

Application No.: A.26-03-012

Exhibit No.: SDG&E-01A (redline)

Witness(es): Various

**PREPARED DIRECT TESTIMONY OF
VARIOUS WITNESSES
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY
2028-2035 ENERGY EFFICIENCY ROLLING PORTFOLIO BUSINESS PLAN**



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

Revised September 30, 2026

Table AK-1: 4-year Portfolio Budget Forecast Summary (2028-2031)

	2028	2029	2030	2031	Total (4 Yrs)
Total Budget	\$68,527,298	\$67,859,802	\$68,875,760	\$71,931,537	\$277,194,397
Resource Acquisition Segment Budget	\$51,846,786	\$51,283,199	\$52,070,202	\$55,737,421	\$210,937,609
Market Support Segment Budget	\$8,763,184	\$8,654,157	\$8,739,211	\$8,954,614	\$35,111,167
Equity Segment Budget	\$233,788	\$230,811	\$230,982	\$230,854	\$926,434
Codes & Standards Budget	\$4,847,216	\$4,882,011	\$4,985,102	\$4,036,155	\$18,750,484
EM&V	\$2,737,124	\$2,710,424	\$2,751,062	\$2,873,293	\$11,071,904
ED Portfolio Oversight	\$99,200	\$99,200	\$99,200	\$99,200	\$396,800

Table AK-2: 4-year Portfolio Forecast Summary (2028-2031)

	2028	2029	2030	2031	Resource Acquisition Segment (Total 4-Yr)	Entire Portfolio (Total 4-Yr)
Total System Benefit (TSB)¹⁵	\$ <u>75,302,353</u> 74,283,002	\$ <u>77,571,122</u> 76,618,511	\$ <u>82,862,747</u> 81,823,921	\$ <u>92,514,600</u> 91,399,567	\$ <u>322,410,740</u> 318,368,478	\$ <u>328,250,822</u> 324,125,001
Total Resource Cost (TRC) Ratio	1.43	1.4 <u>76</u>	1.55	1.63	1.3 <u>75</u>	1.5 <u>24</u>
Program Administrator Cost (PAC) Ratio	3.9 <u>54</u>	3.7 <u>98</u>	3.8 <u>10</u>	3.8 <u>10</u>	1.4 <u>947</u>	3.8 <u>43</u>
Societal Cost Test (SCT) – Base	2.0 <u>23</u>	2.0 <u>78</u>	2.1 <u>820</u>	2.2 <u>830</u>	1.7 <u>983</u>	2.1 <u>35</u>
Societal Cost Test (SCT) - High	2.0 <u>56</u>	2.0 <u>89</u>	2.1 <u>920</u>	2.2 <u>89</u>	1.7 <u>984</u>	2.1 <u>46</u>
Ratepayer Impact Measure Test Ratio (RIM)	0.44	0.45	0.46	0.47	0.38	0.4 <u>65</u>
Lifecycle GWh	2,406	2,081	1,974	1,952	1,549	8,413
First Year MW	47	43	41	41	67	172

¹⁵ C&S programs are excluded from this category because they do not contribute toward the TSB goals required by the 2025 P&G Decision.

	2028	2029	2030	2031	Resource Acquisition Segment (Total 4-Yr)	Entire Portfolio (Total 4-Yr)
Lifecycle MMOTHERMS	51	48	48	48	95	194
Lifecycle Net Electric CO2 Metric Tons	421,418	357,066,410	338,898,643	334,277,034	253,246,263,467	1,454,603,44,296
Lifecycle Net Gas CO2 Metric Tons	268,678	255,014	252,563	252,811	502,579	1,029,067

Table AK-3: 4-year Portfolio Budget Forecast Summary (2032-2035)

	2032	2033	2034	2035	Total (4 Yrs)
Total Budget	\$71,931,537	\$71,931,537	\$71,931,537	\$71,931,537	\$287,726,150
Resource Acquisition Segment Budget	\$55,737,421	\$55,737,421	\$55,737,421	\$55,737,421	\$222,949,685
Market Support Segment Budget	\$8,954,614	\$8,954,614	\$8,954,614	\$8,954,614	\$35,818,455
Equity Segment Budget	\$230,854	\$230,854	\$230,854	\$230,854	\$923,415
Codes & Standards Budget	\$4,036,155	\$4,036,155	\$4,036,155	\$4,036,155	\$16,144,620
EM&V	\$2,873,293	\$2,873,293	\$2,873,293	\$2,873,293	\$11,493,174
ED Portfolio Oversight	\$99,200	\$99,200	\$99,200	\$99,200	\$396,800

