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INTERIM OPINION: 1998 UTILITY ENERGY EFFICIENCY PROGRAMS PG&E'S PETITION FOR MODIFICATION OF D.97-09-117

I. Summary

By today's order we address the applications of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCal), collectively referred to as "the utilities," for approval of 1998 energy efficiency program plans. These applications were developed through a joint planning process by the utilities and the California Board for Energy Efficiency (CBEE), with substantial input from the public.

We adopt CBEE's recommendations with respect to the policy rules, budgets, program design and shareholder incentives that will apply to these programs, with one exception. We double the proposed funding levels for residential standard performance contracting (SPC) programs proposed for PG&E and SCE, and reduce funding for nonresidential SPC commensurately. This change better balances the opportunities for residential and nonresidential customers to achieve measurable energy savings during the transition to the new administrative structure.

Today's decision also adopts several safeguards against the potential anti-competitive effects of continuing utility administration in a restructured electric industry. First, we direct the utilities to display a generic energy efficiency logo when developed by CBEE on all energy efficiency program materials, rather than use just their company's logo and name. We encourage, but do not require, that the utilities implement their 1998 education, information and energy management services programs either by employing competitive bidding to select service providers or by incorporating these activities in the standard performance contracts developed during the joint planning process. We direct the utilities to make all contracts, pricing, and measurement and evaluation methods between themselves and program implementers publicly available, so that any competitor would have access to the data obtained by the utility.

In addition, we address the issue of access to customer information, which has been raised by parties, but not addressed by CBEE. We believe that the appropriate approach to take during the nine-month period of interim utility administration is the approach we have taken for the DSM pilot bidding program. Accordingly, the interim utility administrators shall provide access to customer information to contractors under the SPC program and other programs subject to competitive bid, at cost, provided that (1) the contractor has documented its need for such records based on the specifics of its program implementation or marketing plan and (2) appropriate security arrangements have been made that will protect the confidentiality of these records. The utilities shall negotiate with contractors the specific procedures for (1) releasing customer records (with or without prior customer consent), (2) contacting the customer with program information and (3) ensuring confidentiality of customer-specific information. Until further notice, these procedures shall also apply to contractors serving under the new administrative structure. CBEE may review these procedures and propose modifications for the new administrators by filing such recommendations in Rulemaking (R.) 94-04-031/Investigation (I.) 94-04-032 and serving them on the Special Public Purpose service list in that proceeding.

Today's decision also addresses the issues of cost accounting, fund transfers and tracking of pre-1998 commitments and carryover funds. We adopt CBEE's recommended accounting structure for Public Goods Charge (PGC) funds. PG&E, SCE and SDG&E will create a new energy efficiency balancing account to receive PGC funds allocable to energy efficiency activities. SoCal will establish a similar account if and when a PGC is adopted on the gas side and SoCal's program funds are transferred to CBEE. We direct the utilities and CBEE to jointly develop a proposed schedule and milestones for a funding transfer mechanism related to energy efficiency PGC funds. The utilities and CBEE should also work together to review, and modify as necessary, existing program billing and audit procedures to permit detailed verification and audit of program spending and funds accounting. The utilities should develop improved tabulations of net commitments and carryover estimates and address CBEE's concerns about the capability of utility account systems to track 1998 costs associated with pre-1998 commitments.

Finally, today's decision approves PG&E's proposed modifications to the contract pay out deadlines adopted in Decision (D.) 97-09-117, which are also supported by CBEE.

II. Background

By D.97-02-014, the Commission established two advisory boards: the Low Income Governing Board (LIGB) and CBEE, to make recommendations about low-income assistance and energy efficiency programs in the restructured electric industry. Among other things, these Boards were assigned the task of developing requests for proposals (RFPs) articulating policy and programmatic guidelines for new administrators of these programs, subject to our approval.

In D.97-09-117, we set deadlines of October 1, 1998 and January 1, 1999 for completion of the transition to new energy efficiency and low-income program administrators, respectively. The utilities were authorized to continue as administrators of these programs in the interim. For 1998 energy efficiency programs, we directed the utilities to replace the existing Advice Letter (A.L.) process with a joint utility/CBEE planning process recommended by CBEE.[1] Committees of the CBEE worked closely with the utilities in reviewing early drafts of the utilities' proposed 1998 program plans. Similarly, CBEE solicited and received input from the utilities on early drafts of CBEE's proposed interim policy rules. On October 1, 1997, the utilities filed applications for 1998 program plans.[2] These applications included proposed revisions to demand-side

[1] The A.L. process was retained for low-income assistance programs administered by the utilities in 1998. See PG&E's A.L 2-39-G/1696-E; SCE's A.L. 1250-E; SDG&E's A.L. 1047-E/1068-G; SoCal's A.L. 2631.

[2] In the event that this application process would not provide timely approval, SoCal concurrently filed A.L. 2632, which is a duplication of SoCal's application in this proceeding.

Footnote continued on next page

management (DSM) rules, program designs and shareholder incentives. As directed by D.97-09-117, the utilities also included descriptions of their plans to coordinate customer information services regarding energy efficiency with their plans to educate customers about their energy choices.

On October 15, 1997, the utilities filed supplements to their October 1 filings pursuant to Ordering Paragraph 11 of D.97-09-117. The supplemental information included:

- Proposals for a cost-accounting process for transferring surcharge funds to accounts designated for CBEE activities in 1998;
- Information on the size, timing and causes of pre-1998 commitments and assets or expected revenues that could help offset those commitments during 1998;
- Updated estimates of carryover funds;
- Proposals for an accounting mechanism to track the 1998 costs associated with pre-1998 commitments.

The following parties responded to the utilities' October 1 applications: Energy Pacific, Marketplace Coalition,[3] Natural Resources Defense Council (NRDC), National Association of Energy Service Companies (NAESCO), Office of Ratepayer Advocates (ORA) and UCONS, L.L.C. (UCONS). CBEE filed comments on the utilities' applications and supplementary filings.

On October 24, 1997, CBEE held both a public workshop regarding the proposed 1998 program plans and a scheduled board meeting. The following organizations participated by making oral and written remarks: CBEE, the utilities, Bentley/Enron, California Demand-Side Management Advisory Committee (CADMAC), California

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Because we are addressing all the issues surrounding SoCal's 1998 program plans in today's decision, A.L. 2632 is moot and should be rejected.

[3] The Marketplace Coalition consists of Energx Controls, Inc., Enron Corporation, Free Lighting Corporation, George Reeves Associates, Inc., Insulation Contractors' Association, Occidental Analytical Group, Quality Conservation Services, Inc., Residential Energy Service Companies' United Effort, SESCO, Inc., Sierra Club and Winegard Energy, Inc.

Energy Commission (CEC), Energy Pacific, Insulation Contractors' Association (ICA), Marketplace Coalition, NAESCO, NRDC, Planergy, Proven Alternatives, Residential Energy Efficiency Clearinghouse (REECH), Schiller & Associates, The Service Agency, Sierra Club, UCONS and Xenergy. CBEE issued a workshop report on November 10, 1997, which was supplemented and corrected on November 19, 1997. In addition, the utilities updated their summaries of 1998 performance incentives and awards, as requested by the assigned Administrative Law Judge. SoCal, and SCE filed these updates on November 19, 1997.[4] PG&E and SDG&E filed updates on November 21, 1997.

