

Company: San Diego Gas & Electric Company (U 902 M)
Application: A.25-04-XXX
Exhibit: SDG&E-02

**PREPARED DIRECT TESTIMONY OF
ALTON KWOK
(UPDATE TO SDG&E'S 4-YEAR PORTFOLIO PLAN)**

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



April 2025

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1 **PREPARED DIRECT TESTIMONY OF ALTON KWOK**
2 **(UPDATE TO SDG&E’S 4-YEAR PORTFOLIO PLAN)¹**

3 **A. Portfolio Summary**

4 **i. Key metrics and outcomes**

5 **1. Discussion of business plan proposed outcomes as they tie to portfolio-**
6 **, sector-, and segment-level metrics in 4-year portfolio application that**
7 **are critical for tracking and quantifying progress of 4-year portfolio**
8 **and budget that will lead to achieving 8-year business plan strategic**
9 **plan outcomes.**

10 As discussed in the Prepared Direct Testimony of Hollie Bierman (Update to SDG&E’s 8-
11 Year Strategic Business Plan) (Ex. SDG&E-01), San Diego Gas & Electric Company (SDG&E)
12 seeks approval from the Commission to discontinue its regional energy efficiency (EE) programs,
13 reducing costs and increasing affordability for its customers. Specifically, SDG&E seeks approval
14 to discontinue program administration of most regional EE programs and continue in its role as a
15 fiscal agent. This Portfolio Plan covers 2026 – 2027, which are the years that SDG&E’s regional
16 contracts are currently scheduled to sunset.²

17 **2. Narrative on portfolio goals and portfolio performance metrics to be**
18 **achieved in 4 years**

19 Below is a summary of SDG&E’s goal targets for 2026 and 2027. Details are provided in
20 Ex. SDG&E-03 at Tabs 7.1, 7.2 and 7.3.³

¹ SDG&E notes that Exhibit (Ex.) SDG&E-02 is structure and formatted pursuant to the California Public Utilities Commission’s (CPUC or Commission) Rolling Portfolio Program Guidance template, *available at* <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/demand-side-management/energy-efficiency/rolling-portfolio-program-guidance>.

² SDG&E’s Plan excludes budget requests for program year 2024 as it is complete, and 2025, due to an expected Commission Decision by year end.

³Due to the large file size of the corresponding Exhibits, and pursuant to Rule 1.9, the Exhibits are available on SDG&E’s website, *available at* <https://www.sdge.com/rates-and-regulations/proceedings/Application-to-Revise-2024-2031-Energy-Efficiency-Rolling-Portfolio-Business-Plan>.

Table AK-1
Portfolio Energy Savings Goals and Targets (2026-2027)

	2026	2027
Forecasted Portfolio TSB (w/o Codes & Standards)	\$59,082,067	\$57,409,939
Total System Benefit (TSB) Goals⁴	\$45,878,572	\$47,996,979
% of TSB Forecasted	129%	120%
Codes & Standards TSB	\$193,457,225	\$177,588,510

Portfolio metrics are detailed in Ex. SDG&E-03 at Tab 17.

ii. Portfolio Strategies

If this Application is approved, SDG&E will continue to manage and disburse funds rather than directly implement EE programs or strategies. Consequently, the sections of the application template related to the strategy for the application and use of various and new methods for savings forecasting and quantification methods, such as normalized metered energy consumption, are not applicable. Similarly, strategies for market intervention and EE adoption, including targeted points of intervention and delivery channels, fall outside the scope of SDG&E's responsibilities. Additionally, new strategies for spurring innovation, such as cultivating new businesses to enter EE design and implementation or supporting the adoption of new GHG-reducing technologies, are not within the purview of SDG&E's duties. Lastly, the strategy for incorporating low global warming potential (low-GWP) refrigerants in the portfolio is also not relevant to SDG&E's role, as this involves technical and implementation aspects that are beyond SDG&E's responsibilities.

iii. Application Summary tables covering the 4-year budget request

1. Annual budget request for 2026 and 2027

Table AK-2 below provides the total annual budget for 2026 and 2027. Details for the budget can be found in Ex. SDG&E-03 at Tabs 4.1 and Tab 7.3.

⁴ Decision (D.) 23-08-005 at Table 6 at 18.

Table AK-2⁵
Annual Budget (2026-2027)

2026	2027
\$55,949,715	\$50,352,756

2. Distribution of effort (budget) across segments and sectors

Table AK-3 below provides the total segment budgets for 2026 and 2027. Details for the segment budgets can be found in Ex. SDG&E-03 at Tabs 4.1, 7.1, and 7.3.

Table AK-3
Distribution of Budget by Segment

Segment	2026	2027
Resource Acquisition	\$29,433,023	\$25,604,783
Market Support	\$13,750,609	\$13,241,342
Equity	\$5,739,016	\$4,557,577
Codes & Standards	\$4,789,079	\$4,934,944
EM&V	\$2,237,989	\$2,014,110
Total	\$55,949,715	\$50,352,756

Table AK-4 below provides the total sector budgets for 2026 and 2027. Details for the segment budgets can be found in Ex. SDG&E-03 at Tabs 4.1 and Tab 7.2.

Table AK-4
Distribution of Budget by Sector (2026-2027)

Sector	2026	2027
Residential	\$7,556,327	\$5,961,358
Commercial	\$24,314,872	\$24,341,061
Industrial	\$4,027,926	\$1,125,063
Agricultural	\$888,187	\$217,264
Emerging Technologies	\$2,422,554	\$2,429,126
Public	\$1,980,169	\$1,842,269
Workforce Education & Training	\$3,213,964	\$3,384,660
Finance	\$355,557	\$465,318
Codes & Standards	\$4,381,550	\$4,521,355
Portfolio Support	\$4,570,620	\$4,051,717
EM&V	\$2,237,989	\$2,014,110
Total	\$55,949,715	\$50,352,756

⁵ Budget totals exclude Bay Area Regional Energy Network (BayREN), San Diego Regional Energy Network (SDREN), and portfolio oversight budgets.