Table AK-4: 4-year and 8-year IOUs Total System Benefit Forecast (w/out C&S) vs. Goals

Year	Total System Benefit Forecast	Total System Benefit Goals ¹⁶	Percent of TSB Goal
2028	\$75,302,353 \$74,283,002	\$78,420,542	9 6 5%
2029	\$77,571,122 \$76,618,511	\$85,011,015	91 0 %
2030	\$82,862,747 \$81,823,921	\$63,994,260	12 9 8%
2031	\$92,514,600 \$91,399,567	\$72,773,077	12 7 6%
Total (4-years)	\$328,250,822 \$324,125,001	\$300,198,894	10 9 8%
2032	\$92,514,600 \$91,399,567	\$79,707,277	11 6 5%
2033	\$92,514,600 \$91,399,567	\$86,792,270	10 7 5%
2034	\$92,514,600 \$91,399,567	\$94,537,243	9 9 7%
2035	\$92,514,600 \$91,399,567	\$104,555,409	8 8 7%
Total (4-years)	\$370,058,400 \$365,598,269	\$365,592,199	101 0 %
Cumulative (8-years)	\$698,309,222 \$689,723,270	\$665,791,093	10 5 4%

Table AK-5.1: 4-Year and 8-Year Codes & Standards Forecast vs. GWh Goals (IOUs only)

Year	GWh Energy Savings	GWh Goals	Percent of Goal
2028	140.9	141.0	100%
2029	115.8	107.4	108%
2030	107.1	94.0	114%
2031	101.6	84.7	120%
Total (4-years)	465.4	427.1	109%
2032	101.6	76.2	133%
2033	101.6	73.0	139%
2034	101.6	57.3	177%
2035	101.6	53.9	188%
Total (4-years)	406.4	260.4	156%
Cumulative (8-years)	871.8	687.5	127%

¹⁶ SDG&E's TSB goals are ordered in the 2025 P&G Decision.

1 budget has been reserved for this purpose. SDG&E may also shift available funds not expected
2 to be expended to support solicitation activities, should the need arise.

3 **2. Optimize TSB achievement and cost-effectiveness, as well as TSB achieved per**
4 **customer dollar spent**

5 Pursuant to D.21-05-031, SDG&E is required to submit a MCAL. On November 4,
6 2025, SDG&E submitted its MCAL, AL 4747-E/3469-G which was accepted on December 4,
7 2025. As such, SDG&E's forecast approach leverages methodologies from its MCAL, which
8 includes relevant decisions and CPUC guidance including, the 2025 P&G Decision, approved
9 deemed measure package values, and updates to the 2024 Avoided Cost Calculator (ACC).

10 SDG&E continues to utilize its existing network of third-party implementers to inform its
11 forecasting process based on their market insights and on-the-ground expertise. Historical
12 program performance and spending trends were also referenced to validate reasonableness of
13 forecasted estimates.

14 Additionally, the TSB goal targets required SDG&E to rebalance the portfolio by shifting
15 more funding to the RA segment, which is intended to generate the bulk of the savings required
16 to achieve the TSB goals. To achieve this, SDG&E targeted its two largest sectors in its
17 territory, residential and commercial. Approximately 35 percent of the TSB is expected from the
18 residential sector and 52~~1~~ percent is expected from the commercial sector. SDG&E also forecasts
19 notable TSB in the Industrial sector consistent with the 2025 P&G Decision which identifies
20 growth in the Industrial sector contributing approximately 12 percent of SDG&E's overall TSB
21 goal.

22 SDG&E's portfolio is forecasting to meet the cycle's collective TSB goal for the SDG&E
23 region identified in the 2025 P&G Decision. However, as similarly noted in SDG&E's MCAL,
24 this Application is being submitted for compliance purposes. While SDG&E anticipates
25 compliance based on current forecasts, historical trends suggest such forecasts often do not
26 materialize as projected. For instance, SDG&E's TUAL filed on October 16, 2023, projected
27 SDG&E would achieve 182 percent of its TSB goal for 2024.²¹ Although this may appear
28 favorable, the actual portfolio outcomes were around 40 percent less than forecasted for that year;
29 meaning forecasts may be significantly different from actual outcomes.

30 ²¹ SDG&E AL 4302-E; *see also* SDG&E's 2024 Annual Report at Table T-1.