On November 18, 1997, a workshop among interested parties was held to address unresolved program design issues for the residential SPC program. As a result of this workshop, the utilities updated their residential SPC program descriptions. These updates, along with the comments of Marketplace Coalition and NAESCO on remaining disputed issues were submitted on December 1, 1997 to the Commission and CBEE. CBEE reviewed the utility proposals and parties' comments and submitted its recommendations to the Commission on December 10, 1997.

Before turning to the issues in this case, we observe that CBEE, the utilities and interested parties worked diligently to develop the 1998 program plans in a collaborative manner. The parties' commitment to a joint planning process as the applications were being developed and after comments were filed narrowed the issues considerably. We commend the utilities, CBEE and interested parties for their efforts. In particular, we thank CBEE and its consultants Joe Eto, Joy Schaber and Jeff Schlegel for the excellent workshop report summarizing the utility proposals, CBEE recommendations and positions of the parties on disputed issues.

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[4] SCE updated its November 19, 1997 filing on November 21, 1997. The attached tables reflect SCE's updated information.

III. Policy Rules for Interim Administrator

On September 12, 1997, CBEE issued proposed modifications to current DSM rules, including program funding guidelines, cost-effectiveness criteria, administrator performance criteria, rules governing affiliate transactions and other guidelines. CBEE solicited input from the utilities, advisory groups and the public on this document, and issued a revised set of rules in its November 10, 1997 workshop report.

A. *Positions of the Parties*

With the exception of PG&E and SDG&E, all parties support CBEE's proposed interim rules without modification. These interim rules are presented in Attachment 2. For Rule I.A, which articulates the Commission's objectives for energy efficiency, PG&E proposes language changes that would emphasize the goal of resource acquisition. For Rule II.F, PG&E recommends fewer reporting requirements for programs for which cost-effectiveness data are not readily available, and would make those requirements optional. PG&E also requests that utilities be given a choice between applying the pre-1998 incentive mechanism or the new 1998 incentive mechanism to projects committed to in 1998 but not completed until 1999. (Rule III.E.) SDG&E recommends that performance results for interim administrators be verified in the 1999 Annual Earnings Assessment Proceeding (AEAP). As Rule III.G. currently reads, CBEE would be responsible for verifying the performance results and making recommendations to the Commission on reward payments.

B. *Discussion*

In D.97-09-117, Conclusion of Law 7, we stated:

> "The October 1, 1997 applications may include proposed modifications to DSM rules, energy efficiency program designs, and shareholder incentives. These modifications should be designed to respond to the Commission's goal of market transformation and creation of a self-sustaining energy efficiency services industry. Such proposals should be developed with the transition deadlines established by this decision in mind."

We have reviewed CBEE's recommended changes to existing DSM rules and conclude that they are consistent with this direction. We do not adopt the changes proposed by PG&E and SDG&E. CBEE's Rule I.A captures the clear intent of this Commission by using the language we adopted in D.97-02-026, Finding of Fact 1. PG&E's recommended changes do not comport with this intent. Regarding Rule II.F, we find that CBEE's proposed reporting requirements will produce necessary information for new program administrators, and should be mandatory.

We will defer our consideration of PG&E's proposed modification to Rule III.E. The applicability of pre-1998 shareholder incentives to projects committed in 1998, but completed in 1999, should be addressed in the new rules being proposed by CBEE as part of the RFP development process.

Finally, we agree with CBEE that it should have the responsibility of proposing a forum for addressing the verification of performance and calculation of 1998 shareholder incentives. We direct CBEE to file a proposed schedule and procedural forum for the Commission's consideration of shareholder incentives associated with the utilities' 1998 program activities by October 31, 1998. Interested parties should comment on CBEE's filing no later than ten days thereafter. CBEE's proposal and parties' comments should be filed at the Commission's Docket Office and served on the Special Public Purpose service list in Rulemaking 94-04-031/ Investigation 94-04-032 or successor proceeding. We do not rule out the possibility of considering these issues in the 1999 AEAP, but will defer our decision on procedural forum and schedule until we have reviewed CBEE's proposal and parties' comments.

We will adopt CBEE's proposed interim policy rules to govern energy efficiency activities of the interim administrators, including SoCal. As CBEE recommends, the application of these rules will be limited strictly to the activities of the interim administrators during 1998.

IV. Inclusion of Direct Assistance Programs in 1998 Budgets

Before turning to the 1998 program plans and proposed nine-month budgets, we address an issue raised by PG&E in its October 1, 1997 application regarding the interpretation of Public Utilities (PU) Code § 381(c)(1), which was added by Assembly Bill (AB) 1980. PG&E's budget proposal for energy efficiency programs includes $29.11

million of funding (combined electric and gas) for direct assistance programs. CBEE recommends that energy efficiency funds not be used to fund these programs. The difference in these positions relates to disagreement over the interpretation of PU Code § 381(c)(1). Specifically, the issue is whether the $106 million identified as PG&E's contribution for electric energy efficiency and conservation activities in that section includes funding for PG&E's low-income electric energy efficiency program.

A. Positions of the Parties

PG&E argues that the $106 million identified in PU Code § 381(c)(1) represents 1996 authorized funding levels for DSM that include PG&E's low-income energy efficiency programs.[5] According to PG&E, the legislative history supports its interpretation that funding for all energy efficiency programs, include low-income programs, is included in that funding amount. NRDC supports PG&E's position. REECH also supports funding of low-income direct assistance out of the $106 million funding level if cost-effectiveness tests are met.

CBEE, on the other hand takes the position that the energy efficiency and conservation activities in PU Code § 381 are different and separate from the programs to low-income electric customers enumerated in PU Code § 382. Market Coalition supports CBEE's interpretation.[6] CBEE's interpretation is apparently shared by SDG&E and SCE, since funding for their low-income energy efficiency programs is not included in the minimum levels identified by PU Code § 381(c)(1) and adopted by D.97-02-014.

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[5] See November 10, 1997 Filing Of PG&E On Issues of Whether The $106 Million Identified As PG&E's Contribution For Cost-Effective Energy Efficiency and Conservation Activities In Public Utilities Code Section 381(c)(1) Includes the Low-Income Energy Efficiency Program.

[6] See Marketplace Coalition's December 1, 1997 filing in response to PG&E's November 10, 1997 filing cited above.

B. Discussion

To determine the intent of the Legislature in enacting PU Code § 381(c)(1), we first turn to the language of the statute. (*Delaney* v. *Superior Court* (1990) 50 Cal.3d 785, 798.) The United States Supreme Court stated this principle as follows:

> "[I]n interpreting a statute, [one] should always turn to one cardinal rule before all others. We have stated time and again that [one] must presume that the legislation says in statute what it means and means in statute what it says there." (*Connecticut National Bank* v. *German*) (1992) 503 U.S. 249, 253-254; 112A S. Ct. 1146, 1149.)

The California Supreme Court explains this fundamental principle more expansively:

> "Pursuant to established principles, our first task in construing a statute is to ascertain the intent of the Legislature so as to effectuate the purposes of the law. In determining such intent, a court must look first to the words of the statute themselves, giving to the language its usual, ordinary import and according significance, if possible, to every word, phrase and sentence in pursuance of the legislative purpose. A construction making some words surplusage is to be avoided." (*Dyna-Med Inc.* v. *Fair Employment and Housing Commission* (1987) 43 Cal.3d 1379, 1386-1387, 241 Cal.Rptr. 67, 70.)

With these principles in mind, we turn first to the specific PU Code provisions. First, PU Code § 381(a) establishes a nonbypassable charge on local distribution service, collected on the basis of usage. This section refers to the programs described in PU Code §§ 381(b) and 382 for the purpose of establishing funding that is not commingled with other revenues:

> "To ensure that the funding for the programs described in subdivision (b) and Section 382 are not commingled with other revenues, the commission shall require each electrical corporation to identify a separate rate component to collect the revenues used to fund these programs...."