Table AK-6
2026-2027 Projected Third-Party Portfolio Budget Allocation

Program Type	2026	2027
Local Third-Party	\$23,591,495	\$19,500,778
Statewide Third-Party	\$15,411,957	\$15,320,850
Portfolio Budget	\$55,949,715	\$50,352,756
Total Third-Party %	70%	69%
Statewide Third-Party %	28%	30%

B. Forecast Methodology

SDG&E has undertaken a zero-based budgeting approach in the development of its portfolio savings and budget. This approach was approved in D.23-06-055, when the Commission approved the PA portfolios. SDG&E will continue to administer the contracts for which zero-based budgeting is applicable, and SDG&E is not proposing new programs as part of this Application. Since SDG&E’s zero-based budgeting approach was previously approved in its 2024-2031 EE Rolling Portfolio Business Plan,⁸ and because SDG&E is not adding to its portfolio, SDG&E believes additional zero-based budgeting analysis is not necessary for current programs. For additional information on SDG&E’s approach to its currently active programs, please see Application (A.) 22-03-005 at Ex. SDG&E-02, Section II Forecast Methodology.

i. Program Modifications

As mentioned throughout this Application, SDG&E is closing its regional programs, which is a significant modification from its Business Plan Application approved in D.23-05-066. Please refer to Ex. SDG&E-03 at Tab 4.3.

ii. Portfolio Administration vs Program Implementation Costs

SDG&E’s administration costs and implementation costs are detailed in Ex. SDG&E-03 at Tab 8.1.

⁸ See generally D.23-06-055.

1 **C. Segmentation Strategy (i.e. Resource Acquisition, Market Support, Equity, Codes**
2 **and Standards)**

3 **i. Strategies driving distribution of budget among segments and alignment with**
4 **broader portfolio objectives**

5 D.21-05-031 directed the PAs to segment portfolios or assign programs to the appropriate
6 segment.⁹ If approved, as SDG&E reduces its portfolio, the annual budget distribution will
7 fluctuate as contracts in different segments and sectors conclude. For example, because many of
8 SDG&E’s Market Support and Equity programs started after the Resource Acquisition programs,
9 the Resource Acquisition programs will close first, creating a temporary budget distribution shift
10 that will increase the percentage of SDG&E’s portfolio dedicated to Market Support and Equity
11 programs. It is SDG&E’s expectation that the long-term budget distribution will be congruent
12 with the statewide program budget distribution. Table AK-7 below provides a breakdown for each
13 segment.

14 **Table AK-7**
15 **2026-2027 Portfolio Segment Budgets**

Segment	2026	2027
Resource Acquisition	\$29,433,023	\$25,604,783
Market Support	\$13,750,609	\$13,241,342
Equity	\$5,739,016	\$4,557,577
Codes & Standards	\$4,789,079	\$4,934,944
EM&V	\$2,237,989	\$2,014,110
Total	\$55,949,715	\$50,352,756

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17 **ii. Resource Acquisition, Market Support, Equity, Codes & Standards**
18 **Segments**

19 Please see Ex. SDG&E-03 at Tabs 4.1, 7.1, 7.2 and 7.3.

⁹ D.21-05-031 at 14–15 and Ordering Paragraph (OP) 2. Resource Acquisition programs have a primary purpose of, and a short-term ability to, deliver cost-effective avoided cost benefits to the electricity and natural gas systems. Market Support programs have a primary objective of supporting the long-term success of the energy efficiency market by educating customers, training contractors, building partnerships, or moving beneficial technologies towards greater cost-effectiveness. Equity programs have a primary purpose of providing energy efficiency to hard-to-reach or underserved customers and disadvantaged communities in advancement of the Commission’s Environmental and Social Justice (ESJ) Action Plan.

1 **D. Sector Strategy**

2 **i. Strategies driving distribution of budget among sectors, and alignment with**
3 **broader portfolio objectives**

4 As SDG&E reduces its portfolio, the budget distribution will fluctuate as contracts in
5 different segments and sectors conclude. It is SDG&E’s expectation that the long-term budget
6 distribution will be congruent with the statewide program budget distribution. The table in the
7 following section provides a summary of the statewide programs and their respective sectors.

8 **ii. Description of sectors program administrator proposes to serve (noting**
9 **expansion into new sectors or withdrawal from sector)**

10 SDG&E expects to close regional programs as their contracts come to an end without
11 replacing them. SDG&E believes that discontinuing regional programs will support affordability
12 for SDG&E’s customers and leaves minimal gaps in service. SDG&E’s customers will be served
13 by statewide programs led by other PAs and nearly all SDG&E’s customers will also have access
14 to programs administered by SDREN, which covers sectors including residential, commercial,
15 cross cutting, and public sectors. The statewide programs are diverse and cover every sector in
16 various delivery types. Table AK-8 below provides a list of statewide programs and the sector
17 that they serve.

