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FEB - 4 1982

ORIGINAL

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SOUTHERN CALIFORNIA EDISON)
COMPANY for authority to)
increase rates charged by it)
for electric service.)

Application 59351
(Filed December 26, 1979)

O P I N I O N

By Decision (D.) 92549 dated December 30, 1980, in Application (A.) 59351 Southern California Edison Company (Edison) was authorized to expend \$39 million for its 1981 conservation/load management (C/LM) program.

Ordering Paragraph 15 of D.92549 provides that:

"15. Edison shall obtain prior Commission concurrence or approval for any redirection of conservation and/or load management funds over \$300,000 in a single year, and written staff approval signed by the Executive Director for any lesser amount exceeding either \$100,000 or 10 percent of the authorized level of the program from which such funds would be taken."

On August 31, 1981, Edison filed a petition, served on all parties in this proceeding, proposing that Ordering Paragraph 15 be modified to read:

"15. For individual conservation/load management programs with funding changes in a single year, but which do not change the overall level of authorized annual funding, Edison shall obtain prior written approval of (i) the respective Commission Branch Chief for redirection of amounts over \$500,000, but less than \$1,000,000, and (ii) the Executive Director for redirection of \$1,000,000 or more."

Edison's proposal envisions the changes operating, and the benefits to be, as follows:

For Individual Program
Redirection up to \$500,000

Redirection in the authorized funding level for individual C/LM programs up to \$500,000 annually would be made by Edison without prior Commission approval. This would allow Edison to effectively respond to many of the changes that occur as a result of (i) the time lag between a program's design and authorization, and (ii) changes that occur as a program is implemented.

For Individual Program
Redirection of \$500,000 to \$1,000,000

Authority for annual redirection in individual program funding limits in the \$500,000 to \$1,000,000 range would be available to Edison upon the prior written approval of the appropriate Commission branch chief. This would provide a review of any request to redirect a program's funding, enhanced by the appropriate branch chief's knowledge of the programs within his or her purview. Placing authority for approving requested funding redirection with the appropriate branch chief would also provide for a timely review of the requested funding redirection so that the practical benefits of a program in question would not be impaired. It would further provide staff with a means to streamline its review procedure.

For Individual Program
Redirection over \$1,000,000

Prior written approval of the Executive Director would be obtained for requested redirections in the authorized funding level for individual C/LM programs over \$1,000,000. This level of review and approval ensures continuity of utility programs with Commission policies and concerns.

Edison states that except for seven items, the \$39 million overall level of authorized funding for its 1981 C/LM program, including funding levels for individual programs, was based on

information supplied for A.59351 prepared in early 1979. It states that two years elapsed between the time Edison designed the detailed individual program elements and anticipated the level of funding necessary to achieve and implement its C/LM program goals.

In addition, many of the individual C/LM programs authorized are, by their very nature, developmental. Their funding is based, in part, on such variable factors as training schedules for personnel to implement a program, schedules for hardware delivery, program penetration, and customer acceptance. Program changes can also result from receipt of additional data, technical information, regulatory direction, and a variety of other inputs which are incorporated into the planning process.

Edison states its experience is that the criteria set forth in Ordering Paragraph 15 do not provide a timely or effective mechanism to reallocate C/LM program funding. To illustrate, Edison provides a chronology of the approval process for the redirection of funds since D.92549 was issued.

Edison states that it anticipates that additional redirection of funds will be required throughout 1981 and 1982 as experience is gained through the process of individual program implementation and that redirections approved to date neither resulted in a change in the \$39 million overall level of funding authorized for 1981, nor an increase in rates.

It states that because of (1) the time lag between development of budget estimates for individual programs in A.59351 and implementation of those programs, (2) the natural tendency of program elements to change over time, and (3) the time element for it to prepare and staff to review documentation for such redirection, the restrictions imposed by Ordering Paragraph 15 have become unworkable and burdensome. It states this review process will be an increasingly time-consuming task for both the Commission and its

staff, as well as Edison, with the planned doubling of the overall level of funding for the 1983 C/LM program.

Edison believes a change is necessary if it is to have an opportunity to adapt its individual C/LM programs to the realities of the marketplace and that a timely response to market forces is prerequisite to achieve the goals established for these programs.

Because neither the present nor the proposed review process for funding redirection impacts rates or the total level of funding authorized, Edison argues that the Commission and its staff could accomplish their overview responsibility and streamline their review procedure by changing the various threshold levels of review and approval.

