Application No.: A.26-03-XXX

Exhibit No.: SDG&E-01

Witness(es): Various

PREPARED DIRECT TESTIMONY OF

VARIOUS WITNESSES

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPAY

2028-2035 ENERGY EFFICIENCY ROLLING PORTFOLIO BUSINESS PLAN

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

March 16, 2026

Chapter 1: Executive Summary (Sponsored by Kazeem Omidiji)

Summary of SDG&E's Request:

- To protect ratepayer affordability, San Diego Gas & Electric Company (SDG&E) respectfully requests the California Public Utilities Commission (CPUC or Commission) reject this 4-year portfolio budget request and 8-year Strategic Business Plan Application (SDG&E's Portfolio), and instead approve Application (A.) 25-04-014.[1] Approval of A.25-04-014 aligns with the affordability priorities advanced in the state of California by Governor Newsom, the Public Advocates Office at the CPUC (Cal Advocates), and other stakeholders.[2] Accordingly, SDG&E urges the Commission to approve A.25-04-014 in full.[3]
- Approve SDG&E's request to transition the Heating Ventilation Air Conditioning (HVAC) Quality Installation / Quality Maintenance (HVAC QI/QM) program to Southern California Gas Company (SoCalGas).
- Approve SDG&E's policy recommendations to reform the California Energy Efficiency (EE) Coordinating Council (CAEECC).
- Approve SDG&E's policy recommendation regarding statewide program allocation pertaining to non-IOU led statewide programs.
- Approve SDG&E's policy recommendation pertaining to the timing of true-up advice letter (TUAL) and mid-cycle advice letters (MCAL), and 4-year Applications.
- Approve SDG&E's request to eliminate the Notice of Conveyance requirement required in Decision (D.) 23-02-002.

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[1] A.25-04-014, Application of San Diego Gas & Electric Company to Revise its 2024-2031 Energy Efficiency Rolling Portfolio Business Plan (April 25, 2025) (SDG&E Application) at 7.

[2] *See* Executive Order (EO) N-5-24 (EO N-5-24) (October 30, 2024) at 1, *available at* https://www.gov.ca.gov/wp-content/uploads/2024/10/energy-EO-10-30-24.pdf. *See also* California State Auditor, The California Public Utilities Commission, Without Improving Its Oversight, the Benefits of Energy Efficiency Programs May Not Be Worth Their Cost to Ratepayers (March 2025), *available at* https://www.auditor.ca.gov/wp-content/uploads/2025/03/2023-127-Report.pdf. *See also* The Public Advocates Office, Addressing Underperforming Ratepayer-Funded Programs (March 12, 2025) at 43, *available at* https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/press-room/reports-and-analyses/250312-public-advocates-office-addressing-underperforming-ratepayer-funded-programs.pdf.

[3] If A.25-04-014 is approved SDG&E maintains that its request to transition the statewide HVAC QI/QM program as well as policy recommendations included in Chapter 11 be approved.

SDG&E hereby submits this EE 2028-2031 Portfolio Plan and 2032-2035 Business Plan Application to satisfy the Commission's requirements for continued portfolio oversight, as SDG&E awaits a determination on its separate A.25-04-014, which seeks to revise the 2024–2031 EE Rolling Portfolio Business Plan approved in D.23-06-055. Should the CPUC approve A.25-04-014, that approval will inform the instant Application. Regardless, SDG&E is required to file the instant Application to ensure compliance with D.21-05-031, which mandates Program Administrators (PAs) file Rolling Business Plan Applications every 4 years.

SDG&E maintains that A.25-04-014 addresses affordability concerns by proposing to close its regional programs in favor of funding statewide programs led by other PAs and funding San Diego Regional Energy Network (SDREN) programs, pursuant to D.24-08-003. In SDG&E's portfolio, statewide resource acquisition (RA) programs are more cost-effective, and SDG&E's regional efforts are less cost-effective.[4] This disparity highlights the importance of SDG&E leveraging statewide program designs, which benefit from economies of scale, broader market reach, and more standardized implementation strategies, over regional, less cost-effective EE programming.[5] Plainly stated, SDG&E's investment in regional EE programs has not achieved the performance results the state and its ratepayers expect.[6]

Table KO-1 below provides a comparison of SDG&E RA programs with and without statewide programs. In 2023 and 2024 SDG&E's portfolio with statewide programs were not cost-effective even though forecasts indicated compliance with cost-effectiveness requirements. In its best year (2022), SDG&E broke even. When further isolating regional RA programs (i.e., removing statewide RA programs), SDG&E's programs perform even more poorly. For example, in 2024, SDG&E's total RA segment was not cost-effective, with a TRC of 0.98. When statewide programs are excluded, SDG&E's regional RA portfolio only achieved a TRC of 0.82. Data from 2023 shows similar results.

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[4] A.25-04-014, Opening Brief of San Diego Gas & Electric Company (September 5, 2025) (SDG&E Opening Brief) at 8.

[5] *Id.*

[6] *Id.*

Table KO-1: Comparison of Statewide RA Program TRC with SDG&E Regional RA Program TRC without Codes & Standards (C&S)

Year	TRC Actuals w/ Statewide[7]	TRC Actuals w/o Statewide
2022	1.00	0.89
2023	0.79	0.65
2024	0.98	0.82

In light of SDG&E's regional program underperformance, SDG&E submits this EE Portfolio to comply with the aforementioned Commission requirements. The intent of SDG&E's Application is to put forward a compliance driven EE portfolio that follows CPUC guidance on EE program oversight. This direction is informed by the CPUC's ongoing rulemaking and recent decisions that emphasize cost-effectiveness, investor-owned utilities (IOUs) meeting Total System Benefit (TSB) targets, market transformation initiatives, and targeted program management across the 2028-2035 timeframe.

The proposed 2028–2035 portfolio is structured to minimize customer impacts by maintaining a modest budget while focusing on delivering quantifiable benefits.[8] Customers across residential, commercial, industrial, and agricultural sectors will continue to benefit from statewide energy efficiency offerings, which remain accessible regardless of regional portfolio adjustments. Low-income customers will continue to have access to programs such as the California Alternate Rates for Energy (CARE), Family Electric Rate Assistance Program (FERA), and Energy Savings Assistance (ESA) programs, which are unaffected by EE portfolio modifications.

SDG&E will continue to provide access to information regarding EE programs through its website, and established platforms such as California Energy Data And Reporting System

[7] Opening Paragraph (OP) 3 of D.21-05-031 states, "[b]eginning in program year 2022, energy efficiency program administrators who are investor-owned utilities or community choice aggregators shall ensure that the forecasted benefits exceed the costs of the resource acquisition segments of their portfolios, as measured by the Total Resource Cost test, without considering Codes and Standards programs."

[8] SDG&E notes that the instant Application is forecasted to be marginally cost-effective, which is not an indicator of actual performance. As previously noted, historically, SDG&E's portfolio does not achieve the originally forecasted cost-effectiveness levels.

(CEDARS), which houses statewide savings, expenditures, and performance data.[9] Customers and stakeholders may also continue to access SDG&E's regulatory filings portal for program details and annual reports.[10] Portfolio simplification under this Application is expected to make program offerings easier to navigate, reduce administrative complexity and improve the customer experience.

In summary, this Application represents a pragmatic, compliance focused approach to administering EE programs during the 2028–2035 portfolio cycle. By maintaining a disciplined, modest budget and prioritizing customer value, the portfolio aligns with CPUC expectations, affordability requirements, and community needs.

Importantly, if the CPUC approves A.25-04-014, that approval will supersede this filing and provide the governing structure for SDG&E's EE efforts. Until a determination is made in A.25-04-014, this Application ensures compliance with Commission requirements.

1. Describe the regulatory context of this filing (including legislative, CPUC requirements, and ESJ Action Plan, etc.)

D.21-05-031 adopted the Rolling Business Plan framework and established updated requirements for portfolio approval and oversight, including cost-effectiveness requirements, portfolio segmentation rules, and TSB goal compliance. In accordance with D.21-05-031, IOU PAs must ensure: (1) their portfolios meet the 4-year TSB goal; (2) the RA segment achieves a forecasted Total Resource Cost (TRC) ratio of at least 1.0; (3) the combined MS&E segments remain at or less than 30 percent of the total budget; and (4) statewide and third-party contribution percentage requirements are achieved. This Application also reflects the direction of the CPUC's Environmental and Social Justice (ESJ) Action Plan by incorporating considerations for equitable access and affordability for underserved communities.[11] Consistent with this framework, SDG&E's portfolio includes a dedicated MS&E budget supporting programs designed for disadvantaged and hard-to-reach (HTR) customers. In addition, the

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[9] *See* SDG&E website *available at* https://www.sdge.com/business/save-energy-and-money. *See also* CEDARS *available at* https://cedars.cpuc.ca.gov/.

[10] *See* SDG&E EE Filings *available at* https://www.sdge.com/rates-and-regulations/regulatory-filing/914/energy-efficiency-filings.

[11] *See* the CPUC's ESJ Action Plan Version 2.0 (April 7, 2022) (ESJ Action Plan), *available at* esj-action-plan-v2jw.pdf. This Application incorporates ESJ Action Plan Goals 1, 2, 5, and 7.

Application includes a budget request on behalf of SDREN, whose programs specifically target underserved and HTR participants, further aligning the filing with ESJ principles.

Lastly, California's legislative framework establishes EE as the first priority in the state's energy "loading order," requiring utilities to meet unmet resource needs through all available, cost-effective EE and demand reduction measures before procuring new generation resources.[12] Within this structure, the California Energy Commission (CEC) and the CPUC jointly oversee the state's EE potential and goals process. The CEC incorporates EE potential into its Integrated Energy Policy Report and statewide demand forecast, while the CPUC uses that information to establish EE goals for IOU service territories. This Application forecasts to meet the goals established in the 2025 Potential and Goals (P&G) Decision, D.25-08-034.

[12] Public Utilities (P.U.) Code Section (§) 454.5(b)(9)(C).

Chapter 2: Portfolio Summary (Sponsored by Alton Kwok)

Service territory and service territory-related factors

SDG&E's service territory is located at the southernmost end of California, bordering Mexico, and covers approximately 4,100 square miles. SDG&E's service territory is characterized by a mix of densely populated cities and rural communities. SDG&E provides electric and natural gas services to San Diego County and electric service to South Orange County. SDG&E's territory is unique in that SDG&E's electric and gas customer consumption is primarily driven by its commercial and residential sectors (approximately 80 percent), and the remaining consumption comes from its industrial, agricultural, and public sectors. Additionally, SDG&E's commercial customer base is predominantly small commercial customers (approximately 82 percent), which is not consistent with the other IOUs. SDG&E's service territory has a very mild climate, with the majority of its customers (approximately 64 percent) residing in climate zone 7, meaning that it is hard for SDG&E's programs to attain significant savings associated with higher yielding savings opportunities such as heating and cooling EE measures because the region sees fewer and less dramatic temperature swings. SDG&E's service territory is also unique in that the majority of SDG&E's electric load (approximately 81 percent) is served by third-party electric commodity service providers, including ten Direct Access providers and two Community Choice Aggregators (CCAs): San Diego Community Power (SDCP) and Clean Energy Alliance (CEA).

SDG&E's territory is also home to the SDREN, which administers a portfolio of EE programs and operates within all of SDG&E's service territory except South Orange County, meaning approximately 92 percent of SDG&E's territory overlaps with SDREN's program area.[13] SDREN is a partnership between SDCP and the County of San Diego and was approved in D.24-08-003.[14] SDREN's program offerings are directed towards HTR and underserved communities, and many of their programs overlap with many of SDG&E's programs. The map below provides a figure of SDREN's service territory.

Below are Application summary tables of expected performance metrics covering the 4-year and 8-year budget request. Calculations presented in Tables AK-1 through AK-6 may vary slightly from values shown in CEDARS due to rounding.

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[13] A.25-04-014, Exhibit (Ex.) SDG&E-01, Prepared Direct Testimony of Hollie Bierman (Update to SDG&E's 8-year Strategic Business Plan) (April 2025) (Ex. SDG&E-01, Bierman Opening Testimony) at HB-2, n.5.

[14] *See* SDREN website for additional information *available at* https://sdcommunitypower.org/sdren/.

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]	$74,283,002	$76,618,511	$81,823,921	$91,399,567	$318,368,478	$324,125,001
Total Resource Cost (TRC) Ratio	1.43	1.46	1.55	1.63	1.35	1.51
Program Administrator Cost (PAC) Ratio	3.94	3.78	3.80	3.80	1.47	3.83
Societal Cost Test (SCT) – Base	2.03	2.08	2.20	2.30	1.83	2.15
Societal Cost Test (SCT) - High	2.06	2.09	2.20	2.29	1.84	2.16
Ratepayer Impact Measure Test Ratio (RIM)	0.44	0.45	0.46	0.47	0.38	0.45
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 MMTHERMS	51	48	48	48	95	194
Lifecycle Net Electric CO2 Metric Tons	421,418	354,410	336,433	332,034	253,246	1,444,296
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	$74,283,002	$78,420,542	95%
2029	$76,618,511	$85,011,015	90%
2030	$81,823,921	$63,994,260	128%
2031	$91,399,567	$72,773,077	126%
Total (4-years)	**$324,125,001**	**$300,198,894**	**108%**
2032	$91,399,567	$79,707,277	115%
2033	$91,399,567	$86,792,270	105%
2034	$91,399,567	$94,537,243	97%
2035	$91,399,567	$104,555,409	87%
Total (4-years)	$365,598,269	$365,592,199	100%
Cumulative (8-years)	**$689,723,270**	**$665,791,093**	**104%**

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.

Table AK-5.2: 4-Year and 8-Year Codes and Standards Forecast vs. MW Goals (IOUs only)

Year	MW Energy Savings	MW Goals	Percent of Goal
2028	30.1	23.3	129%
2029	26.1	18.6	140%
2030	24.6	16.9	146%
2031	23.9	16.0	150%
Total (4-years)	**104.8**	**74.8**	**140%**
2032	23.9	14.9	161%
2033	23.9	14.4	166%
2034	23.9	12.7	188%
2035	23.9	11.6	206%
Total (4-years)	**95.7**	**53.6**	**179%**
Cumulative (8-years)	**200.5**	**128.4**	**156%**

Table AK-5.3: 4-Year and 8-Year Codes & Standards Forecast vs. MMtherms Goals (IOUs only)

Year	MMtherms Energy Savings	MMtherms Goals	Percent of Goal
2028	1.7	0.8	210%
2029	1.5	0.8	194%
2030	1.5	0.8	192%
2031	1.5	0.7	215%
Total (4-years)	**6.3**	**3.1**	**202%**
2032	1.5	0.7	215%
2033	1.5	0.7	215%
2034	1.5	0.7	215%
2035	1.5	0.7	215%
Total (4-years)	**6.0**	**2.8**	**215%**
Cumulative (8-years)	**12.3**	**5.9**	**208%**

Table AK-6: Portfolio Statewide and Third-Party Contribution Percentage Requirements

Time Period	Budget Component	Qualifying Budget	Cumulative Total Budget w/o OBF Loan Pool and ED Portfolio Oversight	Contribution Percentage	Minimum Threshold
2028-2031 (4-years)	Statewide	$57,108,083	$276,797,597	21%	20%
2028-2035 (8-years)	Statewide	$114,648,870	$564,126,947	20%	20%
2028-2031 (4-years)	Third-Party	$216,506,982	$276,797,597	78%	60%
2028-2035 (8-years)	Third-Party	$445,115,619	$564,126,947	79%	60%

Chapter 3: Portfolio Strategies (Sponsored by Alton Kwok)

1. Advance affordability and mitigate overall rate impacts, consistent with Executive Order N-5-24

Executive Order N-5-24, signed by Governor Newsom in October 2024, directs California agencies to evaluate and reform EE and clean energy programs to ensure affordability, reliability, and fairness for customers during the state's transition to 100 percent clean electricity by 2045.[17] Specifically, it tasks the CEC and CPUC with identifying underperforming or costly programs, returning unused funds to customers, and pursuing federal funding to reduce customer burdens.

