

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



Date: July 30, 2020

To: Southern California Edison Company (SCE)

From: Peter Lai and Peter Biermayer, California Public Utilities Commission (CPUC)

Cc: R.13-11-005 Service Lists

Subject: MID-YEAR FEEDBACK - 2020 EFFICIENCY SAVINGS AND PERFORMANCE INCENTIVE (ESPI) PERFORMANCE

Table of Contents

I. CPUC Staff Findings 2020 Mid-year Activities Feedback2

 A. Custom Projects Review Overview2

 B. Workpapers Review Overview3

II. Discussion3

 A. Custom Projects Performance Review4

 B. Workpapers Performance Review7

Attachment A: Workpaper Feedback..... 10

Pursuant to Decision (D).13-09-023, D.15-10-028 and D.16-08-019, California Public Utilities Commission (CPUC) Staff and consultants are providing the 2020 Efficiency Savings and Performance Incentive (ESPI) Performance Mid-year Feedback on the investor-owned utilities (IOUs) respective activities as of June 30, 2020. The mid-year feedback focuses on specific accomplishments and issues or concerns identified as part of ongoing workpaper¹ and custom² project reviews. This feedback will help the IOUs address these issues for the remaining year.

I. CPUC Staff Findings 2020 Mid-year Activities Feedback

The following sections of this memorandum provide a description of the findings, including areas of achievement and areas requiring improvement for both custom projects and workpapers review activities.

A. Custom Projects Review Overview

1. Summary of 2020 Mid-year Achievements

This feedback is based on 37 CPUC project review dispositions issued between January and June 2020. SCE continues to demonstrate efforts to improve its performance. CPUC Staff's observations include:

- **Improvements in Accounting for Non-IOU Fuel Sources.** SCE has demonstrated improvements when accounting for all non-IOU fuel sources and the subsequent impacts these can have on a project.
- **SCE continues to have no issues with documentation.** Similar to the second half of 2019, SCE has been consistent providing all documents and required information on projects, including clear project scoping to assist CPUC staff with reviews.
- **Issues related to Process, Policy and Program Rules are low.** SCE continues to improve with respect to adhering to CPUC policy and following program rules, including eligibility and correct baseline determination.

2. Summary of Areas Requiring Improvement

Areas that were most problematic, frequent, and/or are in need of improvement include:

- **The number of issues regarding gross savings impacts increased.** In the second half of 2019, there were no issues regarding gross savings impacts. In 2020 there have been ten projects that encountered issues with savings calculation methodology and parameter assumptions including modeling inputs and methodology.

¹ A workpaper documents the data, methodologies, and rationale used to develop values for deemed measures. A workpaper is prepared and submitted by program administrators and approved by the CPUC.

² A custom project requires project site specific impact calculations due to a unique characteristic of the measure and/or operation of the measure.

- **SCE's QA/QC processes and methodologies regarding analysis assumptions need improvement.** In the second half of 2019 there were no projects found with this issue. In 2020 there have been six projects where analysis assumptions were noted to be a significant deficiency at the measure level. Most of the issues identified involved simulation modeling of Savings by Design Program projects. SCE should improve quality control addressing the issues identified during the Q1-Q2 2020 reviews.
- **The number of measures where M&V plans were not in compliance increased.** In the second half of 2019 there were no measures or projects where this deficiency was noted to be an issue. In 2020, there have been several measures that were noted to have an M&V deficiency with the main issues related to adjusting NMEC model for non-routine events and accounting for peak demand calculations.

B. Workpapers Review Overview

1. Summary of 2020 Mid-Year Achievements

SCE had one workpaper disposed in the first half of 2020 and submitted an additional ten in June which have not been disposed at the time of this memo, therefore the workpaper specific feedback that can be provided at this time is limited³. The Mid-Year feedback also notes non-workpaper specific observations and clarifies performance expectations for the remainder of the year.