Chapter 5: Portfolio Management (Sponsored by Alton Kwok)

Overview for 4-year plan and 8-year plan: Key metrics and outcomes

SDG&E's proposed 4-year plan and 8-year plan are structured to meet Commission requirements while maintaining a disciplined, compliance-focused approach to EE portfolio administration. Across the 8-year period, the EE portfolio prioritizes regulatory compliance, transparent performance tracking, and reliance on statewide delivery structure to achieve forecasted cost-effective outcomes.

4-Year Plan (2028–2031): Key Metrics and Outcomes

Over the 2028–2031 portfolio cycle, SDG&E forecasts a total portfolio budget of approximately \$277 million, with the majority of funding directed to the RA segment to support achievement of the Commission-adopted TSB goals, on a forecasted basis. The portfolio is structured to remain within all required budget allocation thresholds, including the minimum statewide program contribution, minimum third-party implementation requirements, and the cap on MS&E spending.⁴²

Key forecasted outcomes for the 4-year plan include:

- TSB: The portfolio forecasts approximately \$3284 million in TSB, equivalent to 1098 percent of SDG&E's cumulative 4-year TSB goal, driven primarily by RA programs and statewide program contributions.
- Cost-Effectiveness: The RA segment forecasts a TRC ratio above 1.0 on a cumulative basis, satisfying the minimum compliance requirement. Portfolio-level cost-effectiveness metrics are reported for compliance and planning purposes, recognizing that actual results may vary from forecasts based on historical performance.

8-Year Plan (2028–2035): Key Metrics and Outcomes

The 2032–2035 cycle extends the 4-year planning framework by maintaining 2031 budget levels in the outer years, reflecting the uncertainty inherent in long-term forecasting and preserving flexibility for future Commission direction.

⁴² See D.18-01-004, D.21-05-031, and D.23-06-055.

1 Over eight years, the portfolio forecasts approximately \$69~~80~~ million in TSB,
2 representing 10~~5~~4 percent of cumulative TSB goals, indicating forecasted compliance across the
3 full planning period.

4 **Overall Portfolio Outcomes**

5 Taken together, the 4-year and 8-year plans present a portfolio that is designed for
6 compliance rather than aggressive expansion. Forecasted outcomes demonstrate alignment with
7 CPUC requirements while maintaining a forecasted cost-effective portfolio.

8 **Logic Model**

9 The EE Portfolio Logic Model illustrates the barriers that the portfolio seeks to address
10 with the various programs and activities. The five barriers identified in the logic model apply to
11 all market sectors: residential, commercial, industrial, agricultural, and public. The 2028-2031
12 Portfolio is designed to support availability of EE measures, and support more trained
13 contractors who can deliver and install EE measures. With EE information supported by rebates
14 and loans, customers will consider and install EE appliances and equipment. SDG&E will
15 continue to support C&S and Emerging Technologies. Program detailed logic models can be
16 found in each of the program implementation plans. Evaluation of the programs will inform
17 stakeholders of how well the portfolio addresses the barriers and achieves expected outcomes.
18 These findings will in turn inform appropriate adjustments to program design.

Strategies to optimize portfolio and manage risk

TSB goals and the balance to achieve a cost-effective RA portfolio forecast help drive the overall portfolio budget, including forecasting to hit all other compliance levers with having a minimum of 60 percent of budget allocated to third-party implemented programs, at least 20 percent of budget allocated to statewide programs, and no more than 30% percent budget allocated to MS&E segments.

For the instant Application, SDG&E rebalanced its portfolio by shifting more of its budget into programs that generate TSB, primarily within the RA segment. This reallocation reduced funding for MS&E programs to better position the portfolio to forecast achieving the TSB goal.

SDG&E continuously compiles forecast and actual spending and claims data to develop internal dashboards and associated reports to track the progress of each program, as well as each of these forecasting compliance levers. Key Performance Indicators included in each of the third-party contracts help to set and track goals. Additionally, SDG&E meets with ED bi-monthly to share program performance and various updates and seek feedback.

1. Describe the PA's overall approach and flexibility in identifying and managing the risk of underperformance at the portfolio level. Include how performance is monitored, how underperformance is identified in a timely manner, and how the PA intervenes to support success across programs, including making adjustments or closing programs when warranted. Outline a corrective action plan for programs, sectors and/or segments that are underperforming. If applicable, describe the flexibility that should be retained for this cycle. Program specific closures and remediation strategies should be detailed in the list of closed programs in Table 8 above.