SDG&E respectfully requests the Commission to approve its pending Application, A.25-04-014, which would further advance customer affordability outcomes. Approval of that Application would eliminate the need for SDG&E to maintain a budget to fund regional programs that, in practice, do not consistently demonstrate cost-effectiveness. The Application addresses the affordability concerns and challenges noted above by proposing to close its regional programs in favor of funding statewide programs led by other PAs.[18] By avoiding the allocation of customer funds to largely non-cost-effective and infeasible regional activities, the Commission can help ensure that rates better reflect programs that deliver measurable value to customers.[19]

As such, the instant Application is compliant with CPUC requirements but notably does not advance the affordability goals of the State, EO N-5-24, or the State Auditor's Report, when compared to A.25-04-014.[20] SDG&E's strategy in the instant Application is to mitigate overall rate impacts by developing a smaller portfolio. To further control administrative costs, SDG&E intends to consolidate contracts with the same third-party implementers, reducing procurement complexity and overhead, and will prioritize extending existing contracts that perform well, rather than soliciting new programs. In the event a new solicitation becomes necessary, a modest

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[17] *See* EO N-5-24 at 1.

[18] SDG&E Application at 6 – 7.

[19] *See* SDG&E Opening Brief at 9 (stating, "[i]n addition to not being cost-effective generally, SDG&E's regional programs are not feasible because they do not deliver EE benefits to a sufficient portion of SDG&E's customer base.").

[20] *See supra* n.2.

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

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

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

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

Additionally, the TSB goal targets required SDG&E to rebalance the portfolio by shifting more funding to the RA segment, which is intended to generate the bulk of the savings required to achieve the TSB goals. To achieve this, SDG&E targeted its two largest sectors in its territory, residential and commercial. Approximately 35percent of the TSB is expected from the residential sector and 51percent is expected from the commercial sector. SDG&E also forecasts notable TSB in the Industrial sector consistent with the 2025 P&G Decision which identifies growth in the Industrial sector contributing approximately 12percent of SDG&E's overall TSB goal.

SDG&E's portfolio is forecasting to meet the cycle's collective TSB goal for the SDG&E region identified in the 2025 P&G Decision. However, as similarly noted in SDG&E's MCAL, this Application is being submitted for compliance purposes. While SDG&E anticipates compliance based on current forecasts, historical trends suggest such forecasts often do not materialize as projected. For instance, SDG&E's TUAL filed on October 16, 2023, projected SDG&E would achieve 182percent of its TSB goal for 2024.[21] Although this may appear favorable, the actual portfolio outcomes were around 40percent less than forecasted for that year; meaning forecasts may be significantly different from actual outcomes.

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

SDG&E's Application forecasts performance much closer to 100percent of the 4-year TSB goal. If historical patterns persist, actual results may fall significantly short of forecasted values. Furthermore, SDG&E's forecast anticipates meeting the 1.0 cost-effectiveness threshold for the resource acquisition segment. However, historically, SDG&E has not met this minimum threshold in practice.[22] Such discrepancies do not represent value for SDG&E's customers, nor do they advance the affordability goals of the State, EO N-5-24, or the State Auditor's Report, when compared to A.25-04-014.[23]

3. Advance building decarbonization activities in your EE portfolios

SDG&E's strategy to support building decarbonization in the 2028-2035 EE portfolio includes fulfilling all CPUC requirements while maintaining a limited set of offerings, and takes into account SDG&E's pending Application (A.25-04-014) to withdraw from regional EE program administration. Within this structure, SDG&E emphasizes targeted activities that support decarbonization through existing statewide programs, financing mechanisms, non-customer funding sources, and strategic alignment with broader utility initiatives. The EE portfolio will continue to include certain measures that enable or complement electrification, including approved fuel substitution measures. These measures will support statewide decarbonization goals without expanding the customer-funded program footprint. SDG&E will rely on existing initiatives such as the Customer Home Electrification Readiness Program (CHERP), Clean Energy Financing (CEF), and other statewide financing tools (e.g., GoGreen Financing) to promote electrification-ready upgrades while reducing the need for new customer expenditures.

In addition to EE offerings, several existing SDG&E programs such as the Self-Generation Incentive Program (SGIP), Solar on Multifamily Affordable Housing (SOMAH), San Diego Solar Equity Program (SDSEP) and ESA program will continue to play an important supporting role and provide energy saving and electrification supportive upgrades for low-income and HTR customers, which contributes meaningfully to statewide building decarbonization. SDG&E also plans to pursue future non-customer funding sources where

[22] CEDARS indicates a 0.79 TRC for the RA segment in 2023 and a 0.98 in 2024.

[23] *See supra* n.2.

possible to support small pilots and targeted projects that can advance electrification in a cost-effective manner.

Collectively, these efforts allow SDG&E to continue meaningfully supporting California's building decarbonization goals while maintaining a streamlined, compliance-focused EE portfolio that minimizes customer bill impact. Through careful use of existing statewide programs, targeted fuel-substitution measures, and alignment with broader utility initiatives, SDG&E's instant Application meets CPUC expectations and while forecasted to be marginally cost-effective, SDG&E maintains that a forecasted portfolio is not an indicator of actual performance.

4. Focus electric savings at peak times with high avoided cost and TSB

SDG&E's overarching approach is to optimize TSB and cost-effective measure offerings to achieve a forecasted portfolio that satisfies all CPUC targets and compliance requirements. Measures that generate high TSB typically exhibit higher energy savings, longer EUL, and tend to produce savings during peak periods on the grid. Within SDG&E's regional portfolio, the following programs specifically address the market barrier associated with misaligned incentives that do not reflect the time-dependent value of energy: Lodging, Private Institutions/Healthcare, Market Access Program – Residential, and Market Access Program – Commercial. These programs are designed to align customer incentives with system needs by directly compensating customers for savings achieved during peak and net peak periods, thereby supporting grid reliability and maximizing system value.

5. Use of meter-based savings measurement

The methods and sources of measure savings assumptions used in the portfolio are as follows:

- Deemed Measures – approved Electronic Technical Resource Manual (eTRM) database measures and Deemed Workpaper Rulebook Version 4.0;
- Custom Calculated Measures – International Performance Measurement and Verification Protocol (IPMVP), CPUC Custom Project Review team reviewed methodologies, statewide Custom Project Guidance Document, Version 1.4, and validated by SDG&E's Measurement and Verification team;
- Randomized Control Trials (RCT) for our residential behavior program that follows D.09-09-047, which authorized the IOUs to submit savings claims for

interventions that use a "neighbor comparison" approach and an RCT design and is provided in the approved statewide measure package, SWWB004;

- Site-Level Normalized Metered Energy Consumption (NMEC) – NMEC Rulebook Version 2.1 methods reviewed by the Custom Project Review team of the CPUC and validated by SDG&E's Measurement and Verification team; and
- Population-level NMEC – NMEC Rulebook Version 2.1 methods reviewed and validated by SDG&E's Measurement and Verification team.

However, when it comes to meter-based savings specifically, SDG&E's RA portfolio is forecasting to encompass population-level and site-level NMEC in its commercial and residential programs. Since filing, and approval, of the 2024-2031 Business Application, and pursuant to OP 20 of D.23-06-055, which requires PAs to use NMEC, RCT, strategic energy management (SEM), or another meter-based savings evaluation method, SDG&E launched its new commercial and residential meter-based programs in 2025. This Application proposes continuing this meter-based savings approach in the commercial and residential sector, along with expanding its SEM-designed program from an industrial-focused offering to one that serves all non-residential sectors.

6. Promote and deploy "exempt measures" as defined in D.23-04-035, in the equity segment, including targeted outreach and engagement and pilots to identify and develop solutions for key barriers, needed education and training/workforce readiness and technical assistance, and other relevant elements. In developing these strategies, PAs should evaluate barriers faced by specific customer types, including small business customers and tenants of multifamily buildings, relating to the implementation of exempt measures (OP 6 and COL 3, D.23-04-035)

D.23-04-035 requires PAs to "include a comprehensive strategy for promoting and deploying exempt measures in the equity segment, including targeted outreach and engagement and pilots to identify and develop solutions for key barriers, needed education and training/workforce readiness and technical assistance, and other relevant elements."[24] Exempt measures are defined as, "measures that result in gas savings but do not burn gas."[25]

[24] D.23-04-035 at OP 6.

[25] *Id.* at 2 and Finding of Fact (FOF) 1.

SDG&E's strategy for promoting exempt measures includes leveraging certain RA programs to support equity customers as an integrated component of the overall program design. SDG&E's efforts reach both residential and commercial customers through various programs. All of SDG&E's RA programs have specific key performance indicators (KPIs) that are designed to target HTR and disadvantaged community (DAC) customers. Specifically, SDG&E's Single-Family, Multi-Family and Commercial Wholesale/Retail/Office, including Entertainment Services programs include exempt measures which have historically been popular measures. Customer types across these programs encounter multiple participation barriers. Single-family customers often struggle with complex program designs, limited awareness, and difficulty selecting among numerous efficiency options, which hinder participation and slow adoption of deeper EE upgrades. Multi-family and manufactured housing customers face additional structural challenges, including split incentives between owners and tenants, diverse building configurations that limit standardization, and limited owner understanding of the financial benefits of upgrades. Small business customers similarly experience barriers, such as low awareness, language differences, limited familiarity with energy saving opportunities, and financial constraints, including limited capital, leased facilities, and competing operational priorities, that inhibit investment in equipment improvements. Across all three customer groups, exempt measures tend to be low- or no-cost offerings that have the potential to provide benefits.

Additionally, SDG&E's Single-Family and Multi-Family programs refer eligible customers to ESA. ESA's program offerings include exempt measures as well, such as air sealing and attic insulation. This coordination furthers SDG&E's strategy to promote exempt measures that reach equity customers.

7. Increase progress on CPUC's ESJ Action Plan goals. Reference the specific ESJ Action Plan Goals and the EE portfolio strategy. Describe your approaches to advancing these goals.

SDG&E recognizes the importance of the CPUC's ESJ Action Plan goals. The ESJ Action Plan identifies ESJ Communities as predominantly communities of color or low-income communities that are underrepresented in policy setting processes, disproportionately impacted by environmental hazards, and likely to experience inequitable implementation of environmental regulations and socioeconomic investments.[26]

Consistent with ESJ Goal 1, which calls for integrating equity and access considerations throughout CPUC regulatory activities, SDG&E will continue to offer CHERP, which provides eligible households with concierge style support to navigate electrification upgrades and reduce participation barriers. In addition to CHERP, all of SDG&E's RA programs include key performance indicators specifically designed to target DACs and HTR customers, ensuring that equity considerations are embedded across the RA portfolio.

Consistent with ESJ Goal 2, which seeks to increase clean energy investments that benefit ESJ communities, CHERP supports adoption of technologies such as solar photovoltaic, heat pump water heaters, HVAC systems, and energy storage to improve local air quality and public health. Consistent with ESJ Goal 5, which emphasizes enhanced outreach and meaningful participation, CHERP offers personalized electrification roadmaps, coordination of local, state, and federal incentives, and end-to-end customer assistance. Finally, consistent with ESJ Goal 7, which promotes highroad career paths and economic opportunities, CHERP supports contractor training and the use of qualified installers, fostering workforce development and economic opportunity in disadvantaged communities.

ESJ goals 2 and 4 emphasize expanding access to clean energy benefits and increasing climate resiliency in DACs. Codes & Standards (C&S) is one of the most cost-effective and universally beneficial components of the statewide EE portfolio. It provides broad reductions in energy consumption across all customer classes without requiring individual awareness, participation, or application processes. This focus supports the ESJ Action Plan's emphasis on both equitable access to clean energy improvements and long-term climate resiliency through collaboration with state and local government agencies to increase awareness through education and assistance in policy development.

There are multiple statewide programs that align with the ESJ Action Plan, many of which are categorized as MS&E. The following statewide programs directly align with ESJ goal 7, to

[26] *See* ESJ Action Plan.

promote high-road career paths and expand economic opportunities for residents of ESJ communities.

- Career Connections: the Energy is Everything (EisE) program is designed to build a skilled pipeline of future energy workers by providing K-12 students, particularly those in DACs, with energy education. Program components include professional development for educators, modular STEM curricula, internships, and certifications such as Junior Energy Manager. By prioritizing schools in DACs and offering multilingual resources, EisE addresses barriers to participation and ensures equitable access to clean energy career opportunities.
- Energize Careers program is designed to empower disadvantaged workers by providing comprehensive support through technical training, job placement and wraparound services such as career counseling and financial assistance. By addressing the systemic barriers that often limit access to stable employment for ESJ communities, the program helps participants gain the skills and stability needed to enter living-wage clean energy careers.
- Residential HVAC QI/QM program educates and offers training for HVAC contractors and technicians to help transform the residential market for HVAC services. The program has a focus on recruiting and training disadvantaged workers and those who serve or operate within DACs or HTR markets. By investing in higher-quality HVAC installation and maintenance standards, the program promotes a skilled and stable workforce, aligning with the ESJ Action Plan's emphasis on improving economic outcomes for ESJ communities.

SDG&E works collaboratively with the statewide leads to share best practices and explore opportunities that benefit ESJ communities.

8. If you would like to pursue integrated demand-side management (IDSM) activities within your portfolio, propose your strategy including technologies, target customer engagement tools, etc.

Pursuant to D.18-05-041, D.21-12-015 and D.24-05-040, SDG&E requests to continue its IDSM DR activities that integrate EE and demand response (DR) activities. These specific IDSM DR activities will be focused on facilitating and supporting residential and commercial automatic response and integrating DR capabilities into EE efforts. SDG&E has identified IDSM opportunities with its third-party implementers and will continue to work with its contracted third-party implementers to allocate the IDSM budget as applicable IDSM activities are implemented. The specific IDSM activities are identified in the implementation plans of the third-party programs. SDG&E notes that the design and scope of any future demand response programs will ultimately depend on CPUC approval, and coordination strategies will be adapted as necessary to align with final Commission direction. SDG&E will request continued funding in the amount of $2 million annually for these IDSM DR programs.

CHREP is a program offering approved in the current portfolio that is a central component of IDSM coordination for residential customers.27 CHERP provides whole home electrification readiness, fuel substitution opportunities, distributed energy resource integration, contractor training and engagement, and customer education, all of which naturally overlap with other IDSM programs.

In addition to its EE OBF loan program, SDG&E will also offer expanded OBF loans for Commission-approved comprehensive clean energy projects beyond EE to support integration of EE and other clean energy technologies.[28] These expanded OBF loans will be provided to qualifying non-residential customers with no interest, finance charges, or prepayment penalties. Administrative funding for expanded OBF is covered by the administrative cost of the EE OBF program.[29] If approved, SDG&E will continue to support California Alternative Energy and Advanced Transportation Financing Authority (CAEFTA) GoGreen program, a Commission approved program sponsored by SDG&E and other IOUs that also offers loans for both residential and nonresidential customer EE and clean energy projects.[30]

9. Increase workforce education and training to better deliver quality EE installations

SDG&E's Single-Family and Multi-Family programs will seek partnerships with organizations that provide job training and placement. SDG&E's industrial sector program builds vendor and contractor capabilities through targeted EE education, service standard guidance, and training for diverse business enterprise vendors, original equipment manufacturers, and distributors in DACs. SDG&E's Lodging, Private Institutions/Healthcare,

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[27] *See* AL 4444-E, approved June 3, 2024 and effective June 6, 2024.

[28] D.23-08-026 at OP 1.

[29] *Id.* at FOF 25.

[30] *Id*. at FOF 30 – 34 and OP 7. GoGreen loan information is *available at* https://www.gogreenfinancing.com.

Market Access Program - Residential, and Market Access Program - Commercial will promote collaboration with SDG&E's Learning Energy and Resource Nexus (LEARN) workforce and education program by connecting aggregators with contractor resources and supporting disadvantaged workers in obtaining the certifications required to participate in EE projects. SDG&E's Wholesale/Retail/Office, including Entertainment Services regularly partners with local associations, training organizations, and colleges to support recruitment and training across diverse industries. Finally, SDG&E's Local Residential Fuel-Substitution program advances contractor skill building through workshops on electrification and fuel substitution technologies, covering program offerings, financing, certifications, and customer education while coordinating with the statewide Workforce Education and Training (WE&T) programs to ensure safe, qualified installations.