Second, PU Code §§ 381(b) and 382 specify the purposes and funding levels for which the funds collected under the nonbypassable distribution charge established in PU Code § 381(a) are to be used. Specifically, PU Code § 381(b) directs the Commission to allocate funds

> "collected pursuant to subdivision (a), and any interest earned on collected funds, to programs which enhance system reliability and provide in-state benefits as follows:
>
> "(1) Cost-effective energy efficiency and conservation activities.
>
> "(2) Public interest research and development not adequately provided by competitive and regulated markets.
>
> "(3) In-state operation and development of existing and new and emerging renewable resource technologies...."

Third, PU Code § 381(c) directs the electric utilities to collect and spend funds for the purposes described above as follows:

> "(1) Cost-effective energy efficiency and conservation activities shall be funded at not less than the following levels commencing January 1, 1998, through December 31, 2001: For San Diego Gas and Electric Company a level of thirty-two million dollars ($32,000,000) per year; for Southern California Edison Company a level of ninety million dollars ($90,000,000) for each of the years 1998, 1999 and 2000; fifty million dollars ($50,000,000) for the year 2001; and for Pacific Gas and Electric Company a level of one hundred six million dollars ($106,000,000) per year...."

PU Code § 381(c) continues to describe the funding levels for the other PU Code § 381(b)-defined activities, i.e., public interest research and development and renewable energy programs.

Finally, PU Code § 382 describes the Legislature's intent with regard to low-income program activities and funding:

> "Programs provided to low-income electricity customers, including, but not limited to, targeted energy efficiency services and the California Alternative Rates for Energy Program shall be funded at not less than 1996 authorized levels based on an assessment of customer need. The commission shall allocate funds necessary to meet the low-income objectives in this section."

Based on the plain language of PU Code §§ 381 and 382, we find no ground to interpret these provisions as proposed by PG&E. The language and the textual construction of these sections distinguishes energy efficiency and conservation activities (and related funding) from programs and funding levels related to low-income ratepayer assistance. Further, the Code differentiates between "cost-effective energy efficiency and conservation activities" and low-income energy efficiency programs, the latter of which have never been required by this Commission to meet cost-effectiveness criteria for other energy efficiency programs. The $106 million level is clearly related to cost-effective programs, and this cannot include low-income energy efficiency programs. Moreover, this intent is reinforced by the opening provisions of AB 1890, in which the Legislature distinguishes between programs designed to assist low-income ratepayers and those designed to achieve the public purpose programs described in PU Code § 381(b):

> "...It is the further intent of the Legislature to continue to fund low-income ratepayer assistance programs, public purpose programs for public goods research, development and demonstration, demand-side management, and renewable electric generation technologies in an unbundled manner." (AB 1890 § 1(d).)

In sum, we believe that the statutory language supports the interpretation that the $106 million authorized for PG&E's energy efficiency programs in PU Code § 381(c)(1) does not include funding for electric direct assistance programs. When the language of the statute is clear and unambiguous, there is no need to go beyond the words of the statute to extrinsic aids:

> "To do so would violate the principle that, 'When statutory language is thus clear and unambiguous there is no need for construction, and courts should not indulge in it.'" (*Delaney* v. *Superior Court*, 50 Cal.3d at 800, quoting *Solberg* v. *Superior Court*, 19 Cal.3d 182, 198.)

Unless exceptional circumstances dictate otherwise, "[w]hen we find the terms of a statute unambiguous, judicial inquiry is complete." (*Rubin* v. *United States* (1981) 449 U.S. 424, 430; *see also Graham* v. *State Board of Control* (1995) 33 Cal.App.4th 253, 260.)

Even assuming, arguendo, that the statute language is ambiguous on the issue of whether funding for low-income energy efficiency programs is included in PU Code § 381(c)(1) funding levels, the Conference Report Committee Analysis on the bill supports our interpretation.[7] Similar to the language of the statute, the Committee analysis distinguishes between services provided to low-income electricity customers and energy efficiency and conservation programs:

> "The Bill preserves California's commitment to developing diverse, environmentally sensitive electricity resources which enhance system reliability by continuing support consistent with historic levels for cost-effective energy efficiency and conservation activities, for in-state renewable energy resources, and for public goods research, development and demonstration (RD&D) that would otherwise not be provided by electricity markets. The Bill also extends the provisions covering expenditures for services provided to low-income electricity customers." (August 18, 1996 Conference Report Committee Analysis; D.97-02-014, Attachment 7.)

PG&E asserts that its interpretation is reasonable because during the legislative consideration of AB 1890, it offered its entire authorized DSM funding for 1996, including low-income energy efficiency programs, for inclusion in the $106 million per year figure. When construing the purpose and intent of a statute, it is of little assistance to consider the motives or understandings of single individuals, because such views may not reflect the views of other Legislators who voted for the bill. (*Freedom Newspapers, Inc.* v. *Orange County Employees Retirement System Board* (1993) 6 Cal.4th 821, 831.) This admonition is particularly apt in this instance, where PG&E is relying on its own views and intentions in arguing for a particular interpretation of AB 1890. Moreover, the clear language of the statute, as reinforced by the legislative

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[7] Materials such as statutory history, committee reports and legislative debates may be used to provide guidance on legislative intent, where appropriate. (*Perez* v. *Smith* (1993) 19 Cal.App.4th 1595, 1598.)

history, renders such speculation moot. The funding levels established by PU Code § 381(c)(1) speak for themselves.

With regard to PG&E's gas energy efficiency budget, we also adopt CBEE's recommendation to reduce the 1998 budget for gas energy efficiency funding by the approximately $15 million of gas direct assistance programs contained in PG&E's proposal.[8] Funding for both gas and electric direct assistance will become part of the utilities' budget proposals to be reviewed by the LIGB and approved by this Commission.

V. Program Plans and Budget

During the course of this proceeding, CBEE and the utilities reached agreement on most issues regarding the 1998 program plans and budget. We summarize CBEE's major recommendations below, followed by discussion of those recommendations and the major remaining areas of disagreement. A more detailed description of CBEE's recommendations are presented in Attachment 3, Sections 2-4 and 6-11. An issue-by-issue summary of the parties' positions with respect to these recommendations can be found in CBEE's November 10, 1997 Workshop Report, as corrected and supplemented in CBEE's November 17, 1997 supplemental filing.

A. CBEE Recommendations

Table 1 in Attachment 4 presents CBEE's recommended nine-month 1998 program budget for each utility, by program category. To reserve sufficient funding for the new administrators, CBEE recommends a cap on 1998 program funding for the

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[8] In its November 10, 1997 filing, PG&E mistakenly characterizes CBEE's position. On page 7 of that filing, PG&E contends that CBEE proposes to double count the low-income energy efficiency funding by retaining the amounts in both the energy efficiency and the low-income assistance budgets. This is not CBEE's position, as explained in the November 10, 1997 workshop report. (See Table II-1, footnote **.)

utilities of 85% of Commission-adopted levels.[9] CBEE's recommended budgets do not exceed this cap.

As indicated in Attachment 4, the utilities will offer standard performance contracting (SPC) in 1998 as a new program component. With SPC, the utility offers fixed prices to customers or energy service companies (ESCOs) for measurable energy savings achieved by the installation of specific energy efficiency projects. A standard contract will specify the operating rules of the program, including eligible projects. Payment will be subject to performance measurement, as detailed in measurement protocols attached to the standard contract, and will extend over a period of years.