CPUC staff observed strengths in SCE's development and management of workpaper submissions in the following area:

- **Effective workpaper leadership.** SCE continues to demonstrate effective workpaper leadership, managing the submissions for more complex and new measures including TLEDs, smart communicating thermostat electric savings, fuel substitution, refrigeration measures, and smart power strips. SCE has until recently led the Monthly Joint Program Administrators (PA)/CPUC workpaper coordination meetings and coordinated the Annual Budget Advice Letter workpaper lists on behalf of all PAs.
- **Initiative.** SCE initiated a review of all active workpaper Ex Ante Data (EAD) tables⁴ to identify inconsistencies in identifiers resulting in cleaning up fifteen workpapers. At the same time, they updated implementation codes so other PAs could adopt the workpaper.

2. Summary of Areas of Improvement

CPUC Staff highlights the following direction for improvement:

- In 2019, SCE fell short of expectations for the quality of the workpaper submissions including errors and inconsistencies between the workpaper narrative and the EAD tables. CPUC staff expects improvements in this metric in 2020.
- SCE is expected to make progress on the priority industry standard practice (ISP) research and to complete one or more study before the end of the year.

³ Specific workpaper feedback is reserved for workpapers that have completed the review cycle through the disposal, which includes approval or rejection through a disposition or interim approval.

⁴ The EAD tables document the assumptions for each measure included in the workpaper.

II. Discussion

The following sections of this memorandum provide a detailed description of the findings, including, areas of achievement and areas requiring improvement for both custom projects and workpapers.

A. Custom Projects Performance Review

Each year, CPUC Staff reviews a sample of custom project energy efficiency program applications. The review findings and directions to the IOUs are presented in documents referred to as “dispositions”. This feedback is based on 37 CPUC project review dispositions issued between January and June 2020.

The comments below are organized by the five metric areas prescribed in D.16-08-019. No scores are provided for these metrics in the mid-year memo. All feedback provided at this time is qualitative.

1. Timeliness of Submittals

SCE complied with Public Utilities Code 381.2 (Senate Bill 1131) guidelines for submitting documentation before the 15 business days required. No projects were found to be late meaning SCE is complying with CPUC requirements under this metric.

2. Content, Completeness, and Quality of Submissions

Out of the 37 project dispositions issued in the first 6 months of 2020, CPUC staff noted 8 actions required by the PA to correct deficiencies (67 percent of total actions) impacting gross savings. This is compared with the second half of 2019 where only 1 action (33 percent of total actions) was noted. Deficiencies included issues with parameter assumptions, missing calculations for effective useful life (EUL) and simple payback, and approval to move forward when EUL was found to be greater than simple payback⁵, and incorrect calculation methods. The Incorrect calculation methods issue is a new issue for SCE as there were no projects that had this deficiency in the second half of 2019.

CPUC staff also found M&V plans being out of compliance on several measures. The main areas of concern were missing peak demand savings calculations and incorrect methodology and or adjustments in NMEC models to account for non-routine events. SCE had no measures or projects with this deficiency in the second half of 2019. Additionally, CPUC staff began reviewing HOPPs projects in the first six months of 2020 and have noted several projects with M&V plans that could impact future HOPPs savings. Since HOPPs reviews are advisory, M&V issues related to HOPPs projects are not included in the list of actions below. SCE should look to include recommendations

⁵ CPUC staff does not reject an application when the Simple Payback is greater than the EUL but the PAs are supposed to review other aspects of an application and approve it as appropriate. CPUC staff have not seen these approvals in the documentation packages.

from CPUC staff on M&V plans before claiming first year savings.

Table 1 below summarizes the 12 action items identified across 37 dispositions issued between January 1, 2020 and June 30, 2020.