Additionally, SDG&E supports several statewide EE programs, including the statewide WE&T programs and the statewide HVAC QI/QM program. These statewide programs help ensure that EE measures are installed and maintained properly, provide energy education pathways for the next generation of energy workers and provide holistic services to support disadvantaged workers.

10. Develop joint demographic data reporting, as required by D.23-06-055 (COL 38)

Pursuant to OP 23 of D.23-06-055, SDG&E participated alongside other PAs in the collaborative process led by Pacific Gas and Electric Company (PG&E) and on August 6, 2025, PG&E jointly submitted via email, the Reporting Policy Coordination Group's (PCG) Demographic Data Working Group Final Report (Joint Report) on behalf of all PAs.[31] Consistent with the discussion in the Joint Report, SDG&E recognizes that leveraging geographic and publicly available data, such as census tract information linked to project site data in CEDARS, represents a reasonable option for assessing demographic participation without creating barriers for customers. SDG&E also notes that additional demographic data collection should be limited to regional program participants rather than statewide programs, and that voluntary surveys may supplement this approach where feasible. SDG&E continues to work through reporting venues, such as the Reporting PCG to refine details regarding reporting on demographic data. These discussions are necessary to ensure alignment across PAs to the extent

[31] Reporting PCG's Demographic Data Working Group Final Report submitted via email to Energy Division staff on August 6, 2025.

feasible. For example, before SDG&E is able to begin reporting on the aforementioned demographic data, CPUC guidance is still necessary to confirm cadence of reporting, determine the location of storing data, confirm what proposed data should be collected, etc.

As noted in the Joint Report, PAs want to "ensure that the path taken provides (1) the most consistent method for tracking this information among PAs' programs and (2) that any data collected is done in an administratively responsible manner, to maximize the value to ratepayers. The PAs request the CPUC will continue to engage with the Reporting PCG as policy around this topic is developed."[32]

11. Overcome sector and segment specific challenges (e.g., market support, equity, residential, multifamily, industrial, etc.)

The sector and segment specific challenges have increased as customers pursue low-cost measures and simple efficiency opportunities. This trend limits the ability to achieve deeper, more comprehensive energy savings. For example, SDG&E's Multi-Family Program primarily installs residential pipe wrap, pipe insulation, high efficiency showerheads and aerators, and provides duct sealing, duct testing, and life cycle refrigerant management services. While effective, these measures inherently offer limited potential for deeper savings.

To attempt to address this challenge, SDG&E proposes programs that utilize population-level NMEC methodologies. SDG&E's residential and commercial market access programs rely primarily on population-level NMEC and, through this methodology, capture total savings, including to-code savings. Traditional EE programs only claim savings above code baseline requirements, which restricts the depth of achievable savings. These NMEC based programs therefore target deeper, more comprehensive reductions and help mitigate challenges associated with meeting the aggressive TSB requirements outlined in the 2025 P&G Decision. In addition to maintaining its population-level NMEC programs, SDG&E's instant Application prioritizes its two largest sectors, residential and commercial, as well as a SEM focused program, which will serve all non-residential customers. While SDG&E's industrial sector program has historically focused on industrial facilities, SDG&E proposes expanding the SEM framework to include commercial, public, and agricultural customers. This broader SEM deployment further supports the achievement of TSB goals through SDG&E's forecasts. Similar to NMEC, SEM leverages

[32] *Id*. at 5.

whole facility modeling and estimates savings from all program activities at a customer facility rather than an isolated measure or one-off project.

SDG&E's strategy also emphasizes equity and targeted support for underserved and HTR communities. SDG&E's regional programs include explicit participation goals for HTR and DAC customers and many programs offer higher incentive levels to help address customer capital constraints.

12. Promote responsible management and disposal of removed refrigerant and incorporate low-GWP refrigerants/ultra-low GWP refrigerants

SDG&E has been actively monitoring the market potential and technical feasibility of low Global Warming Potential (GWP) refrigerants. SDG&E has conducted both internal research and external studies to understand the state of low-GWP technology in the marketplace. In addition, SDG&E has continued to monitor developments in low-GWP refrigerants and explore potential program measures, both custom and deemed. SDG&E has continued to collaborate with Energy Division, other PAs, California Technical Forum (CalTF), third-party implementers, and other statewide stakeholders during the 2024-2027 cycle to explore the viability of GWP reductions using low-GWP refrigerants and recycling or refrigerant recovery methods. Work to develop low-GWP measure package offerings is funded and in progress. SDG&E will continue this coordination in this upcoming portfolio cycle.

SDG&E will coordinate with other PAs, CalTF, and Energy Division to complete work on, and obtain approval for, proposed low-GWP measure package offerings to permit inclusion in the portfolios. As measure packages are approved, SDG&E will, where applicable, encourage its implementers to integrate low-GWP measure packages into their program designs. For example, the Single-Family and Multi-Family programs in the current portfolio cycle have incorporated the Lifecycle Refrigerant Management measure (SWSV014), which is designed to reduce the venting of hydrofluorocarbon and hydrochlorofluorocarbon refrigerants, thereby reducing global warming impacts. Additionally, SDG&E will consider establishing program goals to advance the adoption of low-GWP equipment and proper refrigerant disposal. In this Application, SDG&E has forecasted Lifecycle Net CO_2e reductions attributable to these low-GWP measures. Furthermore, SDG&E is an active participant in ongoing statewide efforts to develop low -GWP protocols for custom low-GWP projects, as identified in staff proposal for policy on natural gas EE incentives. Research conducted by SDG&E, both internally and through an external survey, has shown that federal, state, and local codes are driving the transition to low-GWP refrigerants. Manufacturers are preparing to meet these requirements, although challenges, such as the increased flammability of some low-GWP refrigerants and the impracticality or cost-prohibitive nature of retrofitting existing systems, have been identified.

13. Spur innovation to advance a technology, marketing strategy, or delivery approach in a manner different from previous efforts in your EE portfolios

SDG&E's strategy for innovation within the 2028-2036 EE portfolio focuses on innovative elements as proposed by the third-party implementers. However, SDG&E is proposing to expand its SEM program to include non-industrial segments, in accordance with D.23-02-002, which would allow participation from commercial, public, and agricultural customers.[33] Recent SEM expansion studies acknowledge "there is not a 'bad' segment from the perspective of SEM participation"[34] and that "California's SEM Industrial Program is ripe for expansion into non-industrial segments."[35] SDG&E's existing commercial portfolio already serves sectors such as hospitals, lodging facilities, office buildings, restaurants, and retail spaces, which are identified in the CPUC SEM Markets Expansion Study as best-fit, good-fit, or otherwise compatible with SEM, thereby providing customers an additional pathway to pursue energy savings and expanding customer choice.

SEM leverages whole facility energy modeling and calculation approaches to estimate savings from all activities at a site, rather than focusing on isolated measures. Its cohort-based delivery model supports "cost-effective program delivery by allowing certain activities to be conducted in a one-to-many format and by pulling together a mix of large and small customers, potentially from different sectors, whose relative costs and energy savings balanced out to cohort- or program-level cost-effectiveness."[36] Additionally, SEM's CPUC-approved net-to-

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[33] D.23-02-002 at 41.

[34] Det Norske Veritas Group, Strategic Energy Management Expansion Study (CPUC) (May 23, 2024) *available at* https://www.calmac.org/publications/CPUC_SEM_Expansion_Study_Final_Report_240731.pdf.

[35] Jay Luboff Consulting, LLC, SEM Markets Expansion Study: Assessing Potential New Markets for the Expansion of California's Strategic Energy Management Program (December 1, 2023), *available at* https://pda.energydataweb.com/api/view/3894/SEM%20Market%20Expansion%20Study_Final%20Draft_Post%20to%20PDA_.pdf.

[36] *See supra* n.35.

gross (NTG) of 1.0 and EUL of five years increase the amount of claimable savings attributed to the program and extend the period over which those savings are counted.

Additionally, CHERP is introducing a new delivery approach intended to support innovation in whole home electrification. The program focuses on preparing customers for electric technologies and distributed energy resources by facilitating panel upgrades where needed, promoting high quality installations, and offering comprehensive education. Unlike traditional EE programs centered on load reduction, CHERP emphasizes fuel substitution, system readiness, and hands on project navigation while generating customer and grid insights that can inform future planning.

A key enhancement is improved coordination between CHERP and other SDG&E departments involved in building electrification. This coordination is designed to help reduce customer confusion, improve project handoffs, and strengthen internal alignment. By bringing together customer targeting, the Electrification Incentive Tool, contractor workforce development, and links to external financing resources, CHERP aims to support market transformation and assist communities facing the highest barriers. Complementary initiatives outside the EE portfolio will further help customers minimize unnecessary panel or service upgrades and transition more easily to efficient electric end uses.

All PAs: Incorporate community-based program design in relevant existing and planned EE programs that promote meaningful community involvement, advances equity, and ESJ Action Plan goals (D.23-06-055, OP 31)

SDG&E recognizes the importance of incorporating community-based program design into relevant existing and planned EE programs to promote meaningful community involvement, advance equity, and support the CPUC's ESJ Action Plan goals. Southern California Regional Energy Network (SoCalREN) has initiated a Community-Based Design Collaborative (CBDC) process, as outlined in its AL, to develop a framework for community-driven program design and funding.[37] For SDG&E, the insights from SoCalREN's CBDC process may help inform refinements to SDG&E's regional CHERP program within its existing program scope. CHERP already incorporates several customer focused and equity-oriented components such as personalized electrification roadmaps, contractor education, and targeted outreach in underserved

[37] SoCalREN AL 23-E / 23-G (December 8, 2025); *see also* SoCalREN, Community-Based Design Collaborative, *available at* https://socalren.org/about/collaborative.

communities that align with the CBDC's emphasis on accessible program design and community engagement. Specifically, CHERP's targeted outreach, customer education, and contractor engagement activities could benefit from CBDC-identified best practices which may include refining customer facing materials to improve clarity, cultural and linguistic accessibility, and readability, strengthening outreach effectiveness through targeted engagement practices that align with CHERP's existing marketing and education activities. Another method CHERP may be able to incorporate that is part of the CBDC design is by improving feedback collection within existing CHERP touchpoints such as site surveys, in-home consultations, and post-installation follow ups to better identify customer reported barriers and inform continuous improvement of CHERP's concierge and technical assistance functions.

Chapter 4: Forecast Methodology and Zero-Based Budgeting (Sponsored by Alton Kwok)

1. Methodologies to forecast and allocate Resource Acquisition, Equity, Market Support, and C&S program budget and benefits

In order to forecast and allocate funding to the different segments, SDG&E received statewide program forecasts that provided their associated budget and benefits. The statewide program portfolio heavily influences the segment composition of SDG&E's regional portfolio. SDG&E re-examined its segment level budgets as compared to SDG&E's MCAL, along with leveraging most recent historical performance of the portfolio. With a zero-based budgeting approach, along with significantly higher TSB targets from the 2025 P&G Decision, the RA segment was the first to be assigned a budget as "[t]his segment should make up the bulk of savings to achieve TSB goals."[38]

Due to the loss in TSB generation from recent changes to the statewide portfolio and in the interest of affordability, SDG&E reallocated budget from the MS&E segments to RA segment. This reallocation of funds was critical to maintaining compliance with its 20 percent statewide budget requirement. Without these shifts, the closure of certain statewide programs and increased regional funding needed to meet the TSB goals would have reduced SDG&E's statewide share below the minimum. Due to this effort, the RA segment was able to forecast meeting the TSB goals cost-effectively.

After the RA budget was finalized, the remaining funding that could be used for regional programs was designated to the remaining programs in the market support and C&S segments.

2. Methodologies to forecast and allocate program budget and benefits by sector

For the RA segment, the 2025 P&G Study served as a primary reference to identify sectors with the greatest potential for TSB generation. The study indicates that the commercial sector was a major contributor to the increase in targets from the 2023 P&G Decision to the 2025 P&G Decision. Accordingly, in this Application, SDG&E continues to support programs serving the commercial sector and proposes expanding SEM to also include the commercial sector to further capture available potential. SDG&E continues to support its existing programs serving the residential sector. To refine budget and benefit allocation, SDG&E engaged its network of third-party implementers to incorporate market insights and on the ground expertise.

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[38] D.21-05-031 at 14.

Third-party implementers provided multiple budget scenarios with corresponding TSB outcomes. SDG&E then evaluated these scenarios against historical performance, percentage of TSB goal achievement, and cost-effectiveness metrics. Based on SDG&E's assessment, budgets and benefits were allocated across programs and sectors.

As noted above, remaining funding was allocated to market support and C&S programs. Funding for these areas is aligned with the RA segment, using forecasts provided by third-party implementers or internal subject matter experts and evaluated in relation to historical data.

3. Methodologies and calculations used to derive a zero-based budget (D.21-05-031, COL 22, OP 8)

SDG&E has historically employed a zero-based budgeting methodology to develop its budgets. Under this approach, all expenses must be justified starting from a baseline of zero rather than carried forward from prior years. To apply this methodology, SDG&E requested detailed budget forecasts from third-party implementers and internal stakeholders who contribute to the portfolio budget. Third-party implementers were provided with key planning resources, including the 2025 P&G Study, measure packages, relevant Commission decisions, and guidance memos, to support the development of program level budget forecasts. For internal utility costs, SDG&E provided stakeholders with information regarding the programs continuing into the upcoming cycle, as well as the organizational strategy and portfolio vision. In alignment with the focus on affordability, stakeholders were instructed to develop forecasts based solely on what was necessary to administer and implement the portfolio effectively. Using this direction, stakeholders then constructed their proposed budgets. SDG&E reviewed all submitted budgets against historical data to ensure consistency, compliance with regulatory requirements, and alignment with affordability objectives. This zero-based budgeting approach supports cost discipline, enhances efficiency and accountability, and strengthens the alignment between expenditures and strategic priorities.

Program Modifications from 2024-2027 Portfolio Cycle

SDG&E shifted a greater share of funding into the RA segment of its EE portfolio in order to meet the aggressive TSB targets set forth in the 2025 P&G decision.[39] SDG&E took this approach to prioritize customer affordability and maintain a budget level comparable to prior portfolios. Given the ramp up of SDREN, which is specifically designed to serve HTR and underserved communities, SDG&E believes there is sufficient budget in the region for MS&E programs.

Closed Programs

Table AK-7: Closed Programs from the 2024-2027 Cycle[40]

Program ID	Program Name	Advice Letter Program Closure Approval	Remediation Strategies
SDGE3226	SW-COM Direct Install	AL 4747E/3469G approved 12/04/2025	Program closed according to contract term.
SDGE4004	Comprehensive Energy Management Solutions (CEMS)	AL 4513-E/3340-G approved 10/16/2024	Program closed according to contract term.
SDGE4010	Local Government	AL 4514E/3341G approved 10/16/2024	Significant stakeholder coordination to identify solutions. No viable solutions were identified.
SDGE4011	K-12 Customer Services Program	AL 4302E approved 11/15/2023	Third-party implementer went out of business.
SDGE4012	Federal Customer Services Program	AL 4747E/3469G approved 12/04/2025	Program closed according to contract term. Non-cost-effective.
SDGE4184	Non-Residential Behavioral Program	AL 4747E/3469G approved 12/04/2025	Significant stakeholder coordination to identify solutions. No viable solutions were identified.
SDGE4172	Property Management	AL 4302E approved 11/15/2023	No solicitation was held.

[39] SDG&E expects to request closure of certain, RA, market support, and equity programs via Tier 2 Advice Letter before the start of the 2028 portfolio period.
[40] Table reflects the closed/removed programs that were included in SDG&E's 2024-2027 budget request.

Program ID	Program Name	Advice Letter Program Closure Approval	Remediation Strategies
SDGE4177	Residential Multi-Family Equity Program	AL 4302E approved 11/15/2023	No solicitation was held.
SDGE4197	Core Market Access Program - Residential	AL 4747E/3469G approved 12/04/2025	Program closed according to contract term.
SDGE4198	Core Market Access Program - Commercial	AL 4747E/3469G approved 12/04/2025	Program closed according to contract term.

New Programs

SDG&E is not proposing new programs as part of this Application.[41]

[41] In 2025, SDG&E established SDGE_OtherPA_Admin – Other PA Collaboration, a non-resource program designed to track costs associated with coordination activities across PAs.