Under the final CBEE recommendations, PG&E will allocate approximately $16 million to SPC ($2.4 million for residential; $13.6 million for nonresidential), or 24% of its nine-month energy efficiency program budget for 1998. SCE will allocate $17.8 million to SPC ($1.8 million for residential; $16 million for nonresidential), or about 31% of its nine-month program budget. For SoCal, SPC comprises 15% ($3 million) of its nine-month program, and is targeted to residential markets. SDG&E allocates 49% ($11 million) of its program funding to SPC, broken down as follows: $3.1 million for residential and $7.9 million for nonresidential markets. CBEE recommends specific revisions to the utilities' SPC programs to ensure that there is greater consistency among the programs and that the programs are consistent with the interim policy rules. (*See* Attachment 3, Section 6.)

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[9] CBEE expects that the new administrators will be fully operational by October 1, 1998, consistent with the deadline established in D.97-09-117. Should it become apparent that new administrators will not be fully operational by October 1, 1998, and it is appropriate for the utilities to continue as interim administrators, or that some programs or activities should be transferred to new administrators before October 1, 1998, the CBEE will recommend modifications to these budgets as part of its updated status report on the transition to new administrators to the Commission in April, 1998, pursuant to D.97-09-117, Ordering Paragraph 3. The Assigned Commissioner may also issue a Ruling to make any necessary procedural changes to address this situation, such as allowing utilities to continue as interim administrators until the new administrators are in place and to authorize budgets for this purpose.

In addition, the utilities will set aside funds for third-party recommended proposals and initiatives. The amounts allocated to this purpose total $8.9 million for all four utilities. At least 50% of third-party proposal funds are reserved for the residential sector. CBEE makes specific recommendations regarding program definition, the process for soliciting proposals and for reporting projects for affirmation by CBEE. (Attachment 3, Section 4.)

The utilities will also fund market transformation initiatives targeted to "upstream" and "midstream" market actors, such as governmental entities responsible for technology, equipment and system standards, design professionals, vendors and building developers and contractors. For example, PG&E's Natural Cooling program pursues education of officials about the need to upgrade relevant building codes. PG&E's Design Assistance program will offer support services to the design community as well as coordinate information exchange and collaboration. SCE plans to augment the nationwide device rating and labeling effort through its retail Energy Star program for highly energy efficient window/window frame systems. Through its Energy Efficient Motors Program, SDG&E will offer incentives to dealers to stock and promote high efficiency motors.

The 1998 budgets include end-user informational programs and selected incentives directly to end-users ("downstream" targets). For example, SCE will offer interactive energy efficiency services to its customers through the internet's world wide web (e.g., web-based energy audits and live chats with energy efficiency experts). SoCal plans to inform residential consumers, contractors and retail providers about energy efficiency options through a "Home Energy Fitness Program" consisting of self-audit surveys. PG&E's 1998 Comfort Home program will provide a central, organized incentive program for the residential new construction market. PG&E, SoCal, SDG&E and SCE will continue to offer downstream incentives to nonresidential customers for energy efficient equipment, particularly in those sectors not readily targeted by third-party providers (e.g., small commercial).

For measurement, forecasting and regulatory reporting (MFRR), CBEE recommends that the Commission authorize only MFRR items in support of PGC-funded 1998 activities (e.g., no activities associated with pre-1998 program activities and no forecasting.) CBEE affirms support for CEC data collection and CADMAC market effects studies, but recommends that the Commission fund these activities with PGC funds only after it has been demonstrated that there is insufficient carryover funding available.

CBEE also recommends that specific programs and budget items originally proposed by the utilities be eliminated from further consideration, as described in Attachment 3.

B. Discussion

In D.97-02-014, we articulated our goal of developing a fully competitive market in energy efficiency services through market transformation. We described a two-pronged approach for achieving that goal:

> "First, we need to promote a vibrant energy efficiency services private industry that can stand on its own. This will require programs that encourage direct interaction and negotiation between private energy efficiency service providers and customers, building lasting relationships that will extend into the future. Second, we need to promote effective programs that will simultaneously transform the "upstream" market (e.g., manufacturers and retailers) so that energy efficient products and services are available and advertised by private vendors and builders." (D.97-02-014, *mimeo.*, p. 21.)

To this end, we established a new administrative structure for energy efficiency programs, consisting of an independent Board (CBEE) and administrators selected through competitive bid. Our original goal was to have this new administrative structure fully operational by January 1, 1998. In D.97-09-117, we recognized that the transition would take more time than initially anticipated, and authorized the utilities to continue as interim program administrators until October 1, 1998. However, we encouraged CBEE, the utilities and interested parties to propose modifications to policy rules, program designs and shareholder incentives that would start the transition toward a more competitive cost-effective energy efficiency marketplace and move toward programs with market transformation characteristics during 1998.

With one exception, we are satisfied that CBEE's recommended 1998 program plans and budgets meet these objectives. We believe that residential ratepayers should have a greater opportunity to participate in the new SPC program than currently proposed. We note that overall funding for residential SPC is approximately one-fourth the level proposed for nonresidential SPC. Since this program is the primary vehicle for retrofit applications in 1998, we find the disparity in funding to be unacceptable. At the same time, we recognize that the residential market is also served by other programs, such as third-party initiatives, direct incentives and information programs. A reasonable rebalancing of program funding is to double the amounts allocated to residential SPC for PG&E and SCE, and to reduce the amounts allocated to nonresidential SPC commensurately. Since SoCal has only a residential SPC program, no adjustments are necessary. SDG&E's allocation between residential and nonresidential SPC programs are already reasonably consistent with the new allocations we adopt for PG&E and SCE.

We have considered parties' comments regarding remaining areas disputes on program design and pricing, as summarized in CBEE's November 10, 1997 workshop report and November 19, 1997 supplemental filing. We have also carefully considered the comments on residential SPC design and CBEE's December 10, 1997 recommendations. As an interim proposal, we find that CBEE's program design recommendations appropriately encourage more competitive bidding than undertaken in the past, as well as more customer participation and third-party accountability. These recommendations strike a reasonable balance among many different views on how market transformation programs should be designed during the transition to a new administrative structure. We endorse CBEE's recommendations for greater consistency among the utilities with regard to SPC programs. With regard to the SPC program design issues that have not been addressed by CBEE in its recommendations and remain disputed (see Attachment 3), we note that these types of program design issues have regularly been left to the discretion of the utilities in prior program years, so that they may tailor their programs to the specific needs and circumstances in their service territories. We will continue that practice during the first nine months of 1998, i.e.

during the utility interim administration period. However, to the extent that these issues are also applicable to the programs being designed under the new administrative structure. we expect CBEE to consider them further with continued public input.

We direct the utilities to submit to CBEE the specifics of their residential SPC programs in conformance with CBEE's guidelines and recommendations. In addition to containing a complete description of the SPC residential program, the filing should include any revisions to the net benefits used in performance awards. (See Attachment 3.) The utilities should work with CBEE and its consultants in developing this material and submit the documentation no later than fifteen days after the effective date of this decision. We emphasize that the utilities' submittals should not attempt to relitigate any of the issues addressed by today's decision. At its earliest opportunity, CBEE should address the utility submittals at a Board meeting, and send a letter summarizing the results and any subsequent recommendations to the assigned Commissioner and Administrative Law Judge. Copies of the utility submittals and CBEE's letter should also be sent to the Special Public Purpose service list in R.94-04-031/I.94-04-032.