Table 1: Summary of Categorized Action Items for Custom Projects

Issue Area	Action Categories	Summary of		Total	Percent of Total
		CPUC Staff Required Action by the PA:	Summary of CPUC Staff Notes or Instructions:		
Issues Related to Gross Savings Impacts	Analysis assumptions	6	17	23	47%
	Calculation method	2	8	10	20%
	Calculation tool	0	3	3	6%
	M&V plan	0	13	13	27%
	Subtotals	8	41	49	53%
Process, Policy, Program Rules	Baseline	0	6	6	24%
	CPUC Policy	1	4	5	20%
	Eligibility	0	1	1	4%
	EUL/RUL	1	3	4	16%
	Measure cost	0	5	5	20%
	Measure type	0	2	2	8%
	PA program rules	0	1	1	4%
	Self-generation	0	1	1	4%
Subtotals	2	23	25	27%	
Documentation Issues	Missing documents	0	1	1	20%
	Project scope unclear	0	4	4	80%
	Subtotals	0	5	5	5%
Issues Related to Net Impacts	NTG	0	8	8	80%
	Program influence	2	0	2	20%
	Subtotals	2	8	10	11%
Other Issues	Other 1 - Discrepancy between project documentation and bimonthly upload	0	2	2	67%
	Other 3 - SPB > EUL	0	1	1	33%
	Subtotals	0	3	3	3%
	Grand Total	12	80	92	100%

3. Proactive Initiative of Collaboration

Commission Staff found that SCE made significant efforts to bring measures, projects, or studies forward for discussion prior to review. In addition, they continue to take an active and engaged lead in statewide collaboration efforts as champions of several statewide initiatives. In particular, SCE is leading a Statewide effort to improve QC of Savings by Design projects partially in response to the SBD project rejections that occurred in the first six months of 2020 and is also the lead in the Statewide Guidance Document Updates Subgroup⁶.

4. PA's Due Diligence, Quality Assurance, and Quality Control (QA/QC)

Project and measure level disposition performance results reviewed under Metric 2 are used as a proxy for the level of QA/QC occurring by the PA. As noted above, SCE has increased the number of deficiencies in the first 6 months of 2020 compared to the second half of 2019, showing a decrease in the effectiveness of QC processes. Additionally, the number of dispositions proceeding without exception was weighed against those requiring resubmissions or resulting in rejections. Out of the 37 dispositions issued from January 2020 – June 2020, 21 projects (57 percent) proceeded without exception, 10 projects (27 percent) were allowed to proceed with exceptions as noted, and 6 projects (16 percent) were rejected. Comparatively, in the second half of 2019 SCE had no rejections, 12 out of 23 (52 percent) proceed without exception, and 11 projects (48 percent) proceed with exceptions as noted. While the percent of applications proceeding without exception remains similar between the two years, (57 percent in 2020 compared to 52 percent in 2019) the first six months of 2020 had a significant increase in rejections from 0 percent in 2019 to 16 percent in 2020, in large part due to SBD projects. CPUC staff understand SCE is already beginning to address these issues which will help avoid future ESPI point reductions under this metric.

5. PA's Responsiveness

CPUC Staff assessed the time series of rejections and expectations, the alignment of program policy and procedures with the number of actual rejections and exceptions based on eligibility and attribution, and the adaption to changes in rules over time. In 2020 CPUC staff noted an error in the SBD Program guidance document regarding VRF systems eligibility. Though SCE has been a leader in developing statewide guidance document efforts, there is a need to be more diligent about guidance document reviews as they have the ability to impact ESPI scoring on multiple PAs when errors are discovered.

For dispositions issued in the first six months of 2020 CPUC Staff found that projects exhibited a slight upward trend in terms of project performance over time (i.e. project submissions had fewer issues when submitted later in 2020 compared to earlier in the year). This demonstrates that SCE is making efforts to increase their responsiveness over time to address project deficiencies that result in submissions that are in line with CPUC policy.

⁶ The Statewide Guidance Document Subgroup came about as a result of the Custom Projects Review Stakeholder Engagement Meeting where stakeholder identified the clear and transparent project review guidance would improve streamlining the overall custom projects review process.