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**Table AK-8
Statewide Programs and Sectors**

Lead	Program	Sector
SDG&E	Quality Installation and Quality Maintenance ¹⁰	Residential
PG&E	WE&T Career and Workforce Readiness	WE&T
PG&E	Residential New Construction	Residential
PG&E	Non-Residential New Construction	Agricultural, Industrial, Commercial, Public
PG&E	Codes & Standards Advocacy	Codes & Standards
PG&E	HVAC Upstream/Midstream (expected in 2026)	Commercial, Residential
PG&E	Institutional Partnerships (State of CA Department of Corrections & General Services)	Public
PG&E	WE&T Career Connections	WE&T
SCE	Water/Wastewater Pumping	Public
SCE	Electric Emerging Technologies	Emerging Tech
SCE	Institutional Partnerships (Higher Education)	Public
SCE	Plug Load and Appliances (expected in 2026)	Residential
SoCalGas	Midstream Commercial Water Heating	Commercial
SoCalGas	Gas Emerging Technologies	Emerging Tech
SoCalGas	Food Service Point of Sale	Commercial
BayREN	Statewide Home Energy Score Program	Residential

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iii. Preliminary distribution of budget among sectors for 2024-2027, and rationale for the distribution

As mentioned above, as SDG&E reduces its portfolio, the budget distribution will fluctuate as contracts in different segments and sectors wind down. It is SDG&E’s expectation that the long-term budget distribution will be congruent with the statewide program budget distribution.

iv. All Sectors (Ag, Commercial, Cross-Cutting, Industrial, Public, Residential)

Below SDG&E provides a program list with sectors listed. Implementation plans for these programs are available in the California Energy Data and Reporting System (CEDARS). For details on coordination, please see Ex. SDG&E-01.

¹⁰ SDG&E expects to request approval to change the lead of its statewide HVAC Quality Installation and Quality Maintenance (QI/QM) program via Tier 2 Advice Letter in the second half of 2025.

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**Table AK-9
Program List with Contract Duration by Sector**

Program ID¹¹	Program Name	Sector	Contract End Date¹²
3226	SW-COM Direct Install	Commercial	2025
3251	SW C&S - Compliance Enhancement	Cross-Cutting	N/A
3252	SW C&S - Reach Codes	Cross-Cutting	N/A
3253	SW C&S – Planning Coordination	Cross-Cutting	N/A
3262	SW-FIN-On-Bill Finance	Cross-Cutting	N/A
4001	Single Family	Residential	2025
4002	Multi Family	Residential	2025
4006	Industrial Sector	Industrial	2026
4009	Agricultural Growers Services	Agricultural	2026
4012	Federal Customer Services	Public	2025
4040	IDSMS Local Residential Behavioral	Residential	2025
SW_PLA	SW Plug Load and Appliances	Residential	Mid-2026
SW_HVAC_QIQM	SW HVAC QI/QM	Residential	2027
4168	Lodging (Hotels/Motels)	Commercial	2027
4169	Groceries, Restaurants & Food Storage	Commercial	2027
4170	Wholesale/Retail/Office, including Entertainment Services	Commercial	2027
4171	Private Institutions/Healthcare	Commercial	2027
4173	Small Business Outreach	Commercial	2027
4174	Workforce, Education & Training	Cross-Cutting	2027
4175	Local Residential Fuel-Substitution	Residential	2027
4176	Residential Equity	Residential	2027
SW_HVAC_Up_Com	SW HVAC Upstream Commercial	Commercial	Mid-2026
SW_HVAC_Up_Res	SW HVAC Upstream Residential	Residential	Mid-2026
4184	Non-Residential Behavioral	Commercial	2027
4197	Market Access Program - Residential	Residential	2027
4198	Market Access Program - Commercial	Commercial	2027

3 **E. Portfolio Management**

4 While SDG&E plans to discontinue its regional programs if its Application is approved,
5 SDG&E will continue to monitor and manage the performance of its portfolio until SDG&E's

¹¹ Program IDs 3226, 3251, 3252, 3253, and 3262 are legacy regional program names as listed in CEDARS, and the “SW” in the program name is not indicative of a statewide program.

¹² N/A indicates that these programs will continue beyond 2027.

1 contracts terminate consistent with current terms. SDG&E undertakes monthly, quarterly and
2 annual reviews, and uses a combination of budget to actual variance analyses, key performance
3 indicators, pay-for-performance compensation design and other contract provisions to gather
4 insight into its third-party program performance. SDG&E will continue to coordinate with the
5 other PAs in support of EE programming as applicable.

6 **i. Strategies to optimize portfolio and manage risk**

7 **1. Approach to use of goals and metrics for portfolio optimization**

8 In SDG&E’s role, portfolio optimization will not be a prominent function, although
9 SDG&E will continue to coordinate with other PAs and will support statewide lead administrators
10 and advocate for increasing cost effectiveness for programs to support affordability.

11 **2. Plans and procedures PA will follow for staying “on-target” in its**
12 **ability to meet savings/TSB goals and cost-effectiveness targets**

13 SDG&E will continue to implement its procedures to monitor and assess the performance
14 of its third-party regional and statewide programs towards meeting goals and targets through the
15 program’s contract terms. The following processes will continue to be used to evaluate and assess
16 the implementers’ progress towards meeting their targets until the programs close.

- 17 • All third-party implementer contracts have Key Performance Indicators (KPIs) and
18 metrics that are outlined to be met and evaluated frequently. SDG&E reviews all
19 KPIs and metrics to evaluate the effectiveness of the program. SDG&E works with
20 the implementers to adjust and identify any potential areas of improvement to
21 maintain progress towards goals.
- 22 • A formal evaluation and score for the program is performed regularly for each of the
23 third-party implementers to review the effectiveness of the program and the
24 achievement of contractual goals. Should the program be underperforming, SDG&E
25 will work with the third-party implementer to identify and implement corrective
26 actions to improve performance until the program closes.
- 27 • If SDG&E deems the program unable to perform, pursuant to the terms of its
28 contract, SDG&E and the implementer will initiate closing the program early.

29 **3. Approach to risk management, such as planning for the unpredictable**
30 **events. Include here any lessons learned from COVID-19 that**
31 **informed PAs management approach.**

32 While SDG&E is actively administering programs, program management of third-party
33 implemented program contracts is a significant component of managing risk. This process is
34 described in detail above. Another component of SDG&E risk management is the implementation
35 of a pay-for-performance compensation structure in all its third-party program contracts. This pay-

1 for-performance compensation provides ratepayer protection as the compensation is based on
2 meeting savings or TSB targets and KPIs. SDG&E also implements a Quality Assurance process
3 which involves SDG&E teams and its third-party implementers throughout the customer project
4 life cycle, validating and verifying all aspects of the project from customer eligibility to measure
5 installation and measurement and verification procedures.