With regard to concerns about the lack of coordination between SoCal and SCE, we too are disappointed that these utilities did not coordinate more closely and offer to administer programs jointly. We expect the new administrators to offer all energy efficiency programs, including SPC, on a dual-fuel basis. We support CBEE's efforts to encourage "fuel blind" programs by requiring that SoCal and SCE offer dual-fuel information and recommendations in their energy management programs.

For the reasons stated above, we adopt CBEE's recommendations on program design and budgets as presented in Attachment 3, with the exception discussed above. Accordingly, funding for 1998 residential SPC will be increased to the following levels: PG&E, $4.83 million; SCE, $3.6 million; SDG&E, $3.134 million; all utilities, $14.514 million.[19] Funding for nonresidential SPC will be decreased to the

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[19] This total amount includes SoCal's residential SPC program funded at $2.95 million.

following amounts: PG&E, $11.27 million; SCE, $14.2 million; SDG&E, $7.958 million; all utilities, $33.428 million. If there are not sufficient cost-effective residential SPC projects to utilize all of the allocated funding, then the remaining residential SPC funds either shall be allocated to other residential programs during the utilities' 1998 administration, or be allocated to residential programs under an independent administrator over the balance of 1998. If utilities have any unallocated funds within their approved nine-month budgets, they may increase nonresidential SPC programs up to the CBEE-recommended levels.

We note that CBEE did not address several issues raised by parties relating to potential anticompetitive advantages of the interim administrators.[11] In particular, the Market Coalition argues that third parties, not utility employees, should be used to implement energy management services and information programs, if they are to continue. In this way, the utilities cannot use PGC money to fund their efforts to secure a reputation as independent energy experts, without any competition from other providers of such services. For similar reasons, the Market Coalition recommends that all 1998 programs be performed in the name of the CBEE or the Commission.

In addition, the Market Coalition and REECH propose that all program cost and price information learned by the interim administrators be open and public. These parties argue that utilities will otherwise obtain an unfair advantage with respect to 1) subsequent competitive bidding for PGC administration and 2) in designing and implementing actual energy efficiency programs and projects as an energy efficiency service provider, through either the utility itself or its subsidiaries.

These concerns have merit. As we recognized in D.97-02-014, the utilities have considerable incentive to promote their own business interests in the restructured electric industry environment. As discussed further below, our adoption of shareholder

[11] As CBEE explains, it had the time and resources to address only issues it identified as "major." The issues discussed below were categorized as "other" by CBEE in its workshop report, and were not addressed.

incentives has always been to offset the inherent disadvantages to a utility of promoting energy efficiency, rather than the increased use of electricity. However, shareholder incentive mechanisms do not address the potential anticompetitive effects of allowing the utilities to administer energy efficiency programs well into 1998.

The energy efficiency programs administered under the new administrative structure should display a generic energy efficiency logo developed by CBEE. The issue is whether to initiate this change at the outset of 1998, or wait until October 1998. We believe that identifying the programs under a generic logo at the outset will: (1) avoid customer confusion, (2) reduce information costs (less reprinting later) and (3) facilitate the transition to independent administration. Furthermore, any materials or programs (e.g., web sites, training materials, etc.) developed by the interim administrators with PGC funds should be the property of the CBEE and the Commission. We leave it to CBEE to develop one or more appropriate statewide logos[12] for energy efficiency that all of the utilities will use on their 1998 program materials, if feasible in the time frame, but not later than October 1998. There should be co-branding in order to disclose to the public what entities are serving as program administrators.

We also agree in concept with the Marketplace Coalition that utilities should implement their energy management services programs by means of either 1) using the SPC system or 2) employing competitive bidding to select service providers under these programs, rather than assign the work to utility employees. In terms of information and other education programs, we note that these categories include some market transformation programs initiated last year. However, given the limited duration of the interim utility administration, we do not find it prudent to change personnel or otherwise disrupt these programs. Accordingly, we will encourage but not require the utilities to employ competitive bidding or use the SPC system to select service providers for energy management services programs, and information and

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[12] For example, the CBEE may find that an already existing logo, such as the EnergyStar logo, is appropriate for co-branding on some materials.

other education programs. This is consistent with the CBEE's recommendation to encourage the use of private firms to implement programs or deliver services, while recognizing that competitive bidding may not be practical for 1998 programs.

In addition, consistent with procedures we used in the pilot DSM bidding efforts, we direct the utilities to make all contracts, pricing, and measurement and evaluation methods between the utilities and program implementers (e.g., ESCOs) publicly available, so that any competitor would have access to the data. This will also allow later proposals to take advantage of prior information, upgrading the entire industry.

Finally, we address the issue of access to customer information, which has been raised by parties, but not addressed by CBEE. We believe that the appropriate approach to take during the nine-month period of interim utility administration is the approach we have taken for the DSM pilot bidding program. In D.93-02-041, we addressed this issue as follows:

> "The California Supreme Court, in *People* v. *Blair* ((1979) 25 Cal 3d 640, 653-659) found that a utility customer in California has a reasonable expectation that the records maintained by the utility will not be provided to a third party without legal process. In the past, we have restricted the release of customer billing and credit records in situations where the activities of the third party are clearly unrelated to utility business.[13] However, we have permitted the release of this information in situations where a third party is working for the utility in the capacity of a collection agent. (D.92860 5 CPUC2d 745, 771-772). In D.91-01-016, we reiterated our expectation that customer records be used only for utility-related activities:
>
> > "'The constitutional right to privacy exists where there is a reasonable expectation that certain personal information would remain confidential and *used only for business purposes of the entity retaining the records....*' (emphasis added.) (D.91-01-016. 39 CPUC2d 209, 261.)

[13] See D.8859 (83 CPUC 559), D.92860 (5 CPUC 2d 745) and D.92-03-031, mimeo.

"Under the bidding pilots, third parties will be delivering DSM services and associated savings that the utility would otherwise have provided with current, planned or expanded DSM programs. In effect, the winning bidders are acting as agents of the utility, providing DSM services under specific contractual arrangements. If there were no winning bidders, the utility would use its access to customer-specific records to market its own in-house DSM programs without the prior written consent of individual customers.

"Under these circumstances, we agree with SESCO that customer billing records should be made available to winning bidders, at cost, provided that (1) the winning bidder has documented its need for such records based on the specifics of its program implementation or marketing plan and (2) appropriate security arrangements have been made that will protect the confidentiality of these records. This may or may not involve obtaining prior written consent from each customer. Withholding billing information from winning bidders until each customer has been contacted and has given their written consent may be unworkable for certain DSM applications and marketing approaches:

> "'To determine which houses are in greatest need of weatherization, SESCO needs past billing data. Without it, SESCO cannot even determine whether a particular house or apartment has electric space heat or electric water heat or whether the customer's usage pattern allows cost-effective weatherization. Without such data, SESCO must contact every residence in any geographic area, offering free treatment provided that the customer's usage pattern warrants it. Then, if the actual usage pattern cannot justify treatment, SESCO must contact the customer and tell her that no treatment will be provided. This is completely unworkable and is likely to generate customer complaints, as well as wasting marketing costs.' (SESCO comments, p. 6.)

"Should customer-specific billing records be released to winning bidders (with or without prior customer consent), appropriate steps must be taken to ensure that this information is kept confidential and used only for the purpose of the winning bidders' DSM projects. We expect PG&E, SDG&E, SCE and SoCal to negotiate these procedures with winning bidders on a case-by-case basis. Procedures adopted in other states that conduct competitive bidding for DSM services should be reviewed and considered...." (D.93-02-041; 48 CPUC2d, 199, 209-210.)