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 $324 million in TSB, equivalent to 108 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.

Over eight years, the portfolio forecasts approximately $690 million in TSB, representing 104 percent of cumulative TSB goals, indicating forecasted compliance across the full planning period.

Overall Portfolio Outcomes

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

Logic Model

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

Energy Efficiency Portfolio Logic Model

Barrier Portfolio General Strategies	Barrier 1 Affordability, Accessibility Continuing need for EE development of new measures Strategies 1, 2, 3, 4, 6, 7, 10, 11, 12, 13	Barrier 2 Market Player Education Lack of trained contractors and program implementers/aggregators Strategies 3, 4, 5, 6, 7, 8, 10, 11, 12, 13, 14	Barrier 3 Customer Education Continuing need to support customer understanding & awareness of EE Strategies 3, 6, 7, 8, 10, 11, 12, 13, 14	Barrier 4 Affordability, Accessibility Lack of access to cost effective EE measures and savings estimate reliability Strategies 1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 13, 14	Barrier 5 Affordability, Accessibility Continuing need for EE financing products Strategies 3, 8, 10, 11, 13, 14
Activities	• Support CEC adoption of EE Codes & Standards • Support local government agencies with their Energy Action plans, including development/approval of Reach Codes, training for new C&S implementation • Support Emerging Technologies • Support Upstream market transformation initiatives • Support Upstream/midstream programs	• Support the development and referral and make available contractor training classes/seminars to statewide programming • Require participating contractors to be licensed and trained to improve equipment performance • Continuous improvement with current implementers and improve quality control and monitoring through KPIs • Continuous improvement of the quality control processes (e.g. solicitations for engineering consulting firms) to enable flexibility to adapt program support requirements based on emerging regulatory or portfolio needs • Support the local C&S education through trainings, tools, and resources	• Develop customer-facing educational materials, web resources, and personalized energy reports that include recommendations for behavioral changes and opportunities to replace inefficient appliances and equipment • Develop customized customer electrification journey which would incorporate EE, DR and other clean energy technologies	• Develop CE Resource Acquisition portfolio segment that optimizes TSB • Provide rebates/incentive and low cost/no cost measures • Support to identify all available rebates through various programs (IOU, Statewide and non-IOU) • Promote IDSM (EE, DR, SGIP, and other clean energy equipment) for a comprehensive treatment of customer. • Minimize portfolio administrator costs • Support EM&V studies to verify savings (e.g., billing analysis, NMEC, MAP)	• Promote and make available EE On-bill financing and expanded OBF loans • Promote CAEFTA's GoGreen loan products for residential and commercial customers
Outcome	• Support of new EE measures and increased savings through adoption of new C&S • Increased availability of product if there is broad support and demand for EE measures • Lower cost for EE products through increased production and availability at the upstream/midstream market chain	• Increased number of trained workforce • Higher potential for realized savings due to proper and quality installation • More program implementers and aggregators with innovative and cost efficient programs	• Facilitates customer's understanding of benefits of EE to their bills and environmental impacts • Promotes equitable participation, ensuring that disadvantaged and hard-to-reach customers benefit from energy-efficiency improvements. • Provides efficiency by identifying projects, combining various program rebates to lower first cost • Helps customers plan for their energy future (e.g., electrification roadmap)	• Potentially lowers participants energy consumption & bills • Lowers overall ratepayer costs of generation and PPP • Provides grid reliability and insight into future planning resulting from installations of DERs	• Increase customer awareness and availability of EE On-Bill Financing and expanded OBF loan options. • Enable customers to finance EE projects with zero or lower interest rates
Short Term	• Increased availability of EE appliances/equipment	• Increased number of qualified contractors • Increased new implementer/aggregators	• Customers install more EE/DER measures	• Customers install more EE/DER measures	• Customers install more EE/DER measures
Mid-term	• Improved compliance of C&S appliances/measures and buildings	• Training becomes part of standard curriculum	• Reliable operation of EE equipment and sustained behavioral changes result in lower customer bills	• Reliable performance of EE appliances/behavioral changes result in lower customer bills	• Financial institutions find that energy improvements are a good investment and lower interest rates for EE/DER loans
Long term	• Meet long term state EE energy savings and demand reduction goals • Meet GHG reduction targets	• All contractors are trained and qualified to install EE/DER measures.	• Customers demand higher efficiency equipment/appliances without programs	• Customers demand higher efficiency equipment/appliances without programs	• Financing becomes the preferred way of financing energy improvements and rely less on PPP rebates/incentives.

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 verifies implementation of the identified corrective and/or preventative actions, documents its assessment of effectiveness of the actions taken, and communicates the findings with other programs. Reviewing the portfolio as a whole, SDG&E has been and will continue to be flexible not only with statewide but also with its own regional programs by repurposing funding from underperforming programs and reallocating funds towards programs that are forecasting to perform to help meet forecasted targets. If a program continues to underperform, closures will be considered and are allowable through a Tier 2 AL.

2. Describe how and the extent to which the PA's procurement practices both create and mitigate risk related to forecasting, expenditures, program implementation, and regulatory compliance.

SDG&E adheres to a rigorous solicitation process that includes oversight from an Independent Evaluator (IE) and the Procurement Resource Group (PRG), which includes interested parties such as CPUC staff, Small Business Utility Advocates (SBUA), etc. in its selection of a viable implementer. SDG&E also uses best practices during each phase of the solicitation and contracting process, including requiring bidders to document their experience, capabilities, identified program risks, and proposed mitigation strategies in their Request for Proposal (RFP) submissions. This information is subsequently incorporated into the contract's scope of work. Furthermore, SDG&E incorporates KPIs to address items such as forecast accuracy, as well as a quality assurance plan, in its contracts. While the use of third-party implementers inherently introduces risk, given their natural incentive to focus on revenue generating activities rather than activities such as forecasting accuracy or regulatory reporting, SDG&E prefers compensation structures that require payments to the third-party implementer based on performance tied to TSB, cost-effectiveness, and/or timely program deliverables, aligning third-party implementer compensation with SDG&E's program objectives. Under such structure, if the third-party implementer fails to meet its forecasted targets, it will not receive full budgeted compensation. Additionally, SDG&E includes explicit contract provisions that obligate third-party implementers to comply with all applicable rules, regulations, and codes to help ensure regulatory compliance.

Third-Party Programs (IOUs only)

1. What is the responsibility of the IOU to the third-party implementers? Describe your plan to support third party performance, including the requirements prescribed by D.23-02-002.

SDG&E's responsibility to third-party implementers is to provide clear guidance, timely feedback, and the support necessary to enable successful program delivery while ensuring adherence to CPUC requirements, approved measure packages, and all applicable rules and standards. To fulfill this responsibility, SDG&E facilitates the submission of new calculation tools and works collaboratively with CPUC staff on measure package submittals, including preparing early opinion requests when appropriate. SDG&E also approves proposed new subcontractors to ensure third-party implementers have sufficient resources and reviews and approves marketing collateral to help spur program awareness and participation. In addition, SDG&E provides ongoing technical guidance throughout program execution, addressing questions related to custom project reviews, clarifying deemed engineering updates, and working with both third-party implementers and CPUC staff to maintain consistent interpretation of requirements. SDG&E offers constructive feedback as well to improve the quality and completeness of third-party implementer submissions.

SDG&E will continue to support statewide programs through fiscal agency. For these statewide programs, SDG&E will continue to collaborate with statewide lead PAs, ensuring that customers continue to have access to programs at the statewide level. As directed, SDG&E will work closely with statewide lead PAs to:

- Maintain a fair and transparent co-funding process
- Manage customer risk
- Standardized accounting methods
- Support third-party implementer workshops as determined by the statewide lead PA
- Review and support contract updates where appropriate

SDG&E has previously implemented improvements to the third-party solicitation process, as outlined in D.23-02-002, including removing requirements for performance assurance mandates, requiring cybersecurity insurance only when deemed necessary, removing the mandate for a two-stage solicitation and adhering to data sharing requirements. For any future solicitations, SDG&E will ensure compliance with all mandated improvements.

2. How is the risk of underperformance distributed between IOUs and the third-party implementers?

a. In cases of third-party underperformance, how is it managed differently from overall portfolio underperformance as detailed above?

The main risk of third-party implementer underperformance is the ability to meet its segment and sector specific goals, and SDG&E's ability to meet its compliant forecast. As mentioned above, SDG&E has forecasted a compliant portfolio, but actual results have achieved less. Third-party contracts are designed to have certain portions of payment dedicated to performance. When the third-party implementer is performing below its targets, they are not compensated in totality to the original forecast. If the third-party implementer continues to perform below expectations, despite assistance from SDG&E to try and bring the program back on track, closure of the program may be requested via Tier 2 AL. The distribution of funds may be reallocated to support other programs in the portfolio.

3. Solicitation Strategy: Improvements to the third-party solicitation process

a. Describe strategies for designing the scope and schedule of solicitations that support both 4-year and 8-year plans.

SDG&E's approach will focus on evaluating existing and established third-party implemented programs to identify opportunities for extensions. If a program is successful, this allows third-parties to extend their reach and impact. Extending such programs also helps maintain continuity in the market and prevents disruptions that can occur when programs close and new programs launch with different rules, processes, or eligibility requirements. This continuity reduces customer confusion, supports stable participation, and helps preserve momentum for the portfolio. As SDG&E awaits a decision in A.25-04-014, SDG&E has reserved funding for new program solicitations, as necessary.

b. Discuss planned improvements to solicitation practices based on Procurement Review Group (PRG) and Independent Evaluator (IE) input, including IE Semi-Annual Reports, etc. Include recommendations for policy changes needed to support improvements.

For any new solicitations, SDG&E will continue to work with the PRG and IE to ensure that efforts align with PRG and CPUC guidance.

c. Discuss plans to seek stakeholder input on solicitation practices.

SDG&E currently has no plans to conduct new solicitations. However, if solicitations are considered in the future, SDG&E intends to seek stakeholder input. This may include holding informational meetings, offering comment opportunities, or sharing draft materials for feedback. SDG&E will also coordinate with ED and the PRG, as appropriate, to ensure any future process is aligned with Commission expectations and best practices.

d. Discuss the strategy for engaging a diverse range of businesses in solicitations, with a focus on new, small, and/or DBE firms, as well as businesses and organizations from markets that have historically been underrepresented in EE programs.

SDG&E does not currently plan to conduct new solicitations. Notably, SDG&E has a well-established supplier diversity program, which has consistently met and exceeded the CPUC's requirements in General Order (GO) 156. SDG&E's supplier diversity team is dedicated to building and maintaining an inclusive, resilient and price competitive supply chain to meet SDG&E's customer needs. The team actively engages in the RFP process, working alongside procurement teams and business units, to identify opportunities for small, local and diverse suppliers. Based on project and program needs, the team recommends diverse suppliers (certified by the CPUC Supplier Clearinghouse) for participation in RFPs and connecting primes with subcontractors through meet-the-prime events and one-on-one introductions. Should new EE solicitations arise in the future, the supplier diversity team stands ready to support the engagement of small and diverse suppliers in the process. SDG&E also funds the Proposal Evaluation & Proposal Management Application (PEPMA) website which serves as a resource for potential bidders including new, small, and/or Diverse Business Enterprise (DBE) firms to learn about upcoming EE contracting opportunities.

4. Provide timeline with the third-party solicitation schedule from 2028 to 2035. Use the solicitation schedule posted to CAEECC for reference.

This is not applicable at this time.

Statewide Programs (IOU and BayREN)

During the portfolio period, SDG&E has included a forecast for one statewide program for which it is the lead PA; statewide HVAC QI/QM.[43]

Statewide HVAC QI/QM: SDG&E is the lead PA for the statewide HVAC QI/QM program, which is included in the portfolio forecasts for planning purposes. The statewide HVAC QI/QM program aims to transform the California HVAC installation and maintenance market by assisting and providing incentives to contractors who promote and install higher-value services by exemplifying best practices. To date, no formal evaluation studies have been completed for the statewide HVAC QI/QM program. As a result, incorporation of evaluation findings and recommendations is not applicable at this time. If SDG&E were to receive evaluation recommendations, SDG&E would review these recommendations with all applicable stakeholders and provide responses through the response to recommendations (RTR) process.

1. Each lead PA: provide a summary of the current portfolio of statewide programs, including how the program incorporates results and recommendations from evaluation studies. Reference the studies and relevant recommendations, as applicable.

a. Describe how future statewide programs will support the objectives of both 4-year and 8-year plans.

SDG&E supports current and future statewide programs through its role as a fiscal agent, ensuring that SDG&E customers receive proportional benefits from statewide offerings, regardless of which PA is responsible for program design and implementation. This model allows SDG&E customers to participate in EE programs that operate at scale, many of which contribute TSB to the region.

From a planning perspective, the statewide RA portfolio has historically outperformed SDG&E's regional RA programs on a cost-effectiveness basis. As noted in SDG&E AL 4494E/3332G, statewide programs benefit from economies of scale, consistent program designs,

[43] The statewide HVAC and PLA programs were transitioned to PG&E and Southern California Edison Company (SCE) through approved Tier 2 ALs. *See* SDG&E AL 4494E/3332G, approved November 6, 2024 and effective September 18, 2024.

coordinated market engagement strategies, and broader participation, making them particularly well suited to meeting targets.[44]

SDG&E supports the continued development of future cost-effective statewide RA programs that contribute TSB to the SDG&E service territory. While SDG&E supports statewide programs, SDG&E does not view itself as the most effective statewide lead PA. Program administration of statewide programs requires specialized capabilities, broad stakeholder engagement, and sustained programmatic interest. As such, SDG&E recommends that any future administration of statewide programs be deferred to PAs that are better positioned and more experienced in administering statewide programs. This approach ensures that statewide programs are administered by PAs best equipped to maximize cost-effectiveness, while SDG&E customers continue to benefit through fiscal participation and portfolio integration.

2. Identify and provide supporting rationale for any proposed changes to the PA statewide funding allocation and proposed changes to any statewide program funding levels. (Reference Tab 6 for statewide Programs in the Business Plan Workbook.)

SDG&E is not proposing any changes to statewide funding allocations. However, proposed changes to the statewide program funding levels are identified in SDG&E-04 Testimony Workpapers, Tab 4.1.

3. Identify and provide rationale for any proposed changes in the designated lead PA for the statewide administration of programs.

D.18-05-041 established individual lead PAs for various statewide EE programs. Since D.18-05-041 was issued, the lead PAs solicited and commenced program administration of multiple statewide EE programs, some of which have subsequently closed. Additionally, new statewide programs have opened, including the BayREN statewide Home Energy Score.

Coordination Amongst Stakeholders

SDG&E proposes to transition its statewide responsibility of the statewide HVAC QI/QM to another PA. As such, between Q1 2025-Q1 2026 SDG&E consulted with ED and the PRG multiple times regarding its intent to transition the program. Additionally, between Q3 2025 and Q1 2026, SDG&E coordinated with all PAs, including IOU-PAs, REN PAs, and Marin Clean Energy, to inform them of the proposed transition and solicit interest. Several PAs

[44] SDG&E AL 4494-E/3332-G at 4 – 5.

indicated interest in the program. Interested PAs, SoCalGas, SoCalREN, and Tri-County REN, responded to a questionnaire from SDG&E, which requested information on their experience and desire to become a statewide lead PA. SDG&E subsequently conducted discussions with each respondent PA and reviewed past performance via annual reports. SDG&E provided several updates to PAs through email and at joint PA calls prior to SDG&E including its request within the instant Application.

Selection and Justification

D.18-05-041 establishes an expectation that the lead PAs would "remain in place through the end of this first business plan period (i.e., through 2025)."[45] D.23-06-055 contemplates a dynamic statewide portfolio, stating "during 2024-2027, the composition of the statewide portfolio need not remain static. PAs may request program closure or downsizing where a statewide RA program has declining prospects through the submission of a Tier 2 AL. In addition, existing programs may also be modified by updating an implementation plan."[46] The absence of further specific guidance or agreed upon triggers, signals it is permissible, and at the statewide lead's discretion to change statewide leads as long as there is a reasonable justification and coordination amongst PAs.