B. Workpapers Performance Review

SCE had one workpaper disposed in the first half of 2020, therefore there is limited workpaper specific feedback that can be provided at this time. The Mid-Year feedback also notes non-workpaper specific observations and clarifies performance expectations for the remainder of the year.

SCE has ten workpapers currently under CPUC staff review that have not been disposed at the time of this memo and therefore have not been included in the mid-year feedback scoring. SCE has four workpapers in the workpaper plan development stage.

The comments below are organized by the five scoring metric areas created in D.16-08-019. The narrative includes observations common to multiple workpapers and feedback related to the workpaper development process as well as direction for future workpapers.

Specific workpaper feedback is provided in tables in Attachment A, at the end of this document. The first table, the Workpaper Detailed Review Table provides feedback on the one specific workpaper reviewed and disposed. The second table, the Workpaper Submissions Table lists all workpapers submitted by SCE during the review period that are under current review. The Staff acknowledges that workpaper development may have been supported by multiple PAs; however, at the time of this mid-year review, feedback is directed to the submitting PA, with the assumption that they have led the development.

1. Timeliness of Submittals

SCE submitted one workpaper that could be scored in the review period and it met expectations for this metric. SCE has met deadlines for submission of other deliverables in the review period and met workpapers submission schedules in the past and is on track for this metric.

CPUC staff expects SCE to communicate interim deliverable, workpaper submission and re-submissions to the CPUC staff and consultant Workpaper Review Team in a timely fashion through the monthly Workpaper Submittal Plan or through workpaper plan updates. Workpaper submission dates should be accurately forecasted out one month in advance of the submission and any workpaper submitted either before or after the forecasted date in this report will impact the ESPI score for this metric. Occasionally, the CPUC staff will request SCE to modify its planned submission schedule to levelized workloads during periods of heavy submissions.

2. Content, Completeness, and Quality of Submissions

SCE single scored workpaper met expectations for this metric. This was a new workpaper utilizing the Database for Energy Efficient Resources (DEER) values and applying them to a new technology. SCE is on track for good performance in this metric based on the current mix of in-progress workpapers. SCE has engaged the CPUC in discussions concerning the new and more complex measures and based on this preview, we expect the content of the workpaper to meet standards.

Any subsequent workpapers should clearly articulate the proposed methods and include step-by-step

methods or procedure descriptions. SCE's proposed approach should provide accurate results for the population addressed by the measure. All relevant related or past activities and submittals (previous workpapers, dispositions, etc.) should be appropriately disclosed or discussed.

All PAs have an important responsibility to identify new technologies and delivery methods, and to develop workpapers where a deemed option makes sense. Of the in-progress workpapers, six are for new measures. SCE also has four new measures in development with workpaper plans. SCE also spearheaded the fuel substitution measure development. The CPUC staff encourages the continued development of new measure workpapers to ensure innovative measures.

PG&E on behalf of the PAs has developed a joint master list of measure industry standard practice (ISP) research topics in compliance with CPUC Resolution E-4939. SCE's is expected to complete one or more ISP study(s) this year in support of the mandate to regularly review the portfolio and conduct ISP research for priority measures.

3. Proactive Initiative of Collaboration

SCE is expected to engage with CPUC staff in early discussions on unique or high profile, high impact measures before program commitments. Where a workpaper plan is warranted, a workpaper plan should be used as a vehicle for managing the CPUC staff engagement.

SCE proactively and productively engaged CPUC staff prior to workpaper submission in the past and is currently doing so with the fuel substitution, TLED lighting, the smart thermostats, and smart power strips. SCE used good judgement in its level of engagement with CPUC staff.

4. PA's Due Diligence, Quality Assurance, and Quality Control (QA/QC)

SCE single scored workpaper did not meet expectations. The workpaper required resubmission because it had incorrect values in the EAD tables. In 2019, SCE performed slightly below expectations and CPUC staff expects improvements in this metric. As another area of improvement, SCE submitted eleven workpapers this year, ten of them in June. CPUC staff would have preferred workpaper submissions spread out over the six months, but understand that in part, the timing was impacted by the availability of evaluation results and calculators.