6 **ii. Approach to flexible portfolio management [Portfolio aspects for which PA**
7 **deems flexibility must be retained to allow PA to meet goals and**
8 **outcomes[PA]-led Programs. This is not an accounting of the details of each**
9 **program, but a discussion of how programs are managed by the PA.]**

10 As SDG&E discontinues its regional programs and transitions the statewide HVAC
11 QI/QM program, SDG&E requests general flexibility be maintained as SDG&E's portfolio
12 changes. SDG&E intends to maintain close coordination with the Energy Division and will
13 report on portfolio status on a bi-monthly basis.

14 **iii. Planned procedures and thresholds for course correction if portfolio is off-**
15 **track [Program administrator's planned procedures and thresholds for**
16 **course correction if off-track from meeting 4-year cost-effectiveness**
17 **requirements, goals, and/or metrics**

18 SDG&E addresses this issue extensively in sections regarding portfolio management and
19 third-party oversight.

20 **iv. Third-Party Programs**

21 **1. Responsibility of program administrator in relation to third party**
22 **designers/implementers**

23 SDG&E will continue to provide oversight and partnership for its third-party implementers
24 who design and implement the programs and honor the ongoing contracts, assuming the programs
25 are performing pursuant to contract terms. SDG&E has quality assurance and inspection plans for
26 each third-party program as it relates to their specific design and implementation plan. Each
27 quality plan outlines the points in the process where quality assurance is performed with various
28 thresholds and methods for corrective action.

29 As part of SDG&E's contract management and oversight, SDG&E will perform general
30 administration functions, consistent with Commission-approved administration functions.
31 Administrative costs are necessary to support these third-party programs as SDG&E winds down.
32 Contract Administrative functions consistent with Administrative Overhead costs include, but are
33 not limited to, contract administration labor, accounting support, Information Technology (IT)
34 services and support, reporting database work, regulatory and filing support, data request

1 responses, quality verification of project installation and other ad-hoc support required to verify
2 contract invoices.

3 In addition to its administration and oversight functions listed above, SDG&E plans to
4 continue using utility employees to ensure delivery of its EE Portfolio as the EE portfolio becomes
5 smaller. SDG&E delivery functions and direct implementation costs for the portfolio include, but
6 are not limited to the following costs; over time, these responsibilities will decline:

- 7 • Engineering: Workpaper development and submittals to the Energy Division for
8 approval, Workpaper development review and updates, Measure changes, Custom
9 project reviews and submittals, Data request responses, Response to
10 Recommendation activities, Cal TF and eTRM DEER support
- 11 • Evaluation, Measurement and Verification (EM&V): Program and project
12 evaluation activities: Ex-post reviews, Impact evaluations, Quality assurance and
13 inspections
- 14 • System Support: System configuration, testing, and maintenance
- 15 • Marketing: Co-branding activities, Marketing and communications support

16 **2. Solicitation Strategy**

17 OP 1 of D.18-01-004 requires the IOUs ensure that their portfolios contain at least 60%
18 third-party designed and implemented programs by December 31, 2022. As noted above, SDG&E
19 expects to discontinue administering third-party solicitations for regional or statewide programs.
20 As included in Ex. SDG&E-03, the Cap & Target Tabs 8.1 and 8.2 indicate that SDG&E will meet
21 or exceed the minimum requirement through 2031.

22 **3. Statewide Programs**

23 **a. PA-led Statewide Programs**

24 SDG&E is currently the lead PA for three statewide programs; by the 2028-2031 program
25 cycle, SDG&E expects it will no longer be a lead PA. The Energy Division approved SDG&E's
26 Advice Letter 4494-E/3332-G¹³ requesting approval to transition its role as the statewide lead PA
27 of the HVAC Upstream/Midstream program and the Plug Load and Appliance Midstream program
28 to Pacific Gas & Electric Company (PG&E) and Southern California Edison Company (SCE),
29 respectively, effective September 18, 2024. SDG&E does not expect to renew its current statewide
30 HVAC Quality Installation/Quality Maintenance Program when the implementer contract expires
31 in 2027 and intends to seek a new lead PA and request approval via a Tier 2 Advice Letter. As

¹³ See generally SDG&E AL 4494-E/3332-G, approved November 6, 2024 and effective September 18, 2024.

1 such, if approved, SDG&E requests exemption from being a designated lead PA for any statewide
 2 programs going forward.

3 **b. Statewide Programs Managed by other PAs**

4 **Table AK-10**
 5 **Statewide Programs and Lead PA**

Lead PA	Statewide Program Name
SDG&E	HVAC QI/QM
PG&E	WE&T Career and Workforce Readiness
PG&E	Residential New Construction (all electric)
PG&E	Non-Residential New Construction
PG&E	Codes & Standards Advocacy
PG&E	HVAC Upstream/Midstream (expected in 2026)
PG&E	Institutional Partnerships (State of CA Department of Corrections and General Services)
PG&E	WE&T Career Connections
SCE	Water/Wastewater Pumping
SCE	Electric Emerging Technologies
SCE	Institutional Partnerships (Higher Education)
SCE	Plug Load and Appliances (expected in 2026)
SoCalGas	Midstream Commercial Water Heating
SoCalGas	Gas Emerging Technologies
SoCalGas	Food Service Point of Sale
BayREN	Home Energy Score Program

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 7 **c. Proposed changes in the designated lead PA for the statewide**
 8 **administration of programs, and/or proposal to convert**
 9 **regional programs to statewide**

10 SDG&E is not proposing changes to the designated statewide lead PA in this Application
 11 and is not proposing to convert regional programs to statewide.

