annually is the right sizing? Back in 2017/2018, the budget was about $115-$120 million for SDG&E. So, there is a significant decrease there, and that was before COVID, and the transitions to 3rd parties. Can you talk about that?

Jenn: This application that is different from the previous applications, $116 was a flatline all the way across. Now we are required to do a more comprehensive bottom-up study with the ABAL and this application. Our market analysis, 3rd party implementers, we feel this $80-$85 budget is what is right for the SD&E territory, other than lighting, the lighting measures really fell off. There was a lot of potential in lighting and that fell way down. The team has taken the time to do the granular bottom mu approach and we know that this budget will achieve our TSB goals most cost effectively.

Question

Cody: Do you think you will spend $80 million in 2022?

Jen: That's the plan, Cody.

Rama: In our public filings we have to include a number that is contracted, so right now the numbers represent what we've contracted with our 3rd party implementers, and that is what we presented in our ABAL for 2019 and 2020 as well as our BBAL. It is that delta, we have to present and ask for a budget that we have in our contracts, yet performance can vary hugely due to the various aspects that Jann just discussed.

Cody: I guess with the 70% 3rd party; it is up to us to spend that money and deliver those goals. Thank you.

Question

Siva: Can SDG&E share some perspectives on Summer Reliability programs that all IOUs are launching in the near term? Will these be managed by EE program teams?

Elaine: Yes, these will be managed by our EE program teams. The Market Access program just got approval via an AL and will be moving forward with developing the program. The solicitation will be released here within the next day or two as well.

Question

Cody: To continue the conversation, how do pay for performance requirements, I know the decision in 2018 pushed for increased performance payment requirements. We are seeing a drastic reduction in spend and a lot of it has ties to the launch of the new 3rd party contracts. I am concerned about the strictness of the contracts. Greg alluded to this, the pay for performance requirements are strict. It makes implementation more challenging and taking risk on implementation more challenging and could result in less spending. Do you have any thoughts on how performance requirements can be improved to enable the full spending on these contracts?

Greg: To add a bit more flavor, the current contractual requirements in pay for performance, what we've gathered so far are that these requirements are out of line with practice, they have never been tried before in comparable performance in other states. d It is a major source of concern. We all want these programs to be successful, but they have to be contractual terms and conditions that are compatible with how energy efficiency implementation businesses operate, and right now the conditions are quite onerous in resource acquisition. If you look at the P4P approach on market support and equity in the same vein as you did for resource acquisition, it is a complete non-starter especially for disadvantaged businesses that can't carry a lot of requirements that you all put forward.

Rama: Great questions. We as the administrator are responsible to reach the goals set forth by the administration, which is being achieved now. As of now it's still the savings goals, and transitioning to TSB and then cost effectiveness. Our contracts are set up to ensure that we along with 3rd party contractors are able to achieve the goals and directives of the CPUC in that regard. We also have the fiduciary responsibility to ensure that rate payer dollars are spent in the most prudent way possible. That is the guiding principle in terms of how we set up 3rd party

contracts money is spent effectively. Those are the 2 major underlying assumptions in terms of how we set up our contracts, in commission decision language is pretty clear.

On the market support and equity programs, the pay for performance metrics are going to be different. They are already being contemplated in CAEEC. There are outreach programs in the past and those metrics should give us an inclination of what it might look like for non-resource programs. TSB and other cost effectiveness requirements will be different. TSB is not a requirement for the non-resource programs, and there will be other metrics that we will need to develop and also look back at the historical programs to give us an inkling for what those might look like.

Question

Cody: To follow up with that, I 100% agree with you that it is the responsibility of the PA for achieving goals and building portfolio programs to deliver those goals, and the fiduciary responsibility. We don't speak enough about the lost opportunity for ratepayers for not getting the energy savings when the programs or PAs don't achieve the goals. It is a loss to ratepayers for them to pay for the cost of producing the power. Do you feel like the push toward performance contracting that we are standardizing in California for resource acquisition programs, are they reducing the ability for the market to deliver the savings we were seeing 5 or 10 years ago?

Rama: Taking 2021 as an example, it was the first year we had 3rd party programs spanning the entire year. There were some start up hiccups, and we think over time we will iron out some of those issues and it will be more smooth sailing going forward. I don't think we can use 2021 as an example of how things didn't go right. It was just a startup year. I don't think I can opine on the question, just leverage facts about what we know of the market, and 2021 isn't representative of that.