SDG&E is incorporating its request to transition the statewide lead PA for the HVAC QI/QM program within this Application to ensure the Commission can fully consider the request within the broader context of SDG&E's EE portfolio. While it is permissible to request the transition of statewide lead PAs via Tier 2 AL, per D.21-05-031 OP 12, SDG&E seeks approval in this Application given the timing of the aforementioned coordination amongst PAs and the instant Application filing. Therefore, SDG&E requests approval herein.

Based on the interview and evaluation of each respondent PA, SDG&E recommends SoCalGas as the new statewide lead PA for the statewide HVAC QI/QM program. SoCalGas's staffing capacity and established statewide administration experience position it well to achieve operational efficiencies and support timely, seamless program transition. SDG&E views this change, paired with a competitive solicitation process, as an important step toward improving

[45] D.18-05-041 at 92. The 2025 date refers to the end of the first 10-year business plan period, and after, PAs transitioned to 4-year business plan periods per D.21-05-031, Table 1 at 24.

[46] D.23-06-055 at 10.

program performance, driving economies of scale, and delivering greater value to customers statewide.

SDG&E's service territory size and organizational scale present challenges in effectively serving as the statewide lead PA for this program. Historically, statewide programs under SDG&E's leadership have not achieved the desired performance outcomes. SDG&E believes that assigning the statewide HVAC QI/QM program to a PA with greater geographic reach, a larger customer base, and more extensive program infrastructure will strengthen statewide consistency, improve delivery, and enhance program results.

As such, SDG&E recommends the Commission approve the transition of the statewide HVAC QI/QM program to SoCalGas.

4. If applicable, describe coordination needs or conflicts where statewide midstream programs may overlap with statewide or locally administered downstream programs, and propose a process to clarify program precedence or coordination responsibilities across PAs.

As mentioned above, SDG&E's process for mitigating overlap between statewide midstream programs and other programs is to direct third-party implementers to the statewide program's website where participating distributors/retailers and eligible measures are listed. Third-party implementers are then encouraged to not purchase those eligible measures through those specific participation distributors/retailers. If overlap does occur in a regional program, SDG&E gives the statewide program precedence.

Statewide Assessment (All PAs)

Please see Exhibit SDG&E-05 Joint PA Statewide Process Proposal per D.23-06-055, OP 2.

SDG&E observes that while the PA working group successfully produced a proposal that meets the compliance requirements of D.23-06-055 OP 2, the resulting statewide process reflects the complexity of aligning 12 PAs with varied perspectives and longstanding programmatic priorities. The final product is more constrained than SDG&E initially anticipated, particularly in how narrowly the criteria are defined for elevating a regional program to statewide administration, an area that was originally envisioned as a more flexible pathway under OP 2. These constraints appear to make statewide transition more challenging than intended. However, given the Commission's demonstrated preference for statewide structures, including its direction in D.23-06-055 to consider transition of the Behavioral Home Energy Reports (HER) and Residential Audit Programs (Universal Audit Tool) to statewide administration, SDG&E anticipates that the CPUC may consider adjustments or refinements to ensure coherence with OP 2's objectives and broader policy goals.

Chapter 6: Segmentation and Sector Strategy (Sponsored by Alton Kwok)

Portfolio Sector Strategy

Residential: SDG&E's residential sector strategy promotes EE through multi-pathways across single-family, multi-family, and manufactured housing. This strategy emphasizes customer support that spans from direct installation of efficiency measures to support electrification and whole-home upgrades. Customer engagement begins with access to program information, education, and technologies such as heat pumps, high-efficiency HVAC and water-heating systems, weatherization, lighting, smart controls, and services like duct testing and sealing or lifecycle refrigerant management.

By integrating technical assistance, incentive layering, financing solutions, and metered-based savings approaches, the residential strategy establishes a framework that supports energy savings. Through coordinated efforts, the residential portfolio seeks to reach all customer groups, including renters, homeowners, multi-family operators, mobile-home communities, and households in DACs or HTR areas. The sector will also continue to leverage the suite of statewide offerings available to residential customers.

Commercial: SDG&E's commercial sector portfolio implements a strategy designed to forecast achievement of TSB through EE improvements. The portfolio emphasizes market access, performance-based incentives, and participation pathways to support whole-building EE across commercial facilities, including hotels, motels, grocery stores, restaurants, food storage facilities, retail establishments, wholesale operations, private institutions, and healthcare facilities. By reducing market barriers, expanding contractor and aggregator participation, and aligning incentives with measurable grid benefits, the portfolio delivers tailored equipment, recommendations, and offerings to meet the varied needs of each business type. The sector employs meter-based savings approaches, such as site-level and population-level NMEC, alongside deemed and custom pathways. End-use savings are achieved through improvements in HVAC, lighting, hot-water systems, controls, refrigeration, and process-specific loads, supported by financing offerings, technical assistance, and contractor- or aggregator-led project development.

To further expand customer choice and enhance program flexibility, commercial customers will also gain access to SEM through participation in the Savings, Measurement, Assistance, Rebates, and Training (SMART) Industrials Program. In addition, to increase forecasted energy savings and improve access to cost-effective, EE opportunities, the sector will continue to leverage the suite of statewide programs available to these customers.

Industrial: SDG&E's industrial sector strategy focuses on adoption of long-term, continuous energy management practices across manufacturing and other process-intensive facilities. This strategy is anchored in SEM, which emphasizes behavior-based savings, operational improvements, data-driven decision making, and the integration of energy management practices over multi-year cycles. SEM is supported by engineering assistance, energy coaching, opportunity registers, and performance monitoring, enabling facilities to identify, prioritize, and implement both no-cost operational improvements and capital-intensive efficiency upgrades.

The strategy targets large industrial users (e.g., aerospace, defense, biotech, shipbuilding, refrigeration-intensive facilities) and small to medium manufacturers (e.g., bakeries, breweries, machine shops, plastics producers) across the SDG&E territory. These segments feature savings potential across end-uses such as compressed air, refrigeration, boilers and steam systems, motor systems, HVAC and lighting. Through this SEM-driven approach, SDG&E aims to provide efficiency opportunities, and deliver energy, demand, and greenhouse gas (GHG) reductions for the industrial sector. Customers in this sector may also elect to participate in any applicable statewide EE programs.

Agricultural: SDG&E's agricultural sector strategy focuses on the adoption of continuous energy management practices across farming, horticulture, and other energy-intensive agricultural operations. This strategy is anchored in SEM, which emphasizes behavior-based savings, operational improvements, data-driven decision-making, and the integration of energy management practices over multi-year cycles. Through SEM, agricultural customers receive engineering assistance, energy coaching, opportunity registers, and performance monitoring, enabling farms, greenhouses, nurseries, livestock operations, and other agricultural businesses to identify, prioritize, and implement both no-cost operational improvements and capital-intensive upgrades. This whole-facility approach is suited to the agricultural sector's diverse operational profiles, including irrigation pumping, greenhouse heating and cooling, cold-storage refrigeration, water transport pumping, ventilation systems, and process loads.

The strategy targets a wide range of agricultural producers across SDG&E's service territory, with prioritization given to customers who demonstrate motivation and possess dedicated resources. Customers in the agricultural segment include fruit, nut, and vegetable farms; livestock and poultry operations; nurseries and cut-flower growers; and greenhouses and indoor grow facilities. These segments present savings across agricultural end-uses such as pumping and motor systems, refrigeration systems, and process heat. By leveraging SEM's structured framework, supported by technical assistance, training, and data analytics, SDG&E aims to unlock efficiency opportunities and deliver energy, demand, and GHG reductions for the agricultural sector. Customers in this sector may also elect to participate in any applicable statewide EE programs.

Public: SDG&E's public sector strategy focuses on the adoption of long-term, continuous energy management practices across a diverse portfolio of government and public institutions, including cities, counties, federal agencies, and K-12 schools. This strategy is anchored in SEM, which emphasizes behavior-based savings, operational improvements, data-driven decision making, and the integration of energy management practices over multi-year cycles. SEM is supported by engineering assistance, energy coaching, opportunity registers, and performance monitoring, enabling facilities to identify, prioritize, and implement both no-cost operational improvements and capital-intensive efficiency upgrades.

The SEM approach is aligned with public sector customers, who typically maintain strong organizational structures, have long-term ownership of their facilities, and uphold formal sustainability commitments supported by dedicated facility management teams. These attributes enable public agencies to effectively identify, plan, and implement SEM opportunities across a wide range of facilities, including civic centers, libraries, correctional institutions, and schools. These segments exhibit savings potential across key end-uses such as HVAC, lighting and lighting controls, building automation and operational improvements, refrigeration, motors and VFDs. Through this SEM-driven approach, SDG&E aims to unlock efficiency opportunities, reduce operating costs, and support climate and decarbonization goals across the public sector. Customers in this sector may also elect to participate in any applicable statewide EE programs.

Cross Cutting: SDG&E's cross-cutting sector is designed to support statewide progress toward California's EE and decarbonization goals by coordinating actions across market actors, regulatory agencies, and customer segments. Through planning, technical assistance, training, and stakeholder engagement, the sector helps ensure that efficient technologies and practices move from innovation to commercialization and ultimately become embedded in C&S. This integrated approach allows the sector to maximize forecasted savings through statewide C&S programs, reduce GHG emissions, and align statewide efforts with evolving policy priorities such as zero net energy and climate action planning.

The strategy serves target populations including building officials, designers, contractors, manufacturers, distributors, retailers, local governments, and end-use customers across the residential, commercial, industrial, agricultural, and public sectors. It promotes access to training, resources, and tools that enhance code-compliance and support informed decision-making. End uses addressed through this cross-cutting approach span building envelope, HVAC, lighting, water heating, appliances, and emerging technologies. Customers in this sector may also elect to participate in any applicable statewide EE programs.

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Table AK-8: Budget Distribution by Sector[47]

Budget	Residential	Commercial	Industrial	Agricultural	Public	Cross Cutting	Portfolio Support	Total Budget
2028	$23,563,520	$20,238,030	$9,815,554	$106,317	$1,110,311	$10,092,166	$3,502,200	**$68,428,098**
2029	$23,965,558	$20,057,915	$9,633,097	$105,989	$1,178,300	$10,168,905	$2,650,837	**$67,760,602**
2030	$24,986,710	$20,079,661	$9,398,528	$67,463	$1,209,223	$10,311,409	$2,723,565	**$68,776,560**
2031	$28,883,027	$19,950,649	$9,368,052	$69,828	$1,222,318	$9,539,965	$2,798,498	**$71,832,337**
Total (4-Year)	**$101,398,816**	**$80,326,255**	**$38,215,231**	**$349,598**	**$4,720,152**	**$40,112,445**	**$11,675,100**	**$276,797,597**
2032	$28,883,027	$19,950,649	$9,368,052	$69,828	$1,222,318	$9,539,965	$2,798,498	**$71,832,337**
2033	$28,883,027	$19,950,649	$9,368,052	$69,828	$1,222,318	$9,539,965	$2,798,498	**$71,832,337**
2034	$28,883,027	$19,950,649	$9,368,052	$69,828	$1,222,318	$9,539,965	$2,798,498	**$71,832,337**
2035	$28,883,027	$19,950,649	$9,368,052	$69,828	$1,222,318	$9,539,965	$2,798,498	**$71,832,337**
Total (4-Year)	**$115,532,107**	**$79,802,596**	**$37,472,209**	**$279,313**	**$4,889,272**	**$38,159,860**	**$11,193,992**	**$287,329,350**
Cumulative Total (8-Year)	**$216,930,923**	**$160,128,851**	**$75,687,440**	**$628,911**	**$9,609,424**	**$78,272,305**	**$22,869,092**	**$564,126,947**

[47] Calculations may vary slightly from values shown in CEDARS due to rounding.

Portfolio Segmentation Strategy (RA, MS, E, C&S)

SDG&E initially structured its forecast model to achieve the higher TSB targets set forth in the 2025 P&G Decision. Budgets for each segment were reevaluated from the MCAL to help estimate TSB generation. Since RA's primary focus is TSB, SDG&E prioritized funding for this segment. The budget distribution began with the statewide forecasts supplied by the lead PAs, which determined the remaining TSB requirements SDG&E must meet to satisfy its portfolio obligations. Changes to statewide program offerings since the last Business Plan and the MCAL caused SDG&E to seek more TSB output through its regional RA programs. The remaining budget was then allocated to market support and C&S. The tables above present the proposed distribution of the budget across the portfolio segments.

Funding for all segments was informed by forecasts from third-party implementers and internal subject-matter experts. SDG&E also reviewed the most recent portfolio claims to help reference more reasonable assumptions and ensure that proposed budgets align with appropriate expenditure levels. For the outer years of the 8-year plan (2032–2035), SDG&E adopted a conservative approach by maintaining the 2031 budget levels. This approach is consistent with SDG&E's 2024–2031 Application filed in 2022 and reflects the uncertainty inherent in long-term forecasting. SDG&E intends to refine its forecast for this period through subsequent regulatory filings, including its 2030 Application and the associated TUAL and MCAL, as market conditions, CPUC guidance, and program performance evolve.

Although reallocating funding to the RA segment reduced funding for the MS&E segments, coupled with the arrival of the first REN in SDG&E's territory, SDREN, the aforementioned strategies supported SDG&E's commitment to affordability, while still serving its customers. Further details to support each segment strategy are noted in the following specific sections below.

Resource Acquisition

SDG&E's strategy for the RA segment focuses on continuing and enhancing programs from the 2024–2027 cycle that deliver TSB. SDG&E's residential programs provide support from direct installation of measures to whole home electrification and deep retrofit offerings. SDG&E will continue its established Single-Family Program and Multi-Family Program, both of which have delivered TSB through no-cost direct install measures and targeted efficiency upgrades. SDG&E will also maintain the Market Access Program – Residential, which leverages an open access, performance-based market structure to expand participation in whole building efficiency projects. This program primarily uses population-level NMEC methodologies, supplemented by site-level NMEC where applicable, and incorporates a tiered incentive design aligned with TSB outcomes. NMEC methodologies enable the capture of above-code savings and support more comprehensive retrofit scopes, contributing to TSB attainment. Through these residential programs, SDG&E anticipates serving approximately 4,800 single-family customers and 1,400 manufactured home customers annually. Additionally, SDG&E will continue its IDSM Local Residential Behavioral program, which provides customers with insights into their consumption patterns through behavioral interventions that encourage both immediate and sustained energy savings. This program has demonstrated TSB results in the 2024–2027 cycle and serves as an entry point for customers new to EE engagement.

SDG&E's non-residential strategy is designed to maximize forecasted TSB through integrated EE, continuous energy management, electrification, and demand response enablement. SDG&E will continue sub-sectoring the commercial sector to address the unique needs of what is both SDG&E's largest and most diverse non-residential customer group. These programs emphasize Market Access approaches, performance-based incentives, and flexible pathways to support whole-building energy improvements across commercial facilities. The portfolio employs a mix of meter-based savings methodologies, including both site-level and population-level NMEC, alongside deemed and custom pathways. To expand customer choice and support program impact, SEM will be available through the SMART Industrials program. This program will serve commercial, industrial, agricultural, and public sector customers through SEM approaches that leverage whole-facility modeling and enable the estimation of savings across all program activities at a site. Site-level and population-level NMEC, together with SEM, enable whole-facility modeling that captures savings from all program activities at a customer site, rather than from isolated measures or single projects. In parallel, the deemed and custom pathways provide a mechanism for savings estimation and offer customers flexible participation options.

Lastly, the statewide RA programs, which provide additional customer pathways, are expected to remain a substantial contributor to overall portfolio TSB and cost-effectiveness.

Collectively, SDG&E's RA strategy is designed to forecast delivery of cost-effective TSB. This approach supports continued access to EE opportunities across customer sectors while supporting SDG&E's energy savings and TSB goals.

Market Support

SDG&E's market support portfolio is structured to ensure coverage of all customer sectors, using statewide programs complemented by the more targeted CHERP program. Within the residential sector, CHERP provides concierge-style electrification planning and technical assistance for eligible households, delivering customized roadmaps and bundling distributed energy resources. CHERP forecasts to serve approximately 90 single-family and manufactured homes.