Since the issuance of D.93-02-041, this Commission has approved procedures under the bidding pilots that provide historical usage data to the winning ESCOs. Some of the utilities also provide such information to their direct assistance program provider and to outside consultants for analysis without the prior approval of customers. To our knowledge, there have been no complaints about the provision of this data by any customer. We direct the interim utility administrators to make customer billing records available to contractors under their SPC programs and other programs subject to competitive bidding, at cost, consistent with the above procedures. Until further notice, these procedures will also apply to contractors serving under the new administrative structure. However, CBEE may review these procedures and propose modifications for the new administrators by filing such recommendations in R.94-04-031/I.94-04-032 and serving them on the Special Public Purpose service list in that proceeding.

We emphasize that the program funding levels and program designs adopted today are interim in nature, and apply only to utility programs undertaken during 1998. We expect that CBEE and market participants will use this interim period to further refine market transformation initiatives so that future generations of programs under the new administrators will be even more effective in achieving our goals.

VI. Shareholder Incentive Mechanisms

During the joint planning process, the utilities and CBEE (with input from the public) agreed on modifications to the current shareholder incentive mechanisms, with some remaining objections by SoCal. In the following sections, we first briefly describe the modifications to design and reward levels recommended by CBEE and the utilities. Then we summarize the positions of the parties on funding sources for shareholder incentives, followed by a discussion of the major areas of remaining disagreement.

A. *Incentive Mechanisms: Design and Reward Levels*

The current shared-savings incentive mechanism applies to energy efficiency programs that displace supply-side resources. Under this mechanism, the utility receives 30% of net benefits (energy savings net of costs) measured over a ten-year period. The earnings are uncapped. They are paid in four installments based on *ex post* savings, i.e., savings measured after measure installation.

For programs where savings measurement is difficult, such as energy management services, our current performance adder incentive mechanism calculates earnings based on 5% of program expenditures.[14]

Attachment 5 presents a summary of the utility proposals for 1998 shareholder incentive mechanisms and utility-specific tables that show the breakdown of estimated awards by type of performance basis.

As described in that attachment, the proposed shareholder incentive mechanisms now include milestones that relate to program management achievements, program activities or changes in markets due to the program. Management-based milestones include deadlines for implementing the program or completing training sessions. Program Activity-based milestones include the number of designers trained and the number of energy efficiency measures installed. Market Changes and Market Effects-based milestones are based on observable changes in stocking or availability of energy efficient measures and equipment, or on demonstrable changes in awareness and knowledge.

For those programs subject to shared-savings, such as direct rebate programs, the utilities propose shareholder incentive mechanisms that substantially reduce the current shared-savings percentage and impose an earnings cap. At the same time, the utilities propose to 1) reduce the savings measurement period, 2) reduce the number of payment installments and 3) base earnings on *ex ante* savings estimates developed from previous year *ex post* studies. With the exception of SoCal, the utilities agree with CBEE's recommendations on earnings caps. In addition, CBEE recommends that the Commission direct the utilities to rely on consistent milestones as the basis for SPC performance awards. SoCal objects to these modifications.

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[14] A detailed description of the shared-savings and performance adder incentive mechanisms and their development can be found in D.94-12-021 and D.95-12-054.

B. Funding Sources for 1998 Shareholder Incentives

SDG&E and PG&E recommend that 1998 shareholder incentives be funded from 1998 electric energy efficiency surcharge funds and gas program funds. This represents an estimated $3.2 million in incentives for SDG&E and $9.2 million in incentives for PG&E for nine-month programs. SCE similarly recommends surcharge funding for its electric energy efficiency incentives, estimated at $6.6 million for a nine-month program.

SoCal proposes that 1998 incentives, estimated at $1.6 million for a nine-month program, be paid from previously collected DSM funds. SoCal also proposes that 75% of remaining unrecovered earnings for program years 1994 through 1997 (estimated at $12.4 million) be authorized at this time and also paid from previously collected DSM funds. The measurement and evaluation protocols for program years 1994 through 1997 would also be modified.

CBEE recommends that all 1998 shareholder incentives, including for SoCal, be funded out of the nine-month budgets. For the electric programs, this means that shareholder incentives would be funded from PGC funds. For gas programs, shareholder incentives (and program funding) would be funded through changes in rates.

Marketplace Coalition recommends that the Commission determine the cost recovery and ratemaking treatment of shareholder incentives for electric programs at a later date, and direct the electric utilities to remove the incentive amounts from their PGC-funded budgets. Marketplace Coalition supports SoCal's proposal to fund 1998 program shareholder incentives from carryover funds, as long as they are capped (along with MFRR funding) to funds that are not otherwise encumbered.

C. Discussion

Before addressing the issues surrounding proposed modifications to current shareholder incentive mechanisms, it is useful to recall why they were initiated in the first place. Shareholder incentives for DSM were initiated in the early 1990s to motivate utilities to invest in cost-effective energy efficiency, rather than invest in more costly supply-side resources. In establishing the most current form of those incentive mechanisms, we first carefully assessed the risks and rewards facing utilities on the supply side, and developed incentive mechanisms that would offset the regulatory and financial biases against energy efficiency (or in favor of supply-side resources). We developed shared-savings mechanisms to encourage procurement of energy efficiency resources (for "resource savings"), and performance-adder mechanisms to encourage energy management services and other programs that supported our goals but did not result in measurable resource savings. (*See* D.94-10-059.)

In D.97-09-117, we recognized that the current utility incentive mechanisms, particularly shared-savings mechanisms, might not be compatible with the types of market transformation programs we wanted the utilities to initiate during the extended transition to new administrators. We therefore offered the parties the opportunity to develop modifications to these mechanisms in a consensus-building fashion. (D.97-09-117, *mimeo.*, pp. 15-20.) In viewing the resulting proposals, we take the perspective that these modifications should offer improvements to the status quo in terms of compatibility with market transformation activities.

CBEE's proposed modifications to existing shareholder incentives meet these objectives. They clearly move in the right direction by reducing emphasis on resource savings and introducing performance milestones based on criteria more suited to market transformation objectives.

We have reviewed the remaining areas of disagreement, and conclude that, for the interim period, CBEE's recommendations represent a reasonable balancing of considerations related to incentive design. In particular, the Marketplace Coalition takes the position that 1) the proposed shareholder incentive amounts are excessive 2) the pay out provisions are too front-loaded and 3) the measurement requirements are insufficient. We note that the proposed shareholder incentive mechanisms reduce the current shared-savings rates substantially and also cap incentive levels, in contrast to the current uncapped 30% share rate. As an interim incentive mechanism, applying only to the next nine months of utility administration, the reduction in measurement studies and payment installments represents a reasonable quid pro quo for the sizable reduction in potential rewards. As we discussed in D.97-02-014, the utilities still have significant disincentives to promoting energy efficiency in the new competitive environment that shareholder incentives are designed to offset. (*See* D.97-02-014, *mimeo.*, pp. 23-24.) This disincentive also applies on the gas side, since the natural gas industry has been competitive for several years. Changing the utilities' earnings potential at this juncture without modifying other aspects of the incentive mechanism would, in our view, create an unacceptable imbalance in risks and rewards.

We have also considered SoCal's objection to the earnings cap imposed by CBEE. We concur with CBEE's judgment on the level of potential earnings for SoCal, given the overall balance of risks and rewards proposed by SoCal in its application.