In subsequent workpapers, SCE is expected to fully QC workpapers and other interim deliverable documents before submitting them, including those of their contractors. The EAD tables and narratives should be consistent and free of errors. The workpaper should be submitted following submission protocols for location within Workpaper Archive (WPA) in the website www.deeresources.info and attachments, such as the workpaper coversheet.

CPUC Staff expects that the SCE will submit a workpaper plan and schedule early in the development process, and will meet deadlines. CPUC Staff also expects that when SCE leads a workpaper, they will coordinate with other PAs to ensure each statewide submission is complete from the perspective of all PAs.

SCE took the initiative to review the EAD tables of all active workpapers and to check for

inconsistencies and errors in the identifiers. Fifteen workpaper were flagged and corrected. CPUC acknowledges that this was a major undertaking and improves the quality of statewide workpapers. They also worked with other PAs to add implementation codes to existing workpapers.

5. PA's Responsiveness

SCE single scored workpaper exceeds expectations, as this is a new workpaper requiring more development effort and SCE also quickly responded to correcting the submission errors. In 2019, SCE performed well in this metric due to its lead role for complex workpapers which continues with measures including smart thermostats, smart power strips, and the fuel substitution measures. If this trend continues, SCE is on track for good performance this year based on the current mix of in-progress workpapers. This mix includes a majority of complex and new workpapers where SCE is leading the development.

This metric reflects leadership in the continuous improvement of programs through the introduction of new workpapers, proactively identifying workpapers that have dated elements, and nominating irrelevant workpapers for sunseting. SCE is leading many of the complex workpaper revisions and doing that work well.

SCE has led the Monthly Joint PA/CPUC Workpaper Coordination Meeting for over a year and is passing the responsibility to SDG&E. SCE also coordinated the workpaper lists for Annual Budget Advice Letter submissions.

III. Attachments

[Attachment A](#) contains the workpaper summary tables showing the qualitative components for each metric. Each reviewed workpaper was first determined to have components either applicable or not applicable to a metric. If an item was determined to have activity applicable to a metric, the item was then assigned a qualitative rating as to the level of due diligence applied to the item as either deficient (or “-“), apparent but minimal (or “yes”), or superior (or “+”).

Questions or comments about the feedback should be directed to Peter Lai (peter.lai@cpuc.ca.gov). Note that pursuant to D.13-09-023, CPUC Staff will schedule a teleconference meeting with SCE staff to discuss and answer clarifying questions of this memorandum.

Attachment A: Workpaper Feedback

The table below lists the ID numbers associated with each workpaper submission or disposition and the workpaper review process scoring area. The PA may refer to the individual dispositions for more detailed descriptions of the specific actions staff required for each workpaper. The qualitative ESPI scoring feedbacks are designated as follows:

- ‘+’ indicates a positive (from midpoint) scoring impact on a metric, receives 100%,
- ‘-’ indicates a negative (from midpoint) scoring impact on a metric, receives a 0%
- ‘Yes’ indicates meeting expectation; neutral (midpoint) scoring impact on a metric, receives a 50%,
- ‘No’ indicates the review feedback is not applicable to a metric and has no impact on the score.

Workpaper Reviews				ESPI Metrics				
WP ID	Rev	Title	Comments	1	2	3	4	5
SWCR003	1	High Efficiency Motor Retrofit for Refrigerated Display Case	SCE developed new workpaper for retrofit motors using DEER 2020 prototype. Collaborated with PGE to issue implementation IDs to adopt this workpaper. Workpaper lacking QC and needed editorial corrections.	yes	+	+	-	+

Workpaper Submissions				
SWCR003	1	High Efficiency Motor Retrofit for Refrigerated Display Case	Detailed review complete	SWCR003