Complementing this regional effort, statewide programs address additional needs. The statewide HVAC QI/QM program is designed to improve installation and maintenance practices through contractor training and tiered incentives. The statewide HES California program, led by BayREN, expands energy literacy by offering standardized home energy assessments and actionable upgrade recommendations, designed to create an informed customer base ready to participate in efficiency and electrification programs.

For non-residential new construction, statewide programs provide early design engagement and technical assistance to influence decisions at the point of greatest impact. The statewide New Construction Nonresidential Mixed Fuel Program (CEDAM), led by PG&E, supports projects where electrification is partially feasible by promoting high-performance measures and reducing natural gas use where cost-effective alternatives exist.

The statewide New Construction Nonresidential All Electric Program (CEDAE), also led by PG&E, accelerates decarbonization by requiring all-electric designs for eligible building types and offering enhanced incentives and modeling support to overcome market barriers. Together, these programs ensure that commercial, industrial, agricultural, public, and high-rise multifamily projects achieve deep energy savings and align with Title 24 and future codes.

Cross-cutting initiatives strengthen market infrastructure and workforce readiness. There are two statewide Workforce Education and Training Programs led by PG&E, one of which is market support. The EisE program introduces K–12 students to clean energy career pathways through modular curricula, technical certifications, internships, and partnerships with local education providers.

In addition, the statewide Electric Emerging Technologies program, led by Southern California Edison, and the statewide Gas Emerging Technologies program, led by SoCalGas, sustain portfolio innovation by scanning, testing, and transferring promising technologies, including dual-fuel solutions, into IOU resource programs, as appropriate. These programs conduct research and pilot interventions to overcome market barriers, and coordinate with market transformation and C&S efforts to ensure that future ready technologies are available for adoption across all sectors.

Through this strategy, SDG&E supports customers in multiple sectors being served by a combination of statewide programs and regional offerings. This approach supports the CPUC's market support objectives by building demand through education and outreach, strengthening supply through contractor training and workforce development, advancing equity by prioritizing DACs and HTR customers, driving innovation through emerging technology research and early adoption of high-performance measures, and enhancing market infrastructure with quality assurance, technical assistance, and data-driven insights to inform future C&S.

Equity

SDG&E's strategy for the Equity segment is centered on supporting equity focused EE programs through its role as a fiscal agent, rather than serving as the primary PA. However, all of SDG&E's RA programs have specific KPIs that are designed to target HTR and DAC customers. SDG&E's Single-Family and Multi-Family programs also refer eligible customers to ESA. This coordination furthers SDG&E's strategy to reach equity customers.

Outside of SDG&E's regional programs, SDG&E supports PG&E's statewide equity program and is fiscal agent to five equity programs administered by SDREN.[48] This strategy enables SDG&E to ensure access to effective equity programs for its customers while leveraging the capabilities of PAs best positioned to design and implement equity focused initiatives.

The Energize Careers program, a statewide initiative administered by PG&E, delivers benefits to SDG&E's service territory by expanding equitable access to energy career pathways for disadvantaged workers. The program leverages a strong network of training partners and

[48] D.24-08-005 approved $132.6M for the equity segment over an 8-year period (2024-2031). *See* SDREN, Energy Efficiency Portfolio Application, Exhibit 1 2024-2031 Strategic Business Plan at Table 7 at 46, *available at* https://sdcommunitypower.org/wp-content/uploads/2024/01/Exhibit-1_SDRENs-2024-2031-Strategic-Business-Plan.pdf.

wraparound service providers in the San Diego region to provide technical training focused on EE, job placement, and long-term retention support. The program will continue to prioritize DACs and those experiencing systematic barriers to employment. Future efforts will emphasize equity-focused initiatives and electrification pathways, alongside new strategies to strengthen community engagement benefiting SDG&E customers through a resilient, diverse energy workforce and expanded opportunities in the clean energy economy.

C&S Equity Support

Regional and statewide C&S programs provide a range of equity-focused solutions. PG&E is responsible for implementing the three statewide C&S advocacy programs: California Title 24 Building Energy Code (Energy Code), Title 20 State Appliance Standards, and Federal Appliance & Building Standards. SDG&E's C&S team supports PG&E in these efforts, as outlined in PG&E's C&S advocacy implementation plans.

Equity is a core consideration of the statewide C&S advocacy programs. SDG&E's C&S team collaborates with these programs to ensure equity principles are integrated into the energy code through the development of C&S Enhancement (CASE) reports. These reports propose measure packages that enable homes and buildings, whether new construction or major retrofits, to achieve energy savings while meeting energy code requirements.

This process includes engagement with Energy Equity and Environmental Justice (EEEJ) stakeholders and Community-Based Organizations (CBOs) during the CASE report development process. Each triennial energy code cycle culminates in an EEEJ summary report which highlights key collaborations with EEEJs and CBOs.[49]

Additionally, the regional C&S Compliance Improvement program offers no-cost energy code training, tools, and multilingual resources to help stakeholders understand and comply with energy code requirements.   The regional C&S Reach Codes program supports local jurisdictions to adopt measure packages that exceed the baseline energy code.

[49] C&S Enhancement (CASE) Initiative, 2025 California Energy Code, Energy Equity and Environmental Justice Summary Report (March 2024), *available at* https://title24stakeholders.com/wp-content/uploads/2024/03/2025_T24_EEEJ-Summary-Report.pdf.

Definitions of hard-to-reach, Underserved, and Disadvantaged Communities

SDG&E does not believe that further refinement or clarification of the current definitions for the three equity subcategories, HTR, underserved, and DACs is necessary at this time. The existing definitions provide sufficient clarity.

<u>Codes & Standards</u>

While the primary mission of the C&S program is to develop, strengthen, and educate stakeholders on regulations that advance EE, demand response and decarbonization, the program also supports regulations that address state priorities, including water efficiency, electrification and greenhouse gas reductions, among others.

Statewide C&S Advocacy Programs

Pursuant to D.16-08-019, PG&E serves as the statewide lead PA for the statewide C&S Advocacy programs, which launched in 2020. PG&E is responsible for implementing three key advocacy initiatives: Title 24 Building Energy Code, Title 20 State Appliance Standards, and Federal Appliance & Building Standards. Further details on these statewide programs can be found in PG&E's Business Plan. SDG&E is fiscal agent to PG&E and receives proportional energy and demand savings benefits through the CEDARS reporting system.

SDG&E Regional C&S Programs

SDG&E administers three regional C&S programs:

- Compliance Improvement – Provides education, training, tools, and resources to help market actors meet compliance requirements for California's Title 24 Building Energy Code and Appliance Standards.
- Reach Codes – In collaboration with SDG&E's Regional Public Affairs teams, this program assists municipalities in raising awareness of reach codes that exceed baseline Energy Code requirements, while supporting market actors with compliance education.
- Planning & Coordination – Offers technical insights on C&S updates that inform future EE and decarbonization program design and measure development.

Describe the sector(s) that the PA proposes to serve within the C&S segment

The C&S programs serve newly constructed and existing homes and buildings for the residential, commercial, industrial, agricultural, and public sectors. The key C&S measures in these homes and buildings include lighting (indoor and outdoor), HVAC systems, building envelope, domestic water systems (, covered processes (, appliances, electric building systems regulated by the California Title 24 Building Energy Code, Title 20 Appliance Standards, Federal Building Codes, and Federal Appliance Standards. The C&S programs support equity implementation requirements as referenced in equity segment section above.

As shown in Table AK-9 below, the cumulative Non-Advocacy C&S Program Budget accounts for percent of the total budget, remaining below the 70 percent cumulative cap.

Table AK-9: Non-Advocacy C&S Budget[50]

Time Period	Cumulative Non-Advocacy C&S Program Budget	Cumulative Total C&S Budget	Percentage of Budget	Cumulative Cap
2028-2031 (4-years)	$11,788,752	$18,750,482	63%	70%
2028-2035 (8-years)	$20,959,738	$34,895,101	60%	70%

[50] Calculations may vary slightly from values shown in CEDARS due to rounding.

Chapter 7: Portfolio Coordination (Sponsored by Alton Kwok)

Segment and Sector Specific Coordination

Coordination within the Same PA

Given SDG&E's portfolio design, coordination among SDG&E's portfolio occurs primarily within the commercial and residential sectors.

To avoid overlap in the commercial sector, SDG&E tailored its portfolio to target specific commercial customers. SDG&E separately serves: (1) lodging (hotels/motels), (2) groceries, restaurant and food storage, (3) retail, office, and wholesale, and (4) private institutions/healthcare. Each program maintains its own customer-qualified list to reduce overlap and minimize customer confusion. However, SDG&E has identified limited overlap among the following programs: Industrial Sector program, Wholesale/Retail/Office, Including Entertainment Services, and Market Access Program – Commercial. This overlap occurs within the commercial sector.

SDG&E recognizes that customers within this sub-sector have diverse operational needs and may require different program pathways to support their needs. Across these three programs, each delivers a distinct pathway: Industrial Sector program provides SEM, Wholesale/Retail/Office, Including Entertainment Services provides deemed, custom, and site-level NMEC pathways, and Market Access Program – Commercial primarily provides a population-level NMEC pathway. Not all projects will qualify for an NMEC pathway, as this option requires meeting defined technical eligibility criteria. Therefore, to mitigate potential overlap, SDG&E will direct third-party implementers to refer customers to the most appropriate program when a customer's needs do not align with the offerings or services provided by their program. This approach ensures customers are served through the pathway best suited to meet their objectives.

In the residential sector, overlap between regional programs is minimal. The residential portfolio consists of two low-cost, direct-install programs serving distinct customer segments (Single-Family and Multi-Family), a population-level NMEC program (Market Access Program - Residential), a behavioral randomized control trial program (Home Energy Report and Audit Program), and a non-resource program designed to leverage CPUC-approved or other publicly or privately funded offerings (CHERP).

Program design and eligibility requirements mitigate overlap in several ways. The Single-Family Program exclusively serves single-family households, while the Multi-Family Program is limited to multi-family and manufactured home customers. Not all projects meet the technical criteria required for an NMEC pathway; therefore, some customers may be ineligible for the Market Access Program – Residential but may qualify for other residential programs.

The Home Energy Report and Audit Program delivers behavioral interventions intended to increase customer awareness of consumption patterns. Participation in this program does not preclude enrollment in other residential offerings. CHERP, which focuses on customer education and motivation to adopt electrification measures, is intended to function as a referral channel for both the Single-Family and Multi-Family programs. As with the Home Energy Report and Audit Program, customers may participate in CHERP concurrently with other residential programs.

Coordination with Other PAs

The table below provides a high-level overview of how SDG&E coordinates with other PAs on both statewide and regional programs:

Table AK-10: Overview of PA Coordination

PA Name	Shared Geographic Territory and Overlap	Process, Venue, and Frequency	Primary Staff Involved
IOU PAs[51]	No shared territory	- Weekly Joint IOU virtual meetings - Monthly All PA Virtual meetings - Semi-Annual and Quarterly CAEECC Virtual/In Person meetings - Bi-weekly statewide EE Team (SWEET) calls - Statewide Program Specific Update Meetings	- Policy and operations experts - Program managers and supervisors - Program advisors
SDREN	SDREN overlaps with around 92percent of SDG&E's service territory. SDREN does not serve South Orange	- Joint Cooperation Memo (JCM) - Sector Protocol Document - Monthly Sector Meetings - Ad hoc meetings	- Policy and operations experts

[51] SoCalGas and SDG&E share customers in South Orange County, who are electric-only customers of SDG&E. To avoid duplication of offerings, SDG&E does not provide gas EE programs in this area.

PA Name	Shared Geographic Territory and Overlap	Process, Venue, and Frequency	Primary Staff Involved
	County. There is notable overlap between SDG&E and SDREN as it relates to program offerings and eligible customers.[52]	- Monthly All PA Virtual meetings - Semi-Annual and Quarterly CAEECC Virtual/In Person meetings	- Program managers and supervisors - Program advisors - Data Coordination lead
All RENs excluding SDREN and Marin Clean Energy	No shared territory[53]	- Monthly All PA Virtual meetings - Quarterly CAEECC Virtual/In Person meetings - Ad-hoc meetings for joint deliverables (e.g. D.23-06-055 OP 2; statewide process proposal) - Statewide Program Specific Update Meetings	- Policy and operations experts - Program managers and supervisors

Coordination Practices (Overlap Identification and Mitigation Workflow)

SDG&E and SDREN have a JCM in place that establishes coordination strategies and identifies areas where programs may potentially overlap, such as target markets, customer segments, measures, and timing.[54]

In support of the JCM, SDG&E and SDREN have developed protocol documents that explain how coordination occurs in practice and whether a decision tree approach is needed to further assess potential overlap. These protocols are intended to guide information sharing and coordination rather than to serve as formal overlap resolution mechanisms.

There is significant overlap between SDG&E and SDREN territory. Potential overlap considerations are raised through established coordination venues identified in the JCM. At this

[52] *See* Ex. SDG&E-01, Bierman Opening Testimony at HB-6. Approximately 8 percent of SDG&E's customers are located in South Orange County; South Orange County are not covered by SDREN.

[53] SoCalREN serves SDG&E's South Orange County electric customers, who also receive natural gas service from SoCalGas. SoCalREN administers gas-only EE programs for these customers, while SDG&E provides electric-only energy efficiency programs. As a result, there is no program overlap.

[54] *See* CEDARS, Reports & Documents, *available at* https://cedars.cpuc.ca.gov/documents/standalone/list/.

time, SDREN programs are still ramping up; therefore, coordination protocols have not yet been tested. Nonetheless, the JCM and protocols are intended to support coordination and prevent duplication.

As previously mentioned, when addressing potential overlap between statewide midstream programs and other programs, SDG&E's standard practice is to direct third-party implementers to the statewide program website, where participating distributors/retailers and eligible measures are listed. Third-party implementers are advised to avoid purchasing those eligible measures from the distributors or retailers participating in the statewide program. If overlap does occur within a regional program, SDG&E gives precedence to the statewide program. Additionally, SDG&E periodically reviews implementation plans for other PA programs to identify any potential overlap. Any issues identified are brought forward for discussion with the appropriate stakeholders, recognizing that programs evolve over time.

Coordination with Market Transformation

CalMTA, as the statewide Market Transformation Administrator under CPUC oversight, works with CA IOUs, their third-party implementers, and other stakeholders through engagement and planning processes. To support coordination, CalMTA uses advisory boards (e.g., Market Transformation Advisory Board) and public comment opportunities to gather input from IOUs, third-party implementers, and market actors.

D.25-11-023 approved two new market transformation initiatives, plug-in room heat pumps and induction cooktops/ranges, proposed by the California Market Transformation Administrator. SDG&E will contribute its share of approximately $115 million to support Market Transformation.[55]

[55] *See* D.25-11-023 at Table 3 at 60. Additionally, in accordance with Table 4, SDG&E's share is 15.6 percent of MTI Deployment, Administrative and Operational Costs, Evaluation Costs and 14 percent of MTI Development Costs, PG&E Costs. Additional Market Transformation budget may be released in the future if proposed by the MTA and approved by the Commission. SDG&E notes that SDG&E and SCE jointly protested A.24-12-009 citing affordability concerns. *See* A.24-12-009, Joint Protest of Southern California Edison Company and San Diego Gas & Electric Company of the Application of Pacific Gas and Electric Company on Behalf of the California Market Transformation Administrator for the Approval of the Initial Tranche of statewide Energy Efficiency Market Transformation Initiatives (January 23, 2025) at 3 – 6.

TECH coordination

D.21-11-002 provides the utilities principles and guidelines for incentive layering for programs that offer incentives/rebates for the same measures that are offered in EE programs and other programs such as Building Initiative for Low-Emissions Development (BUILD) program, the Technology and Equipment for Clean Heating (TECH) initiative, the Wildfire and Natural Disaster Resiliency Rebuild (WNDRR) program adopted in Rulemaking (R.) 19-01-011. Coordination between these programs and EE should provide (1) ease of customer participation (2) complementary incentives, (3) avoid non-duplicative attribution of program benefits, and (4) support ongoing coordination among PAs and third-party implementers. Through CHERP, SDG&E will promote TECH by referring customers who are interested in the heat pump water heating and space conditioning to maximize the incentives/rebates that customers can take advantage of to help them offset the cost of installation of these heat pump appliances. TECH, as part of their reporting requirements, accounts for customer participation in multiple programs, including any SDG&E fuel substitution-related programs. SDG&E will coordinate with TECH on any contractor training opportunities that contractors can be referred to for installation training in heat pump appliances.