Discussion

On December 30, 1981 by D.93887 in Pacific Gas and Electric Company's (PG&E) general rate case, we discussed in detail the benefits, implementation, and evaluation of the various C/LM proposed. In regard to the redirection of these funds we stated:

"We now believe that to create the proper environment for management to maximize the cost-effectiveness and efficiency of conservation programs in the future, we should depart from our past practice of establishing binding budget levels for each specific program. We shall in this decision comment on many of the specific programs proposed by PG&E for the test year. We shall also discuss those program areas like general conservation advertising and information which should not receive any ratepayer support.

"Beyond that, however, we shall establish certain general conservation policy guidelines and adopt an overall conservation budget for PG&E. Within the boundaries of these guidelines and budget, PG&E's management will have discretion to establish priorities and allocate resources to maximize energy savings.

"We shall give management discretion to reallocate funds among individual programs in amounts up to \$2,500,000 provided that no funds are reallocated among the four major categories of Residential, C-I-A, Conservation Evaluation, and Load Management. Budget adjustments in excess of \$2,500,000 shall be made the subject of an advice letter filing.

"Funds allocated under this budget shall only be spent on conservation and load management programs. Any funds not spent during a year shall be carried forward for future use in conservation and load management activities. We shall expect PG&E to explain in a future rate proceeding its inability to use any of these funds."

These same management decisions should be afforded Edison. Accordingly, Ordering Paragraph 15 of D.92549 should be modified. Since Edison's C/LM budget is approximately half that of PG&E's, any reallocation in excess of \$1,200,000 should be made the subject of an advice letter filing.

Decision 93887 limits the discretion of PG&E management by prohibiting the reallocation of funds among three major program categories: residential conservation, commercial/industrial/agricultural conservation, and load management. Edison should be subject to the same constraint to assure balance in program implementation.

We believe the discretion granted for redirection of funds gives Edison the opportunity to adopt its C/LM programs to the realities of the market place thereby increasing overall program efficiency. Though the authority to reallocate program funds is granted, Edison should advise the Commission when such program changes are made.

Finally, we will put Edison on notice that the C/LM program expenses will be considered in its next general rate case.

Findings of Fact

1. By D.92549 dated December 30, 1980, Edison was authorized to expend \$39 million for its 1981 C/LM programs.
2. D.92549 required that Edison obtain Commission concurrence or approval for any redirection of funds over \$300,000 in a single year and written staff approval signed by the Executive Director for any lesser amount exceeding either \$100,000 or 10% of the authorized level of the program from which such funds would be taken.
3. By letter dated May 18, 1981, the Executive Director approved the redirection of funds for eight program areas which were less than \$300,000.
4. By D.93541 dated September 15, 1981, Edison was authorized to redirect funding for eight of its C/LM programs, including the program's contingency fund.
5. Edison seeks to amend Ordering Paragraph 15 to allow redirection of individual C/LM programs which do not change the overall level of authorized annual funding by receiving written authorization of (1) the respective Commission branch chief for amounts over \$500,000 but less than \$1,000,000, and (2) the Executive Director for amounts greater than \$1,000,000.
6. By D.93887 dated December 30, 1981, we authorized PG&E management discretion to reallocate conservation and/or load management funds among individual programs in amounts up to \$2,500,000, while prohibiting reallocation of funds among three major program categories: residential conservation, commercial/industrial/agricultural conservation, and load management.
7. It is reasonable to permit Edison to reallocate funds for its conservation and/or load management programs of up to \$1.2 million from a given program to be used in another existing or new program so long as there is no reallocation among the three major program categories noted. Adjustments in excess of \$1.2 million should be the subject of an advice letter filing.

Conclusion of Law

To the extent provided in the following order the petition should be granted. In all other respects the petition should be denied.

O R D E R

IT IS ORDERED that:

1. Ordering Paragraph 15 of D.92549 is modified as follows:

15. Edison shall obtain prior approval in writing from the Commission for any redirection of conservation and/or load management funds exceeding \$1,200,000 in a single year by an advice letter filing. Management may reallocate funds for conservation and/or load management programs up to \$1.2 million from a given program to another program or to a new program but shall not reallocate funds among three major program areas: residential conservation, commercial/industrial/agricultural conservation, and load management. ✓

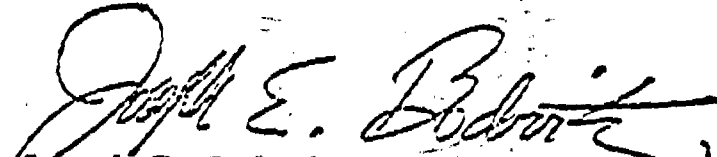
2. Southern California Edison Company shall maintain a record of its conservation fund expenditures on a program-by-program basis so that such expenditures may be readily identified, justified, and evaluated for reasonableness.

This order becomes effective 30 days from today.

Dated February 4, 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bodovitz, Executive Director