For the reasons stated above, we will approve CBEE's recommendations on shareholder incentives, as presented in Attachment 3. We direct SoCal to resubmit the specifics of its shareholder incentive mechanism, including the mechanism for SPC programs, in conformance with CBEE's guidelines and recommendations. SoCal shall work with CBEE and its consultants in developing this material and submit the documentation no later than twenty days after the effective date of this decision. At its earliest opportunity, CBEE should address SoCal's submittal at a Board meeting, and send a letter summarizing the results and any subsequent recommendations to the assigned Commissioner and Administrative Law Judge. We emphasize that SoCal's submittal should not attempt to relitigate issues that have been addressed by today's decision. Copies of SoCal's submittal and CBEE's letter should also be sent to the Special Public Purpose service list in R.94-04-031/I.94-04-032.

We emphasize that these shareholder incentive mechanisms are interim in nature. Our approval of these mechanisms does not represent our endorsement of them as the basis for performance standards under the new administrative structure. As we discussed above, shareholder incentives are developed to address very specific disincentives to energy efficiency experienced by regulated utilities. In D.97-02-014, we stated that no shareholder incentives would be associated with contracts between the new administrator and the Board. (D.97-02-014, *mimeo.*, p. 31, Conclusion of Law 7.)

On the issue of funding 1998 shareholder incentives, the ratemaking circumstances surrounding the utility applications as interim administrators are distinguishable from those related to pre-1998 shareholder incentives. As the Marketplace Coalition points out, in D.97-02-014, Conclusion of Law 7, we stated that funding for utility shareholder incentives"should not come from the levels authorized today for PU Code § 381(c)(1)." However, at that time we were referring to utility shareholder incentives associated with pre-1998 program activities. We anticipated in that order that the new program administrators for energy efficiency programs would be in place by January 1, 1998. Had that deadline been met, the new program administrators would be conducting market transformation programs, instead of the utility interim administrators. All payments to the new administrators, including profits resulting from the difference between the bid and actual administration costs, would have been funded out of 1998 PGC funds. It is reasonable to fund 1998 shareholder incentives to the utilities as interim administrators in the same manner. This ratemaking treatment will apply only to awards associated with PGC-funded electric energy efficiency activities.

The amounts under the "Performance Award Cap" category in Attachment 4 that are not PGC-funded (i.e., that relate to gas-side incentives) should be recovered through changes in rates, consistent with current practice. We will not authorize SoCal to fund its 1998 shareholder incentives out of program carryover funds. Those funds are traditionally returned to ratepayers or, in select cases, to fund future program activities. Moreover, we are still considering the possible use of at least some of those funds to address prior program-year commitments, as discussed below. The ratemaking treatment of shareholder incentives should be consistent among the utilities, and will not approve an exception for SoCal.

We have reviewed SoCal's request to modify the shareholder incentives mechanism for remaining unauthorized earnings related to program years 1994-1997. We do not approve these changes. While we understand SoCal's motivation to reduce the measurement requirements for the remaining payment installments related to these program years, we believe that modifying the incentive mechanism in such a retroactive fashion is inappropriate. Moreover, SoCal's situation is not justifiably different from PG&E, SCE and SDG&E, who would be treated differently if SoCal's proposal were approved.

VII. Cost-Accounting System and Fund Transfer Mechanism

In D.97-09-117, the Commission ordered that the CBEE not "establish bank accounts and trust funds, and not...establish themselves as a Public Benefit Corporation" until such time as necessary Internal Revenue Service rulings are available. Additionally, as described above, the ultimate administrator of energy efficiency programs has not yet been identified. The utilities are acting as interim administrators. Consequently, the cost-accounting system must accommodate the fact that there will be a hiatus during which (1) CBEE is unable to receive funds and (2) the new administrator has yet to be named. In addition, as indicated in Ordering Paragraph 11, the system must accommodate the Commission's position that there be "no commingling of surcharge funds with non-energy efficiency activities unless approved by the Commission."

CBEE, PG&E, SDG&E and SCE support a three-phase approach to the cost-accounting system:[15]

- In Phase 1, before CBEE has legal authority to receive funds, the utilities will continue to administer and implement 1998 energy efficiency programs and incur expenses associated with pre-1998 commitments. The utilities will continue to pay invoices for CBEE's start-up costs as authorized by the Commission in D.97-07-044, D.97-05-041 and D.97-09-117.
- Phase 2 spans the date when the CBEE has the authority to receive funds to the date when activities are transferred to a new administrator. During this period, funds for the operation of CBEE will be transferred to CBEE or CBEE-designated entity.

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[15] SoCal's supplementary filing does not include a specific cost accounting proposal, but states that "the mechanism established for electric [investor owned utilities] will provide a framework for the pending gas surcharge mechanism." (SoCal's October 15, 1997 Supplement, p.1.)

- Phase 3 begins when the new administrators are established, and the utilities' 1998 role as interim administrator ceases. At this point, energy efficiency funds will be transferred to the administrators or other CBEE-designated entity.

However, the utilities differ on certain implementation issues. As CBEE observes, at least one new balancing account needs to be created to accommodate the non-commingling of the public goods charge funds with funds authorized and collected for pre-1998 program dollars. SDG&E and SoCal propose retaining the existing DSM balancing account system. PG&E proposes to fold existing balancing accounts into a new, energy efficiency balancing account.[14] SCE proposes to track all energy efficiency revenues and expenses associated with program years after December 31, 1997 in a public purpose adjustment mechanism that also tracks funds for research development and demonstration and renewable energy programs. (*See* A.L. 1251-E.)

We will adopt CBEE's recommendation that PG&E, SDG&E and SCE create a new energy efficiency balancing account to receive PGC funds allocable to energy efficiency activities. The existing DSM balancing accounting will be maintained in one account, with unspent pre-1998 balancing account funds and expenditures associated with pre-1998 commitments (such as pre-1998 bidding program obligations) reflected in this account. No new PGC moneys will be credited to the DSM balancing account. Rather, a second new account will be established to track PGC funds that are allocable to the allowed 1998 energy efficiency programs, operating costs of the CBEE and the funds directed by the CBEE to a new administrator. This approach best provides a clear accounting trail for energy efficiency activities during and after the transition to the new administrative structure. For PG&E and SDG&E, the new account will receive funds allocable to both gas and electric programs. This accounting structure will also

[14] PG&E also proposes creating a public purpose program low-income balancing account, but this is an issue for the LIGB.

apply to SoCal when a similar PGC is adopted on the gas side and SoCal's program funds are transferred to CBEE.[17]

As discussed in CBEE's comments, fund transfers must occur in phases 2 and 3 described above, and a schedule and method of transfer must be agreed upon. The utilities have suggested, and the CBEE agrees, that a mutually-acceptable funding transfer mechanism and schedule of transfers be developed by CBEE and the utilities. In D.97-09-117, we adopted this approach for transferring RD&D and Renewables funds to the California Energy Commission.

Accordingly, we direct CBEE, PG&E, SDG&E and SCE to jointly develop a proposed schedule and milestones for a funding transfer mechanism related to energy efficiency programs. The milestones should include: 1) the joint filing of a statement listing (with specificity as to times, dates, amounts and implementing mechanisms) all funding transfer issues on which the parties have reached agreement, 2) separate pleadings addressing all funding transfer issues on which the parties have not reached agreement and 3) responsive pleadings on disputed issues and 4) implementing A.L. filings.

The joint schedule and milestones should be filed no later than 90 days after the effective date of today's order. Interested parties may comment on this filing no later than 15 days thereafter. Copies of the joint schedule and milestones and all comments shall be filed at the Commission's Docket Office and served on the Special Public Purpose service list in R.94-04-031, I.94-04-032.