Coordination with Energy Savings Assistance Programs

The two residential EE programs (Single-Family program and the Multi-Family program) in this Application have the potential to overlap with SDG&E's ESA Main program serving single-family customers and the ESA Multi-Family Whole Building Program serving multi-family customers.

To mitigate potential overlap and enhance program coordination, both the Single-Family and Multi-Family programs refer eligible customers to ESA at the time the third-party implementer's technician conducts an on-site assessment and evaluates customer needs. If customers inquire about services for which they do not meet the eligibility criteria of a given program, they are directed to the SDG&E website or SDG&E's Energy Savings Call Center, where they can access additional information on all available program offerings and determine the most appropriate program for their needs. Customers may also receive program marketing materials that provide details to proceed.

Additionally, to further reduce overlap, the third-party implementer of the Single-Family and Multi-Family programs employ quality assurance processes that include reviewing measure qualifications to prevent double-dipping. SDG&E conducts similar quality assurance practices to verify measure eligibility and similarly mitigate double-dipping.

Coordination with Other Demand Side Programs

SDG&E's EE efforts will continue to be closely coordinated with CPUC-regulated demand side management programs, statewide initiatives, and programs administered by local governments and state agencies, with the goal of delivering seamless customer experience and ensuring efficient use of customer funding. CHERP is a central component of this coordination. CHERP provides whole home electrification readiness, fuel substitution opportunities, distributed energy resource integration, contractor engagement, and customer education, all of which naturally overlap with other DSM programs. As SDG&E prepares to enhance its DR offerings based on the active demand response rulemaking R.25-09-004, SDG&E will seek to align future demand response offerings with CHERP.[56] This coordination may include integrating customer education, panel upgrade readiness, home and business electrification support, clean transportation readiness, and distributed energy resource enablement. SDG&E notes that the design and scope of any future demand response programs will ultimately depend on CPUC approval, and coordination strategies will be adapted as necessary to align with final Commission guidance.

SDG&E will expand collaboration with state-administered financing programs such as GoGreen Financing and the Expanded On-Bill Financing offerings approved under D.23-08-026. These programs complement CHERP and other EE initiatives by helping customers pay for electrification and efficiency improvements without facing significant upfront costs. SDG&E will work to present these financing options alongside EE and electrification programs to simplify customer decision making process and maximize the benefits of a coordinated approach. With such financing options available, customers will be able to install fuel substitution measures and other devices that are DR-ready.

Coordination will also extend to transportation electrification activities. SDG&E's EE team will continue to work with SDG&E's Clean Transportation team to identify opportunities for cross marketing and timely customer engagement. When customers pursue electric vehicle charging, panel upgrades, or electrification readiness, these moments create natural touch points

[56] R.25-09-004 will establish the policy framework governing the next cycle of demand response program filings.

for introducing fuel substitution measures, building decarbonization options, and EE education. By intercepting customers at these decision points, SDG&E can help streamline the experience, reduce confusion, and ensure customers maximize the benefits of multiple DSM programs at once.

Additional coordination will occur with the ESA Program, the Equitable Building Decarbonization Program, and various pilots and initiatives related to zonal electrification. These programs are well suited to support income-qualified customers, DACs, and communities of concern. SDG&E's approach ensures that customers receive support from the PA or partner best positioned to serve their specific needs. This avoids duplication, prevents conflicting messages, and allows SDG&E to direct customers to the most appropriate set of offerings at the right time.

Taken together, these efforts create a coordinated and customer centered DSM ecosystem in which EE, electrification, financing, distributed energy resources, and transportation electrification work together rather than in isolation. SDG&E's goal is to minimize customer confusion, avoid duplication with programs run by other PAs, and provide timely support that allows customers to make informed and efficient decisions across all DSM program areas.

Chapter 8: Stakeholder Engagement (Sponsored by Kazeem Omidiji)

On December 9, 2025, SDG&E, along with other PAs, presented an overview relevant to the instant Application at a CAEECC meeting. Stakeholders did not indicate material concern or proposals for substantive changes. No follow up actions or revisions were identified.

As part of portfolio development, SDG&E also conferred with the other IOU PAs regarding certain policy proposals included in the instant Application. Early collaboration allowed SDG&E to better understand IOU PA positions and to share insights that informed thoughtful and consistent policy development. SDG&E also met with SDREN to review Application content, as well as SDREN's proposed budget to be included in SDG&E's required bill insert. Lastly, SDG&E met with Energy Division to preview its Application and no concerns were identified.

SDG&E notes that stakeholder discussions during this timeframe occurred alongside ongoing Commission consideration of A.25-04-014, which addresses SDG&E's role as a regional EE PA. The Commission's determination in that proceeding may provide additional clarity regarding future program administration responsibilities and may have implications for implementation considerations associated with this Application.

Chapter 9: Evaluation, Measurement & Verification (Sponsored by Alton Kwok)

SDG&E conducts its Evaluation, Measurement, and Verification (EM&V) activities pursuant to CPUC Decisions, policies, regulatory mandates, and statewide priorities. This structured approach ensures transparency, methodological rigor, and continuous program enhancement. SDG&E's EM&V activities are organized into four strategic objectives, described below.

1. Electronic Tool Maintenance

The CPUC and PAs utilize web-based platforms to ensure consistent reporting and robust data management. SDG&E, along with other IOUs actively support the development and maintenance of these tools, which include the eTRM, CEDARS, Cost-Effectiveness Tool (CET), and California Measurement Advisory Council (CALMAC) resources. These systems standardize methodologies and improve transparency across all PAs, and their ongoing maintenance is a critical component of EM&V efforts.

2. Portfolio Savings Verification

OP 2 of D.21-05-031 categorized the EE portfolio into three distinct segments; RA, MS&E, and each segment's goals have been updated. For example, the RA segment must forecast a target TRC test of greater than 1.0. SDG&E's EM&V activities will include supporting cost-effectiveness within the RA segment by evaluating measure offerings of the programs. Understanding the measure mix offered by the program will allow the program implementers the ability to update as necessary. Additionally, EM&V activities involve continuous collaboration with the Energy Division and its IEs, who are contracted to conduct various studies and evaluations. These include impact evaluations for programs within all segments, and other individual measures with uncertain savings.

3. Portfolio Optimization and Evolution

SDG&E leverages recommendations from these impact evaluations to enhance program design, improve program systems, and update measure package assumptions. These improvements aim to deliver better results by the end of the evaluated year and provide a stronger foundation for subsequent program years offering similar measures. SDG&E will continue to follow the RTR process to adequately address evaluator given recommendations.

D.23-06-055 mandated an increased adoption of NMEC methodologies for EE programs. Utilizing both the site-level and population-level NMEC framework has been more apparent for programs within the RA segment. In program year 2025, SDG&E launched its first commercial population-level NMEC programs and EM&V will continue to build on the lessons learned. As NMEC program design becomes a larger part of the portfolio, additional review processes and support will be necessary to ensure alignment with the NMEC rulebook. Additionally, SDG&E will continue to participate in NMEC PCG discussions to collaborate with other.

The SDG&E EM&V plans to lead process evaluations and additional studies to assess the performance of programs within the EE portfolio. In accordance with D.18-01-004, the Commission required IOUs to increase third-party implemented programs to comprise at least 60 percent of the portfolio. As SDG&E continues to meet this requirement, conducting process evaluations on programs within the portfolio provides an opportunity to gain deeper insight into program delivery and identify recommendations. Beyond process evaluations, SDG&E plans to conduct studies that examine customer behavior, participation barriers, and potential improvements in program offerings. These studies may inform program design changes. SDG&E will continue to utilize the EM&V roadmap process to document any proposed study that arises.

EM&V serves as SDG&E's technical subject matter expert for the biennial P&G Study, which the Commission uses to set EE TSB goals. EM&V will continue supporting the P&G Study, as it is a reference for SDG&E's future planning and forecasting. The study is also shared with third-party program implementers to guide program design.

4. Future Study Needs

To deepen understanding of the EE framework, the IOUs, in collaboration with the CPUC, can conduct research that supports California's energy goals. For example, studies on fuel substitution and its customer impacts are necessary. As directed by D.23-04-035, the joint IOUs completed a study examining the effects of incentives on both equity and market-rate customers, as well as the infrastructure costs associated with switching from gas to electric. These types of studies are important as California proposes to phase out gas-related incentives and advances toward broader fuel substitution measures.

Pursuant to D.23-06-055, the IOUs were directed to submit an AL that further defines the goals, priorities, and scope for a market-rate Non-Energy Benefits (NEB) study.[57] SDG&E

[57] *See* SoCalGas AL 6338-G, approved September 9, 2024 and effective July 11, 2014.

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

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

Provide PA/ED budget allocation and justification.

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

[58] D.16-08-019 at 80 – 81.

[59] SDG&E AL 4302-E at 32.

Table AK-11: EM&V Budget Allocation for Energy Division and SDG&E[60]

Year	Total	SDG&E Portion (40%)	ED Portion (60%)
2028	$2,737,124	$1,094,850	$1,642,274
2029	$2,710,424	$1,084,170	$1,626,254
2030	$2,751,062	$1,100,425	$1,650,637
2031	$2,873,293	$1,149,317	$1,723,976
2032	$2,873,293	$1,149,317	$1,723,976
2033	$2,873,293	$1,149,317	$1,723,976
2034	$2,873,293	$1,149,317	$1,723,976
2035	$2,873,293	$1,149,317	$1,723,976

Table AK-12 below presents a breakdown of EM&V costs associated with the maintenance of these electronic tools as described above. The remaining budget will be allocated at SDG&E's discretion to support a range of evaluation studies as they arise, including both CPUC-directed studies and any future evaluation needs.

Table AK-12 Breakdown of EM&V Allocated Costs for Electronic Tool Maintenance[61]

	2028	2029	2030	2031
SDG&E Portion (40%)	**$1,094,850**	**$1,084,170**	**$1,100,425**	**$1,149,317**
Labor	$166,288	$171,277	$176,415	$181,707
CEDARS	$190,000	$195,700	$201,571	$207,618
CalTF/ eTRM (EM&V)	$110,200	$113,506	$116,911	$120,418
eTRM	$159,601	$164,389	$169,320	$174,400
CALMAC	$10,815	$11,139	$11,474	$11,818
Remaining Budget	$457,946	$428,159	$424,734	$453,356

[60] Calculations may vary slightly from values shown in CEDARS due to rounding.

[61] Budget for CEDARS, CalTF, eTRM, and CALMAC are escalated 3 percent annually from the 2027 budgets documented in SDG&E AL 4747E/3469-G at 31.

Chapter 10: Budget Request & Cost Recovery (Sponsored by Kennth Pitsko)

The purpose of this section is to describe SDG&E's budget request and cost recovery mechanism for its 2028-2031 Business Plan and the various balancing accounts (BAs) used to manage the revenue collection and program expenditures.

Summary of Costs at the Portfolio Level

SDG&E's Business Plan budget for program years 2028-2035 is presented in Exhibit SDG&E-01, Chapter 2 and Exhibit SDG&E-04, Tab 3.1 Funding Category. For the 2028-2031 Portfolio Plan cycle, SDG&E applied a 3 percent annual escalation rate to labor budgets.[62] The electric and gas split for the 2028-2031 program cycle is 56 percent and 44 percent, respectively.

SDG&E's Application proposes to collect $460 million over a four-year period (2028–2031) to continue funding EE programs offered by SDG&E and SDREN. Approximately 38percent (about $175 million) of the proposed amount would support SDREN's programs. The CPUC requires SDG&E to collect funding for SDREN through its customer rates.

SDG&E's Application also includes a Strategic Business Plan for 2032 - 2035 but does not seek approval of a revenue requirement for years 2032 through 2035.

SDREN is a partnership between San Diego Community Power and the County of San Diego and is a separate entity from SDG&E.[63]

Table KP-1: Annual Budget Table (SDG&E + SDREN)

Year	Total Budget Request	IDSM Demand Response	Total EE	SDG&E EE	SDREN EE
	A = B + C	B	C = D + E	D	E
2028	$111,747,119	$2,000,000	$109,747,119	$68,527,298	$41,219,821
2029	$112,728,418	$2,000,000	$110,728,418	$67,859,802	$42,868,616
2030	$115,459,115	$2,000,000	$113,459,115	$68,875,760	$44,583,355
2031	$120,298,230	$2,000,000	$118,298,230	$71,931,537	$46,366,693
2032	$121,689,231	$2,000,000	$119,689,231	$71,931,537	$47,757,694
2033	$123,121,962	$2,000,000	$121,121,962	$71,931,537	$49,190,425
2034	$124,597,674	$2,000,000	$122,597,674	$71,931,537	$50,666,137
2035	$126,117,659	$2,000,000	$124,117,659	$71,931,537	$52,186,122
Total	**$955,759,410**	**$16,000,000**	**$939,759,410**	**$564,920,547**	**$374,838,863**

[62] This rate is consistent with SDG&E's most recent General Rate Case Decision, D.24-12-074.

Rate Impact Tables

SDG&E's illustrative EE program rate impacts among SDG&E's electric and gas customer classes are shown below. If the CPUC approves SDG&E's request, SDG&E will adjust rates to reflect authorization of the electric and gas program budgets. The 2028-2035 rates are based on January 1, 2026, current effective rates.

Table KP-2: Electric Average Rate (cents/kWh)

Customer Classes	Current	2028	2029	2030	2031	2032	2033	2034	2035
Residential	43.182	43.171	43.173	43.179	43.189	43.192	43.196	43.199	43.202
Small Commercial	39.276	39.246	39.250	39.260	39.278	39.283	39.288	39.293	39.299
Medium & Large Commercial	38.181	38.152	38.155	38.165	38.182	38.187	38.192	38.197	38.202
Agriculture	27.391	27.373	27.376	27.383	27.396	27.399	27.402	27.406	27.410
Street Lighting	34.934	34.945	34.945	34.946	34.947	34.947	34.947	34.948	34.948
System Total	39.323	39.302	39.305	39.313	39.328	39.331	39.335	39.340	39.344

Table KP-3: Year-over-Year Electric Rate Increase (cents/kWh)

Customer Classes	2028	2029	2030	2031	2032	2033	2034	2035
Residential	(0.011)	0.002	0.006	0.010	0.003	0.004	0.003	0.003
Small Commercial	(0.030)	0.004	0.010	0.018	0.005	0.005	0.005	0.006
Medium & Large Commercial	(0.029)	0.003	0.010	0.017	0.005	0.005	0.005	0.005
Agriculture	(0.018)	0.003	0.007	0.013	0.003	0.003	0.004	0.004
Street Lighting	0.011	0.000	0.001	0.001	0.000	0.000	0.001	0.000
System Total	(0.021)	0.003	0.008	0.015	0.003	0.004	0.005	0.004

Table KP-4: Year-over-Year Electric Rate Increase / Decrease in Percentage (%)

Customer Classes	2028	2029	2030	2031	2032	2033	2034	2035
Residential	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Small Commercial	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Medium & Large Commercial	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Agriculture	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Street Lighting	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
System Total	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Table KP-5: Gas Average Rate ($/Therm)

Customer Classes	Current	2028	2029	2030	2031	2032	2033	2034	2035
Residential	2.76530	2.76768	2.76811	2.76931	2.77144	2.77205	2.77269	2.77334	2.77401
Core Commercial / Industrial	1.56433	1.57256	1.57405	1.57823	1.58562	1.58774	1.58993	1.59218	1.59450
Non-Core Commercial / Industrial	0.51016	0.51819	0.51966	0.52373	0.53094	0.53301	0.53515	0.53735	0.53961
System Total	1.41437	1.41907	1.41992	1.42231	1.42653	1.42774	1.42899	1.43028	1.43160

Table KP-6: Year-over-Year Gas Rate Increase / Decrease ($/Therm)

Customer Classes	2028	2029	2030	2031	2032	2033	2034	2035
Residential	0.00237	0.00043	0.00120	0.00213	0.00061	0.00063	0.00065	0.00067
Core Commercial / Industrial	0.00823	0.00150	0.00417	0.00739	0.00212	0.00219	0.00225	0.00232
Non-Core Commercial / Industrial	0.00803	0.00146	0.00407	0.00721	0.00207	0.00214	0.00220	0.00227
System Total	0.00470	0.00086	0.00238	0.00422	0.00121	0.00125	0.00129	0.00133

Table KP-7: Year-over-Year Gas Rate Increase / Decrease in Percentage (%)

Customer Classes	2028	2029	2030	2031	2032	2033	2034	2035
Residential	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Core Commercial / Industrial	0.5%	0.1%	0.3%	0.5%	0.1%	0.1%	0.1%	0.1%
Non-Core Commercial / Industrial	1.6%	0.3%	0.8%	1.4%	0.4%	0.4%	0.4%	0.4%
System Total	0.3%	0.1%	0.2%	0.3%	0.1%	0.1%	0.1%	0.1%

Cost Recovery Through Continued Use of Balancing Account

SDG&E records revenues and portfolio expenses for the electric portion of electric EE funds in the Post-1997 Electric Energy Efficiency Balancing Account (PEEEBA). Similarly, revenues and portfolio expenses for the gas portion of EE funds are recorded in the Post-2005 Gas Energy Efficiency Balancing Account (PGEEBA). Additionally, PGEEBA also tracks the remittances of Public Purpose Program (PPP) funds collected from customers to the Board of Equalization (BOE) on a quarterly basis and subsequently records the reimbursement of those funds two to three months after the funds were remitted.