12 **4. Assessment and mitigation of risk from portfolio diversity, in different**
 13 **companies contracted, size of company, type of company (new,**
 14 **existing; DBE), contract budget amount**

15 SDG&E’s current portfolio includes contracts that were approved in D.23-06-055;
 16 SDG&E is not requesting new programs in this Application. For solicitations that occurred within
 17 the 2024-2027 cycle, SDG&E managed risk in various ways, including a credit and risk assessment
 18 of each selected bidder. SDG&E also assessed the portfolio in terms of implementer diversity as
 19 it relates to number of contracts and the percentage of the portfolio budget that is under contract
 20 to each implementer. SDG&E has no remaining open solicitations at the time of this Application.

1 **5. Contract Management**

2 SDG&E’s contract management within the 2024-2027 cycle includes on-going
3 coordination and collaboration with its third-party implementers, as well as reviews of program
4 performance in relation to the KPIs laid out in the contract. Contracts with SDG&E’s third- party
5 implementers will continue through their contract terms. If SDG&E deems the program unable to
6 perform, pursuant to the terms of its contract, SDG&E and the implementer will initiate closing
7 the program early. Program Operations team members schedule regular status update meetings
8 and quarterly review sessions with the third-party implementers to discuss program progress and
9 achievement towards goals. All KPIs and metrics, along with spend and savings forecasts, are
10 reviewed and shared with all internal stakeholders monthly. The Program Operations team tracks
11 deliverables outlined in the contract and reviews each with the third-party implementers on a
12 regular basis.

13 In addition to the functions listed above, SDG&E will also undertake several activities to
14 support statewide programs. Financial support for statewide programs is facilitated through co-
15 funding agreements between the lead PA and the non-lead PAs. The co-funding agreement
16 outlines the responsibilities of the lead and non-lead PAs, including the amount of funding shares
17 and the remittance of funds schedule, a process for procuring additional funding if a program is
18 overperforming, the tracking of funds through interest-bearing balancing accounts, an annual true-
19 up which includes interest accrued and each PA’s status of their payments and a filing of the annual
20 true-up in the Annual Report filed the following year. In addition, the IOUs share statewide
21 program performance as well as monthly forecasts to help inform portfolio planning and
22 management.

23 **v. Portfolio Coordination**

24 **1. Coordination with other PAs**

25 **Statewide Program Coordination**

26 SDG&E coordinates extensively with PAs on statewide programs. Much of this
27 coordination occurs through monthly and ad-hoc technical meetings and through ongoing
28 communication regarding policy interpretations, claims, co-funding agreements, contract
29 amendments, data sharing, and other statewide program considerations. SDG&E has also begun
30 coordination with Bay Area Regional Energy Network (BayREN) regarding their Home Energy
31 Score program. The Home Energy Score program is expected to be available to SDG&E

1 customers in 2025. As SDG&E discontinues program administration, it will share knowledge and
2 insights with lead PAs to support SDG&E’s customers.

3 **REN Program Coordination**

4 SDREN was established through a partnership between San Diego Community Power , the
5 second largest Community Choice Aggregation (CCA) program in California, and the County of
6 San Diego. SDREN will serve San Diego County with EE programming for the foreseeable future,
7 with a particular focus on serving hard to reach and underserved communities. SDG&E is
8 coordinating with SDREN through a Joint Cooperation Memorandum and anticipates more
9 substantive collaboration as SDREN’s programs become active in the market. Currently, SDREN
10 is soliciting for third-party program implementation, and SDG&E and SDREN meet regularly to
11 ensure close coordination. SDG&E shares information and insights with SDREN and through
12 coordination help support SDG&E’s customers in the public, residential, commercial, and cross
13 cutting sectors.

14 **2. Description of how the program administrator’s portfolio is**
15 **complementary with the portfolios of other program administrators**
16 **with overlapping service territory**

17 SDG&E’s portfolio coexists with one other PA in the region, SDREN. SDREN’s programs
18 focus on hard to reach and underserved customers and the programs cover most sectors. SDREN’s
19 service territory overlaps and covers around 92% of SDG&E’s service territory. SDG&E and
20 SDREN have coordinated extensively, and SDG&E expects further coordination if SDG&E’s
21 Application is approved. SDG&E believes that the sectors that are served through statewide and
22 REN programs provide adequate coverage for SDG&E’s service territory, particularly when
23 affordability is a major concern for California utility ratepayers.

24 **3. (IOU PA Only) Description, for both statewide and regional**
25 **programs, of how strategies have been coordinated with the other**
26 **program administrators, including designation of the lead for**
27 **statewide programs and level of coordination for both statewide and**
28 **regional programs.**

29 See discussion above on statewide programs.

1 **4. Description of how the 4-year portfolio and budget considers and**
2 **coordinates with other energy programs to mitigate duplication of**
3 **effort, unnecessary spending, and customer confusion or a customer**
4 **participating in a suboptimal program for their needs**

5 If approved, SDG&E is requesting to discontinue regional EE programs and that action
6 itself supports the mitigation of program duplication and unnecessary spending.

7 **5. Coordination with other demand-side programs [Description of how**
8 **the program administrators coordinate their energy efficiency efforts**
9 **with other demand-side programs (such as marketing, joint rebates**
10 **for energy efficiency/demand response, Income-qualified Energy**
11 **Savings Assistance programs, etc.). This should include coordination**
12 **plans with building decarbonization programs, as well as plans to**
13 **coordinate with Market Transformation, particularly in the area of**
14 **codes and standards.]**

15 SDG&E is requesting limited budget related to programs which have a demand response
16 component. Funding for the demand response component is categorized as Integrated Demand-
17 Side Management (IDSM) activities and will conclude at the end of program year 2028 should
18 this Application be approved.