SDG&E regularly meets with its third-party implementers to understand what barriers and challenges they are facing and, if possible, correct and/or reevaluate the potential the program can deliver. SDG&E has internal periodic program and portfolio touchpoints throughout the year that drive data compilation and continuous monitoring of progress and performance. If challenges continue to arise such as data integrity issues, a lack of supporting documentation for program enrollments, a need for process improvements, high inspection failure rates, etc., SDG&E leverages its Corrective and Preventative Action (CAPA) process to correct deficiencies and mitigate potential future problems. A CAPA form is used to record the recipient's response, the findings of the investigation, and/or a root cause analysis. SDG&E then

1 intends to build on these efforts to gain a deeper understanding of the impact NEBs have on the
2 EE portfolio. As part of this cycle, SDG&E plans to continue conducting studies on NEBs.

3 D.21-05-031 ordered the joint IOUs to conduct an Awareness, Knowledge, Attitude, and
4 Behavior (AKAB) study aimed at identifying gaps and opportunities within the EE market. The
5 purpose of this study is to better understand customer perceptions and behaviors related to EE
6 products and services, which will help determine where additional market support or intervention
7 may be necessary, and inform a series of market support indicators that provide a better
8 understanding of the current market. SDG&E will continue to focus on conducting these studies
9 during the proposed business cycle.

10 **Provide PA/ED budget allocation and justification.**

11 OP 16 of D.16-08-019 specifies that at least 60 percent of EM&V budget shall be
12 reserved and available to Commission staff overseeing evaluation activities and the remaining
13 budget, up to 40 percent, shall be available to PAs for their evaluation activities. D.16-08-019
14 also explains that the increase would be "...in recognition of the increased emphasis on 1)
15 NMEC and Pay for Performance, and 2) up front planning and market assessment associated
16 with the market transformation and other programmatic emphasis in Senate Bill 350 and
17 Assembly Bill 802."⁵⁸ Under SDG&E AL 4302E, SDG&E requested the full 40 percent IOU
18 allocation of the EM&V budget to support increased activity.⁵⁹ As many of these activities are
19 ongoing, SDG&E will continue to require funding at the increased level, up to the allowable 40
20 percent threshold. Table AK-1~~12~~ below summarizes the EM&V budget allocations, showing a
21 60 percent allocation for ED and a 40 percent allocation for SDG&E.
22

⁵⁸ D.16-08-019 at 80 – 81.

⁵⁹ SDG&E AL 4302-E at 32.

SDG&E recommends the Commission explicitly allow non-IOU administered statewide programs to be treated equivalently to IOU led statewide programs for compliance purposes, including crediting the associated budget and savings toward IOU statewide percentage requirements, applicable TSB goals, 60 percent third-party implementer requirements, and the 30 percent MS&E cap. Treating non-IOU administered statewide programs equivalent to IOU led statewide programs is reasonable because these programs serve the same statewide customer base, operate under the same CPUC defined statewide structure, and deliver uniform benefits across all IOU territories. Ensuring consistent compliance treatment prevents distortions in IOU obligations and accurately reflects the full contribution of statewide programs toward achieving statewide percentage requirements, TSB goals, third-party implementer requirements thresholds, and the 30 percent MS&E cap.

C. Revised Timing Proposal for True-Up Advice Letters and 4-year Rolling Portfolio Application

Summary of Revising Timing Proposal

- The Commission should replace OP 5 to state: Going forward, all current EE PAs shall file Applications on April 1, 2030, and every four years after that, containing the following elements...
- The Commission should modify OP 10 to state: 90 days after the issuance of a final P&G Decision, in the odd years, each EE PA shall file either a portfolio true-up (prior to the start of a 4-year portfolio) or a mid-cycle review (in year two of a 4-year portfolio) Tier 2 AL adjusting its technical inputs, forecasts, and portfolio to account for the changes in EE potential and goals.

D.21-05-031 establishes both the Portfolio Application cycle and the timing for portfolio update filings. Under OP 5 of D.21-05-031, PAs are required to file their EE Portfolio Applications on a 4-year cycle, beginning with the initial filing in early 2022 for the 2024 program year. OP 10 further directs each PA, in the years when the Commission adopts updated

are not generally permissible (except for measures that are weather dependent or when the program administrator has provided evidence that the default statewide customer interface is not successful in a particular location). Upstream (at the manufacturer level) and midstream (at the distributor or retailer level, but not contractor or installer) interventions are required to be delivered statewide. Some, but not all, downstream (at the customer level, or via contractors or installers) approaches are also appropriate for statewide administration. Statewide programs are also designed to achieve market transformation.”