Question

Cody: Being in the market, you will see some pressure on the performance requirements of these contracts on the ability of the programs to deliver. 2021 was a ramp up year for SDG&E programs, and it was also a ramp up year for the entire industry in California after the programs were shut down year after year over the last 5 years. We are seeing pressure on contracts and hiring and the ability of companies to perform because of the reduction in spending year after year, which is now ramping back up. CEDMC has talked about it for a long time, and we will see the pressure in the next few years. I am hoping that with the 8-year strategic plan and 4-year business plan there will be a continuation of the work and we will see better continuity. I agree with the 1-stage replacing the 2-stage. I don't think the initial intent of the 2-stage process was to be such a long process that it turned out to be. With the advice letters and requirements, it has been difficult for the community to have continuity.

Rama: We share with you that sentiment regarding the solicitation process. It has been really tedious for all involved. That is why the IOUS and we have been very supportive of the 1-stage process. We also had enough experience over the years to incorporate and develop best practices, we don't need to go in cold, so I think the 1-stage process will be a good outcome of the business plan application.

Question

Greg: We are totally supportive of your recommendation, with the caveat that when we first designed the idea365 2-stage RFA/RFP, the idea was to spur innovation, and the way the process emerged in the last few years didn't accomplish that goal. It is best to do the single-stage as you've outlined and we will be supportive of the 1-stage.

My question is related to one of the findings in the Opinion Dynamics findings in the solicitations process relating to the lack of diversity in 3rd party contracts. What does SDG&E intend to do to improve that situation going forward, in terms of bringing on more diverse businesses? Either encouraging them to be part of teams or to bid on contracts on their own?

Elaine: The solicitations process being so long is certainly a deterrent for small businesses. That's one of the reasons we proposed that in our policy. Our CMO group, our contract management offices that manages these solicitations have gone through great lengths to advertise and reach out to smaller groups to get a much more diverse vendor pool. SDG&E is committed to that, but we also have a framework and guidelines we have to follow that doesn't help it.

Question

Siva: Is there any concern that TSB goals can be like "moving goal posts" given avoided cost of generation and other costs can change over time whereas energy savings (kWh. Therms) is a fixed number (at least right when the projects are completed)? How SDG&E / other IOUs reconcile with this potential issue?

Greg: The ability to control that is outside of implementer control.

Jenn: We will be learning about it. The new avoided cost comes out every 2 years, so we expect updates in the TSB goals as we see new avoided costs come in. We have opportunities to file advice letters for additional applications. There are a number of opportunities where the PAs can be flexible and adopt new avoided costs going forward. We recognize it is a different metric to track to and those kWh/Therm goals do stay a bit stagnant

Question

Greg: A general question about cost effectiveness, at SDG&E, your portfolio TSB is around 1.06. That is consistent with your ABALS from a few years back and BBALS. We were taken aback by the fact that there was so much change from BBAL using 2020 avoided cost to the Business Plan using 2021 avoided cost, which was far lower, and yet the offsetting effect of not having to

include market support and equity costs in the cost effectiveness computation may have offset that. I am curious, in the other PAs, SCE and PG&E, their TRCs did climb substantially relative to their ABALS from years past and even their BBAL. Were you surprised by the results given the dynamics working behind the scenes?

Jenn: Yeah, we knew cost effectiveness was going to be a challenge for these applications, given the new avoided costs. For the new ABALS and BBALS, we use the contracted amounts in the applications. We knew cost effectiveness was going to be a challenge going in, and it was even with the offsetting segmentation where the commission allowed us to shift the costs into non-resource bins, it was still a challenge to achieve that 16, and the biggest driver was that avoided cost.

Greg: We can only shutter to think of new avoided costs coming down the line. Hopefully an enhanced avoided cost relative to 2021's ACCs.

No Further Questions

Greg: On behalf of the council, Rama, Jenn and Elaine, thank you so much for taking the time to meet with us, it has been a helpful and productive conversation. We are looking forward to developing the comments, due on April 15. It is comments, nothing other than comments, we intend to provide helpful suggestions and ideas to enhance the plans. That is our approach going into this phase. We appreciate you taking the time with us today.

Thank you for taking the time to engage with us today. We will do more of this, and we look forward to collaborating with this entire team.

End of Business Forum with SDG&E and CEDMC