D.24-08-003 approved SDREN as a new EE portfolio administrator and authorized its EE portfolio funding for 2024–2027, as well as its 2024–2031 Strategic Business Plan. SDCP will serve as the portfolio administrator for SDREN, while SDG&E will act as the fiscal agent.

D.24-08-003 also directed SDG&E to establish subaccounts within its existing EE balancing accounts to separately track SDREN's revenue collections and costs from SDG&E's own activities. In compliance with OP 2 of D.24-08-003, SDG&E submitted revisions to PEEEBA and PGEEBA through AL 4520E/ 3347G, which became effective on September 30, 2024.

SDG&E is not proposing any changes to PEEEBA and PGEEBA in this Application.

Electric Revenue

SDG&E's electric EE authorized budget collected through the PPP rates. In accordance with OP 2 of D.03-04-027, SDG&E is ordered to submit an annual AL by October 1 to revise its electric PPP rates effective January 1 of the following year. The revisions reflect currently authorized annual revenue requirements, and updates to the electric PPP regulatory account amortizations. The EE portfolio revenue requirement is based on the authorized portfolio budget, which includes both the administration and the EE program operations.

SDG&E's EE portfolio costs will continue to utilize the revenue allocations adopted in D.25-09-006. SDG&E is not proposing changes to the revenue allocation or rate design for the EE electric rate.

IDSM-Demand Response

Pursuant to D.12-04-045, SDG&E currently records all program costs associated with its existing demand response programs in its Advanced Metering and Demand Response Memorandum Account (AMDRMA). SDG&E will continue the existing disposition of the AMDRMA balances being transferred to SDG&E's electric Rewards and Penalties Balancing Account (RPBA) on an annual basis for amortization in SDG&E's electric distribution rates over 12 months, effective on January 1st of each year, consistent with SDG&E's adopted tariffs.

SDG&E is requesting that it be allowed to continue its current practice of recording all IDSM DR authorized demand response program costs associated with the IDSM program activities in the 2024-2031 EE portfolio, be recorded in AMDRMA.

Natural Gas Revenue

SDG&E's gas EE authorized budget is recovered through the PPP surcharge. In accordance with OP 22 of D.04-08-010 and as authorized Assembly Bill 1002, SDG&E submits an annual AL by October 31 to update its gas PPP surcharge rates effective January 1 of the following year. The revisions to gas PPP rates reflect currently authorized annual revenue requirements, and updates to the gas PPP regulatory account amortizations. The EE portfolio revenue requirement is based on the authorized portfolio budget, which includes both the administration and EE program operations.

Pursuant to D.24-07-009, SDG&E's EE portfolio costs are allocated among customer classes using the Direct Benefits Allocation method. Rates are calculated by multiplying the portfolio cost by the allocation factor and dividing the applicable billing determinants minus any exempt throughput. SDG&E is not proposing changes to the revenue allocation or rate design for the EE gas surcharge rate.

Electric and Gas Split

For the 2028-2031 program cycle, SDG&E is using the average electric and gas budget splits from program years 2026–2027, as approved in the MCAL. However, SDG&E will provide updated electric and gas budget splits for the 2028-2031 program cycle that incorporate fuel substitution measures and their associated program costs in its subsequent Cycle 2 TUAL and MCAL submissions to ensure proper cost recovery pursuant to D.19-08-009, OP 5. When SDG&E files those ALs, the gas and electric splits will reflect the proportion of benefits each commodity provides to the forecasted total portfolio net benefits. SDG&E's standard practice is to use representative measures in forecast years when it is not under contract, in order to avoid influencing the bidder community. As a result, the electric and gas budget splits, in this Application, would not yield an accurate projection.

The table below includes the applicable electric and gas splits for each program year of the 2028–2031 cycle.

Table KP-8: SDG&E Electric and Gas Split for 2028-2031

	2028	2029	2030	2031
Electric	56%	56%	56%	56%
Gas	44%	44%	44%	44%

Unspent Funds

At the end of each program year, SDG&E reviews all active contracts and approved program budgets related to services or activities scheduled for completion after December 31 of that year. Documentation supporting these commitments such as executed contracts, agreements, invoices, and other relevant materials, is retained to demonstrate that future expenditures are linked to a specific program year. This process ensures that these unspent committed funds are excluded from future revenue recovery adjustments. SDG&E also monitors the status of committed funds to identify cancellations, track payments, and verify that expenses are recorded to the appropriate program year budget.

Conversely, unspent and uncommitted funds remaining at the end of each program year are periodically returned to the respective electric and gas customers by reducing future program revenue collections. This true-up process is incorporated into the annual PPP rates filing described above, so that funds from prior program years are used to offset the revenue collections in subsequent years.

Table KP-9: Prior Years Unspent Committed Funds as of December 31, 2025

	Pre-2024 Program Cycle	2024	2025 [64]
EM&V – SDG&E Funds	$4,308,773	$872,246	$ --
EM&V – CPUC Funds	$7,226,091	$1,456,615	$ --
SDG&E Program Funds [65]	$1,594,261	$15,071,927	$ --

SDG&E does not propose any changes to the treatment of unspent and uncommitted funds for program cycle 2028-2031.

Regulatory Delay

If the Commission does not issue a timely decision to incorporate the proposed revenue requirement into PPP rates by January 1, 2028, SDG&E will apply changes adopted in this proceeding in the following year's annual PPP rate AL update. In the interim, SDG&E will use

[64] SDG&E's 2025 unspent committed funds will be available upon completion and filing of the 2025 Annual Report.

[65] Unspent funds from program years 2024 and 2025 will be carried forward and made available for use during program years 2026 and 2027, within the current funding cycle.

the program year 2027 approved budget for 2028 for cost recovery. Similarly, SDG&E will continue to recover SDREN 2028 budgets based on the average 2027 approved budgets. Once a final decision is issued, SDG&E will true-up the difference between the amounts approved in the final decision and the amounts in rates through its next PPP rate AL update.

Chapter 11: Recommendations for New or Modified EE Policy (Sponsored by Kazeem Omidiji)

A. CAEECC Reform

Summary of CAEECC Reform Recommendations

- Reduce CAEECC meeting frequency from quarterly to bi-annual to lower administrative burden and improve alignment with program milestones.
- Eliminate semi-annual report outs and transition the annual report out to an Energy Division hosted workshop or webinar.
- Move CAEECC to a fully virtual meeting structure to reduce facilitation and PA costs while improving accessibility.
- Eliminate formal consultations for TUAL, MCAL, and Applications due to misaligned timelines, replacing them with direct coordination with PA and stakeholders.
- Clarify CAEECC's role by avoiding assignment of responsibilities better suited for the Energy Division, such as working groups or joint coordination activities.

SDG&E seeks meaningful CAEECC reform to streamline operations, reduce customer funded administrative costs, and better align CAEECC with the realities of EE portfolio planning. SDG&E proposes reducing CAEECC meeting frequency from quarterly to bi-annual, as the current cadence often results in repetitive discussions that do not align with actionable program milestones. Meeting twice a year would preserve stakeholder engagement while significantly decreasing facilitation and administrative burden. SDG&E also recommends eliminating the semi-annual report out and shifting the annual report out to an Energy Division hosted workshop or webinar funded through portfolio oversight, which would maintain transparency while avoiding duplicative CAEECC events. To further enhance efficiency, SDG&E proposes transitioning the committee to a fully virtual meeting model. Hybrid meetings substantially increase PA and facilitation costs, while a virtual format provides statewide accessibility a far lower expense.

Additionally, SDG&E seeks to streamline formal CAEECC consultations by eliminating the TUAL, MCAL, and Application consultation processes. These consultations have not allowed stakeholders to meaningfully influence PA EE portfolios due to misalignment with the timing of P&G Decisions and compression of time in advance of filing. For example, no consultation occurred for the Cycle 1 TUAL, the Cycle 1 MCAL session was limited to general discussion, and Application consultations historically did not produce actionable program changes. Direct coordination between stakeholders and PAs will allow feedback to be incorporated more effectively and at appropriate points in the planning cycle. Finally, SDG&E recommends clarifying CAEECC's role by avoiding the assignment of responsibilities, such as ongoing working groups or large coordination activities that are more appropriately managed by the Energy Division. Aligning responsibilities with the correct entities will reduce confusion, prevent CAEECC from being overextended, and support a more efficient and transparent governance structure. Through these reforms, SDG&E seeks to ensure that CAEECC remains a useful venue for stakeholder engagement while minimizing unnecessary costs and improving alignment with regulatory EE processes.

B. Statewide Program Attribution

Summary of Statewide Program Attribution Recommendation

- The Commission should adopt the following Finding of Fact: Statewide programs led by non-IOU statewide lead PAs shall be treated in the same manner as IOU administered statewide programs for the purposes of IOU compliance with portfolio requirements including the statewide portfolio percentage and 60 percent third-party implementer requirements. The IOU MS&E cap shall also include budget associated with statewide programs administered by a non-IOU PA. If a statewide program administered by a non-IOU statewide lead PA produces TSB, the TSB associated with the program shall also be allocated to IOUs and will count towards regional goals.

D.23-06-055 approved BayREN's HES program making it the first statewide EE program administered by a non-IOU statewide lead PA. The HES program operates in the same manner as an IOU led statewide program and fully meets the Commission's definition of a statewide program.[66]

[66] D.16-08-019 at 61 – 62 states: "Statewide means: A program or subprogram that is designed to be delivered uniformly throughout the four large Investor-Owned Utility service territories. Each statewide program or subprogram should be consistent across territories and overseen by a single lead program administrator. One or more statewide implementers, under contract to the lead administrator, should propose the design and deliver the program or subprogram in coordination with the lead program administrator. Local or regional variations in incentive levels, measure eligibility, or program interface

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

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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."

EE potential and goals, to file the appropriate portfolio update, either a TUAL prior to the start of a new four-year cycle or a MCAL in the second year of the cycle, to adjust technical inputs, forecasts, and portfolio elements based on the newly adopted goals.

SDG&E recommends updating the timing for the TUAL and MCAL filings to 90 days after the issuance of the Commission's P&G Decision, ensuring that these filings incorporate the most current assumptions and reflect updated statewide goals. This timing structure is consistent with the extensions granted for the 2023 TUAL and 2025 MCAL, both of which were adjusted to follow release of the P&G Decision. SDG&E further recommends establishing April 1 every four years as the filing date for the Portfolio Application to provide sufficient time between the MCAL filings and the Application, recognizing that these filings typically rely on the same internal teams and analytical resources. This spacing will support more efficient preparation, reduce overlap in major regulatory deliverables, and enhance overall filing quality.

D. Elimination of Notice of Conveyance per D.23-02-002

Summary of Modification to D.23-02-002 OP 19:

- The Commission should modify D.23-02-002 OP 19 to eliminate the following language: PG&E, SDG&E, SCE, and SoCalGas must file and serve a copy of any such notice in Rulemaking 13-11-005 or a successor proceeding. PG&E, SDG&E, SCE, and SoCalGas may be relieved of these requirements if they identify and enable an alternative pathway for regional energy networks, third-party implementers and/or their authorized agents to access needed disaggregated data for program implementation and evaluation purposes.

D.23-02-002 OP 19 directs PG&E, SDG&E, SCE, and SoCalGas to provide data to regional energy networks or third-party implementers and further directs the IOUs to "serve a copy of any such notice in Rulemaking 13-11-005 or a successor proceeding." This requirement may be relieved if the IOUs identify and enable an alternative pathway for RENs, third-party implementers and/or their authorized agents to access needed disaggregated data for program implementation and evaluation purposes.

SDG&E does not see value in the additional requirement in D.23-02-002, OP 19, that IOUs file and serve a copy of any data sharing notice in R.13-11-005 or a successor proceeding. This procedural step does not enhance data access or program implementation and instead functions as a punitive, compliance-oriented requirement rather than a constructive oversight mechanism. SDG&E therefore supports relieving this obligation and modifying the OP accordingly.

I. WITNESS QUALIFICATIONS – KAZEEM OMIDIJI

My name is Kazeem Omidiji. I am the Director of Customer Programs at SDG&E. My business address is 8335 Century Park Court, San Diego, California 92123-1257.

In my current position, I am responsible for leading the team who manages and administers Energy Efficiency programs. The purpose of my direct testimony is to sponsor and testify to Exhibit SDG&E-01 SDG&E's 2028-2035 Business Plan Application Chapters 1, 8, and 11. I hold a Bachelor of Science in Electrical Engineering from the University of Nevada, Las Vegas. I joined SDG&E in 2010 as an Engineering Intern. Since then, I have held different positions with different levels of responsibility including Associate Engineer, Account Executive, Project Manager, and Regulatory Case Manager. In 2021, I served as Director of Community Relations. In August 2025, I was named Director of Customer Programs. I have been in my present position for six months.

I have previously testified before this Commission.

II. WITNESS QUALIFICATIONS – ALTON KWOK

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

In my current position, I am responsible for leading the team who manages and administers the EE portfolio and other customer program portfolios for SDG&E. The purpose of my direct testimony is to sponsor and testify to Exhibit SDG&E-01 SDG&E's 2028-2035 Business Plan Application Chapters 2, 3, 4, 5, 6, 7, and 9, Exhibit SDG&E-02 Program Cards, Exhibit SDG&E-03 CEDARS Confirmation, SDG&E-04 Testimony Workpapers, and SDG&E-05 Joint Program Administrator Statewide Process Proposal per D.23-06-055 Ordering Paragraph 2.

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

I have worked at SDG&E for over 16 years and have been in my present position for 2 years and 7 months.

I have previously testified before this Commission.

III. WITNESS QUALIFICATIONS – KENNTH C. PITSKO

My name is Kenneth C. Pitsko. My business address is 8335 Century Park Court, Suite 1200, San Diego, California 92123-1257. I am employed by SDG&E as its Financial Analysis Manager for SDG&E's Customer Programs. In my current position, I am primarily responsible for financial reporting for Demand Response, Energy Efficiency, and Customer Assistance programs for SDG&E.

The purpose of my direct testimony is to sponsor and testify to the substance of Exhibit SDG&E-01 SDG&E's 2028-2035 Business Plan Application Chapter 10.

I hold a Bachelor of Science degree in Business Administration from Bloomsburg University of Pennsylvania. I also earned my master's in business administration from San Diego State University. Prior to working for SDG&E, I was previously employed by Sempra Energy in 2005. Over the past 20 years I have held various accounting and planning positions within Sempra Energy and its subsidiaries.

I was hired by SDG&E in 2017 in the Customer Programs Department. Since that time, I have held positions of increasing responsibility at SDG&E. I have been in my present position for 5 years.

I have previously testified before this Commission.