19 **6. Stakeholder engagement in the development of this Application**
20 **[Summary of feedback received through stakeholder engagement**
21 **process in developing application, with items rejected/accepted, and**
22 **why.]**

23 SDG&E shared its intent to discontinue program administration in February 2024, in
24 response to San Diego Community Power's Motion for Approval of SDREN.¹⁴ SDG&E began
25 working on this Application shortly thereafter and initiated stakeholder engagement. Below is a
26 summary of stakeholder engagement and feedback.

- 27 - **The Energy Division:** SDG&E met with the Energy Division several times within the
28 last 18 months to discuss SDG&E's overall strategy, statewide program transitions, plans
29 for coordination, and to provide updates on SDG&E's progress toward filing its
30 Application.
31 - **IOU PAs:** In February 2025, SDG&E met individually with Southern California Gas
32 Company (SoCalGas), SCE, and PG&E. SDG&E shared the PowerPoint presentation
33 prepared for the February 2025 California Energy Efficiency Coordinating Council
34 (CAEECC) meeting and provided an informational briefing and responded to questions

¹⁴ Rulemaking (R.) 13-11-005, Response of San Diego Gas & Electric Company (U 902 M) on San Diego Community Power's Motion for Approval of the San Diego Regional Energy Network (February 5, 2024), available at <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M524/K929/524929238.PDF>.

1 and comments. SDG&E explained that its actions would not impact the portfolios of
2 each IOU given SDG&E proposes to continue funding statewide programs and the
3 primary objective of the Application is to discontinue regional programs.

- 4 - **Regional Energy Networks:** In February 2025, SDG&E met with SDREN and shared its
5 Plan. SDG&E mainly responded to clarifying questions regarding stakeholder feedback,
6 the regional codes and standards advocacy program, cost effectiveness analysis, and
7 further coordination once SDG&E's Application has been resolved. SDG&E also met
8 with BayREN and 3-C REN, given their stakeholder feedback during the statewide
9 transition effort of SDG&E's HVAC Upstream/Midstream and Plug Load and Appliance
10 Midstream programs.
- 11 - **Small Business Utility Advocates (SBUA):** In February 2025, SDG&E met with one
12 representative of SBUA who acknowledged that SDG&E's request is unique. SBUA was
13 interested in rate impacts to small and medium commercial customers. As a result,
14 SDG&E added commercial bill reduction examples from actual customer bills in its
15 Application for awareness.
- 16 - **CAEECC:** In February 2025, SDG&E presented at a quarterly CAEECC meeting which
17 was attended by a broad group of stakeholders, including the public. Of particular note, a
18 member questioned if SDG&E's Plan created an inequity for ratepayers in San Diego
19 County broadly or particularly for customers who would not be reached by SDREN.
20 SDG&E shared that through their request to close regional programs, they are saving
21 \$300 million over 6 years, which is an overall benefit to ratepayers, as affordability is a
22 priority. SDREN further clarified that they are not "taking" any of SDG&E's programs,
23 and are focused on launching their authorized programs – SDREN is looking forward to
24 the direction and decisions from the CPUC before identifying next steps.¹⁵
- 25 - **California Public Advocates Office (Cal Advocates):** In March 2025, SDG&E met
26 with Cal Advocates who were receptive to SDG&E's Plan. Cal Advocates highlighted
27 the ability for SDREN to fill gaps that SDG&E creates when it discontinues
28 administering regional programs. Cal Advocates and SDG&E acknowledged that it is
29 possible that SDREN could offset SDG&E's savings by substantially increasing its
30 budget. However, SDG&E believes that if the Commission approves SDG&E's Plan, it
31 is to support affordability and therefore the Commission would thoughtfully limit
32 substantial increases to SDREN's budget.
- 33 - **Independent Evaluators:** In March 2025, SDG&E met with the third-party solicitation
34 independent evaluators who evaluate SDG&E's competitive solicitations. One IE
35 acknowledged, similar to Cal Advocates, that there is a chance that SDREN could offset
36 budget savings if they ramped up their programming. The IE group also asked about
37 impacts to South Orange County. SDG&E explained that South Orange County would

¹⁵ See Full Quarterly CAEECC Meeting #45 Summary (February 11, 2025), available at https://www.caeccc.org/_files/ugd/849f65_60263601cd0a49ec8d9b12aaada44167.pdf.

1 still be served by statewide programs and are gas customers of SoCalGas and have access
 2 to SoCalGas’s EE programs.

3 **F. Evaluation, Measurement & Verification**

4 **i. Summary of planned EM&V Studies and Activities**

5 Various CPUC Decisions require PAs to collectively fund activities using their respective
 6 shares of the EM&V budget. These studies include: (1) eTRM implementation; (2) CPUC
 7 Database Tools and the assignment of a Project Coordinator to manage database contractors; (3)
 8 funding various compliance studies; and (4) supporting the California Technical Forum (CalTF).
 9 Table AK-11 below provides a breakdown of these activities, including SDG&E’s proposed share
 10 of the costs based on co-funding splits with other PAs. Consequently, with the reduction in
 11 SDG&E's EM&V budget, SDG&E may no longer be able to conduct or co-fund future EM&V
 12 studies with other PAs.

13 **Table AK-11**
 14 **SDG&E Breakdown of EM&V Allocated Costs¹⁶**

	2026	2027
SDG&E EM&V Budget (40%)	\$895,195	\$805,644
Labor	\$280,916	\$290,901
CalTF¹⁷	\$85,744	\$85,744
eTRM¹⁸	\$127,684	\$131,412
CPUC tools/Proj Coordination¹⁹	\$167,912.2	\$167,912
Goal Construct Study (\$1MM)²⁰	\$127,700	-
AKAB Surveys (\$2MM)²¹	\$63,850	\$63,850
MR NEB Study (\$500k)²²	\$63,850	-
BER Technical Review	\$25,000	-
NMEC Technical Support	\$150,000	\$75,000

15
 16 Values shown do not indicate use of unspent funds remaining from PY2024-2025.

17 Resolution (Res.) E-5152 (August 5, 2021) at 9.

18 Resolution E-5152 at OP 8.

19 D.23-02-002 at OP 15.

20 D.23-06-055 at OP 25.

21 PG&E AL 4951-G/7344-E, approved November 20, 2024 and effective October 4, 2024.

22 D.23-06-055 at OP 17.

1 **Internal Technical Review**

2 In Program Year 2025, SDG&E introduced four new commercial Resource Acquisition
3 programs, and a third-party Market Access Program implementing NMEC methodologies.
4 Pursuant to OP 20 of D.23-06-055,²³ these new programs must use NMEC, randomized control
5 trials, strategic energy management, or another meter-based savings evaluation method. To ensure
6 proper execution, SDG&E EM&V is engaging external experts for technical reviews of NMEC
7 projects. SDG&E has allocated funds from the EM&V budget, covering the remainder of the
8 portfolio cycle, for this purpose.

9 Additionally, in late 2024, SDG&E introduced the Business Energy Reports (BER)²⁴ a
10 program to help business customers track their energy use and provide tips on energy conservation.
11 This program uses randomized control trials to verify energy savings. SDG&E has hired external
12 experts for technical reviews of this program, using allocations from the EM&V budget for this
13 purpose.

14 **ii. PA/ED Budget Allocation and Justification**

15 The Commission ordered PAs to fund EM&V activities, and specified, "[t]he budget for
16 evaluation, measurement, and verification (EM&V) activities shall remain at four percent of the
17 total portfolio budget," and of that 4%, at least 60% of the EM&V budget is to be reserved for the
18 Energy Division with the rest available to the PA.²⁵ SDG&E will maintain the 40% maximum
19 allocation for the IOU portion of the budget to support the activities listed in Table AK-11 above
20 for the remainder of the 2024-2027 portfolio cycle. Table AK-12 below also indicates the budget
21 for 2026 through 2027 with the allocation split between PA and ED at 40% and 60% respectively.

22 **Table AK-12**
23 **SDG&E Proposed EM&V Budget (2026-2027)**

	2026	2027
Total EM&V	\$2,237,989	\$2,014,110
EM&V ED (60%)	\$1,342,793	\$1,208,466
EM&V IOU (40%)²⁶	\$895,195	\$805,644

²³ *Id.* at 124 – 125.

²⁴ See SDG&E AL 4354-E, approved and effective February 11, 2024.

²⁵ D.16-08-019 at OPs 15 and 16.

²⁶ SDG&E AL 4302-E, approved February 7, 2024 and effective November 15, 2023, authorized SDG&E's request to increase the maximum allocation of the EM&V budget from 27.5% to 40%.

1 **G. Cost & Cost Recovery**

2 **i. Summary of costs at portfolio-level**

3 SDG&E’s budget request is addressed in detail in Ex. SDG&E-01 and herein. The
4 electric and gas split is 62% and 38%, respectively, for 2026 and 2027. These splits are based on
5 the proportion of electric net benefits and gas net benefits to the forecasted annual portfolio net
6 benefits, while also allocating 100% of the forecasted costs associated with fuel substitution
7 measures to electric.²⁷ The revenue requirement is detailed in Ex. SDG&E-03 at Tabs 3.1 and
8 3.2.

9 **ii. (IOU PA Only) Cost recovery through continued use of Balancing Account**

10 **1. Energy Efficiency Balancing Accounts**

11 SDG&E records collections and portfolio expenses for its electric EE funds in its Post-
12 1997 Electric Energy Efficiency Balancing Account (PEEEBA). Similarly, SDG&E records its
13 collections and portfolio expenses for its gas EE funds in its Post-2005 Gas Energy Efficiency
14 Balancing Account (PGEEBA). OP 2 of D.24-08-003 authorized SDG&E to create a subaccount
15 within its PEEEBBA and PGEEBA to track San Diego Regional Energy Network costs separately
16 from SDG&E’s costs. To facilitate this authorization, SDG&E submitted AL 4520-E/3347-G,²⁸
17 effective September 30, 2024, detailing the subaccounts and revising the respective preliminary
18 statements for its PEEEBBA and PGEEBA. The status of these balancing accounts is reported
19 monthly to the Commission through CEDARS.

20 **2. On-Bill Financing Balancing Accounts**

21 SDG&E also maintains gas and electric balancing accounts to record the activities of its
22 On-Bill Financing (OBF) program authorized by D.09-09-047, and updated by D.12-11-015 and
23 D.16-11-02.²⁹ The electric and gas OBF Balancing Accounts (OBFBA)³⁰ are interest-bearing
24 balancing accounts which record the difference between ratepayer funding and actual loans

²⁷ D.19-08-009 at OP 5.

²⁸ AL 4520-E/3347-G, approved October 28, 2024 and effective September 30, 2024.

²⁹ D.23-08-026 expanded OBF to provide financing for clean energy technologies beyond EE technologies.

³⁰ SDG&E filed AL 4515-E/3343-G, approved April 17, 2025 and effective October 23, 2024, to request approval of SDG&E’s Clean Energy Technologies that are eligible under its expanded On-Bill Financing (OBF) Program. In addition, SDG&E requests approval to adjust its gas and electric OBF Balancing Accounts preliminary statements and Rule 40 to include clean energy technologies and create a subaccount within the existing OBF balancing account to ensure separate tracking of funds for the expanded OBF from other EE financing programs consistent with D.23-08-026 at OPs 2 and 5.

1 provided to ratepayers participating in the program. Other program costs (program administration
2 and loan defaults) associated with the OBF program are funded by the EE portfolio budget and are
3 recorded in PEEEEBA and PGEEBA, for electric and gas expenses, respectively.

4 **3. Statewide Energy Efficiency Balancing Accounts**

5 The Statewide Energy Efficiency Balancing Account (SWEEBA) and the Statewide
6 Energy Efficiency Gas Balancing Account (SWEEGBA) records expenses incurred by SDG&E
7 for the administration of statewide EE programs as the lead PA.³¹

8 **4. Revenue Requirements**

9 **a. Electric EE Revenue**

10 SDG&E's electric EE revenue is collected through Public Purpose Program (PPP) rates.
11 The annual revisions to electric PPP rates are based on currently authorized annual revenue
12 requirements and updates to the electric PPP regulatory account amortizations.

13 Pursuant to D.03-04-027, SDG&E submits an advice letter by October 1 of each year
14 requesting to establish the electric PPP rate effective January 1 of the following year. The rate
15 revenue consists of Commission-approved EE authorized electric program budget for the
16 following year and the net amortization component of electric PPP account balances.

17 **b. Natural Gas Revenue**

18 Pursuant to OP 22 of D.04-08-010 and Assembly Bill (AB) 1002, SDG&E submits an
19 advice letter by October 31 of each year requesting to update its gas surcharge rates effective
20 January 1 of the following year to fund PPP. Revenues collected from the surcharge are remitted
21 to the California Department of Tax and Fee Administration (CDTFA),³² and ultimately
22 appropriated back to utilities or other entities designated by the Commission to administer PPP.
23 The rate revenue consists of Commission-approved EE authorized program budget for the
24 following year and the net amortization component of gas PPP account balances.

25 SDG&E's gas and electric EE revenue requirements are determined using the authorized
26 portfolio budget less any unspent funds from previous program cycles.³³

³¹ D.19-12-021 at OP 12 directs SDG&E to utilize its existing statewide EE program balancing accounts to record revenue and expenditures related to market transformation activities.

³² CDTFA was previously known as the State Board of Equalization (BOE).

³³ D.23-06-055 at OPs 5 and 7.

1 **iii. PA’s approach to classification of which unspent funds are designated**
2 **“committed” and thus not applied to reduce recovery in future years**

3 As part of the preparation for closing out the program year, SDG&E analyzes each program
4 to identify existing contracts or approved program expenditures for which the underlying
5 contracted service or program activity will be completed after December 31 of the program year.
6 SDG&E retains copies of the contracts, agreements, engineering documentation, subsequent
7 invoices, and any other relevant documentation that supports the identification of a future
8 expenditure as committed to a prior program year. These committed funds are not applied to
9 reduce revenue requirement of the following program year. SDG&E monitors the status of
10 committed funds through the future payment of the program expenditure. SDG&E does not
11 propose any changes to the treatment of unspent, uncommitted funds.

12 **A. Program Cards and Implementation Plans**

13 SDG&E has not recommended new programs as part of this Application. All program
14 cards applicable to SDG&E’s portfolio were approved in D.23-06-055. Implementation plans
15 for SDG&E’s programs are available on CEDARS.

16 **H. Conclusion**

17 SDG&E remains steadfast in its commitment to affordability, highlighting its dedication
18 to delivering cost-saving benefits to its customers. SDG&E urges the Commission to approve
19 the corresponding Application and emphasizes this significant opportunity to save its customers
20 approximately \$300 million over a six-year period.

21 This concludes my prepared direct testimony.

1 **I. Witness Qualifications**

2 My name is Alton Kwok. I am the Decarbonization and Resiliency Portfolio Manager at
3 SDG&E. My business address is 8335 Century Park Court, San Diego, California 92123-1257.

4 In my current position, I am responsible for leading the team who manages and
5 administers the EE portfolio and other customer program portfolios for SDG&E. The purpose of
6 my direct testimony is to sponsor and testify to SDG&E's updated Portfolio Plan (2026-2027).

7 I hold a Bachelor of Arts and a Bachelor of Science from UC San Diego, a Master of
8 Science in Project Management from University of Wisconsin-Platteville, and a Master of Public
9 Administration from San Diego State University. From 2020-2023, I served as the Permitting &
10 Continuous Improvement Manager at SDG&E. I have held various roles including Business
11 Controls Supervisor, Continuous Improvement Supervisor, Project Manager, at SDG&E.

12 I have worked at SDG&E for 16 years and have been in my present position for 1 year
13 and 9 months.

14 I have not previously testified before this Commission.

APPENDIX A
Glossary of Terms

Appendix A – Glossary of Terms

Acronym	Definition
AKAB	Awareness, Knowledge, Attitudes, and Behaviors
BayREN	Bay Area Regional Energy Network
BER	Business Energy Reports
CalTF	California Technical Forum
CEC	California Energy Commission
CEDARS	California Energy Data and Reporting System
CPUC	California Public Utilities Commission
C&S	Codes and Standards
D.	Decision
eTRM	Electronic Technical Reference Manual
EE	Energy Efficiency
EM&V	Evaluation, Measurement, and Verification
EMT	Energy Management Technologies
HVAC	Heating Ventilation and Air Conditioning
Internal Technical Review	Evaluation process for SDG&E programs involving external expert reviews
IOUs	Investor-Owned Utilities
KPIs	Key Performance Indicators
Low-GWP	Low Global Warming Potential
MR NEB	Market Rate Non-Energy Benefits
NMEC	Normalized Metered Energy Consumption
OBF	On-Bill Financing
OP	Ordering Paragraph
PG&E	Pacific Gas & Electric Company
PAs	Program Administrators
QI/QM	Quality Installation and Quality Maintenance
RENs	Regional Energy Networks
Res.	Resolution
SBUA	Small Business Utility Advocates
SCE	Southern California Edison Company
SCEMP	Small Commercial Energy Management Pilot
SDCP	San Diego Community Power
SDG&E	San Diego Gas & Electric Company
SDREN	San Diego Regional Energy Network
SEM	Strategic Energy Management
SoCalGas	Southern California Gas Company
TSB	Total System Benefit