The utilities' supplemental filings are largely silent on the matter of the verification and audit of the old and new balancing account entries, and program funding levels. Under D.97-02-014, utility-reported values are subject to verification by CBEE. (*See* D.97-02-014, *mimeo.*, p. 37; Conclusion of Law 85.) It is important that the internal methods for allocating labor, other expenditures and funds to the appropriate

[17] Under D.97-02-014, as clarified by D.97-04-044, SoCal has the option of continuing to operate its own energy efficiency and low-income programs until a gas surcharge is in place.

DSM accounts be revised, as necessary, to accommodate such future verification and audit exercises and the creation of the new balancing accounts.

The utilities should work with CBEE to review, and modify as necessary, existing program billing and audit procedures to permit detailed verification and audit of program spending and funds accounting. Although SoCal continues to operate its own energy efficiency programs until a gas surcharge is in place, it should participate in this effort. As we stated in D.97-06-108, and reiterated in D.97-09-117, we do not intend to delay such a charge indefinitely. (D.97-09-117, *mimeo.*, p. 14.) It is therefore important that SoCal also participate in the process of providing CBEE with information that will be needed to ensure a smooth transition to the new administrative structure.

VIII. Tracking Pre-1998 Commitments and Carryover Funds

In D.97-09-117, we directed the utilities to present updated estimates of pre-1998 commitments and the offsetting encumbrances and revenues available to fund those commitments. In its October 27, 1997 comments on the utilities' supplementary filings, CBEE presented tabular summaries of these estimates. CBEE's tables present a statewide projection of $109.9 million in net commitments (outstanding obligations less encumbrances) for pre-1998 program activities, excluding shareholder incentives. Carryover funds are estimated at a total of $153.2 million, for an estimated fund balance of $43.3 million on a statewide basis. At this time, however, it appears that net commitments will exceed carryover funds for PG&E and SCE by approximately $400,000 and $100,000, respectively. (*See* Attachment 6.)

As described in CBEE's comments, inconsistencies in the reporting of pre-1998 commitments, encumbrances and carryover funds by individual utilities still make it difficult for the CBEE to estimate these quantities accurately. Under D.97-09-117, the utilities are required to submit monthly reports on authorized program commitments and expenditures through the transition period. Consequently, it is important that consistent accounting of commitments and other financial quantities occur.

In particular, the lack of estimated end dates for certain utility programs, the use of inconsistent program categories, and the omission, in one case, of separate encumbrance estimates make the tabular summaries presented in the Appendix to this report less accurate, and more inconsistent, than is desirable. The utilities should work with CBEE to develop improved tabulations of net commitments and carryover estimates, providing specific estimates and program detail for these tabulations that are consistent with other program detail. The utilities should provide estimated end dates for each program commitment, noting when end dates are uncertain. Future reporting of commitments and encumbrances should be displayed, where appropriate, as a series of annual estimates, in addition to providing the total-to-end-date calculations. This additional detail will enable CBEE to estimate future obligations better as well as ascertain if there are particular years in which a net commitments funding problem arises.

In D.97-09-117, we deferred our consideration of cost recovery and ratemaking treatment for pre-1998 commitments until 1) more accurate estimates of commitments could be developed and 2) we could consider this issue in the context of similar ratemaking issues being debated in our electric industry restructuring proceeding. The utilities were directed to propose a tracking mechanism for pre-1998 commitments so that we could accurately track these commitments and determine the cost recovery and ratemaking treatment at a later date.

We note that PG&E and SoCal did not discuss the capability of their program account systems to track 1998 costs associated with pre-1998 commitments. We agree with CBEE that the utilities' accounting and expense booking systems should be sufficient to (1) fairly allocate staff and other costs to pre-1998 commitments versus other program elements and (2) permit separate aggregation of these activities' expenditures versus other program activity. To this end, the utilities should use program account numbering schemes to assign DSM activities to the appropriate program and account so that 1998 costs associated with pre-1998 commitments can be booked separately. As discussed below, the utilities should work with CBEE to ensure that its program account system meets these requirements.

Within 30 days from the effective date of this decision, the utilities should file compliance statements describing how their cost-accounting systems meet the requirements articulated above. CBEE should comment on the utilities' compliance statements within 15 days thereafter. The utilities shall work with CBEE to meet CBEE's concerns, as described in its October 27, 1997 filing.

IX. Modification of D.97-09-117 Contract Pay-Out End Dates

By D.97-09-117, Ordering Paragraph 9, we adopted CBEE's recommendations for contract pay-out end dates. On November 6, 1997, CBEE sent the assigned Administrative Law Judge a letter seeking to clarify its intent regarding fixed pay-out dates for certain activities funded from DSM accounts. Specifically, CBEE clarifies that utility measurement studies related to evaluating the impacts or cost-effectiveness of pre-1998 program years should be exempt from the December 31, 1997 pay-out deadline established in Ordering Paragraph 9, for "all other activities funded from DSM accounts." CBEE explains that the Board did not intend to enjoin utilities from signing any future measurement and evaluation contracts being pursued in relation to pre-1998 programs with pay-out dates after December 31, 1997, particularly those activities which have been required or authorized by previous Commission decisions.

On November 14, 1997, PG&E filed a Petition For Modification of D.97-09-117. In its Petition, PG&E requests modification of Ordering Paragraph 9 as CBEE recommended.

In addition, PG&E requests clarification that the contract pay-out dates apply to contracts signed after the issuance of D.97-09-117 on September 25, 1997. PG&E also requests that the pay out deadlines for market transformation or commercialization programs previously approved, as well as for its 1997 Residential New Construction program, be extended to reflect the fact that these programs were approved as two-year and 18-month programs, respectively.

We will clarify D.97-09-117 so that needed measurement-related contracts, both planned and in progress, can move forward. We also agree with PG&E that applying the contract pay-out end dates to agreements signed before the issuance of D.97-09-117 or to 1997 programs that were approved as 18-month or two-year programs would be unfair, and we modify Ordering Paragraph 9 accordingly.

Findings of Fact

1. SoCal's A.L. 2632 is a duplication of A.97-10-011, which is being addressed by today's decision.

2. The CBEE's proposed interim policy rules advance the Commission's goal of market transformation and creation of a self-sustaining energy efficiency services industry during the transition to new administrators.

3. PG&E's recommended changes to the statement of goals for energy efficiency do not comport with the Commission's articulation of those goals in D.97-02-026.

4. Because the interim rules apply only to program activities of interim administrators during 1998, PG&E's proposal to address the treatment of pre-1998 program commitments completed in 1999 is premature.

5. The language and textual construction of PU Code §§ 381 and 382 distinguish energy efficiency and conservation activities (and related funding) from programs and funding levels related to low-income ratepayer assistance.

6. PG&E's understandings of the numbers that were presented during the legislative negotiation process are of little assistance in determining Legislative intent.

7. CBEE's recommended 1998 program plans and nine-month budgets, as modified by this decision, represent a clear improvement over current programs in terms of meeting our market transformation objectives.

8. CBEE's recommended nine-month budget for 1998 includes funding for a new residential SPC program at a level that is approximately one-fourth the level proposed for the nonresidential SPC program. SPC is the primary program for retrofit applications contained in the proposed budget.

9. CBEE's program design recommendations encourage more competitive bidding than undertaken in the past, as well as more customer participation and third-party accountability.

10. Some program design issues, such as the ones identified in Attachment 3 that remain disputed, have historically been left to the discretion of the utilities so that they might tailor their programs to the specific needs and circumstances of their service territories.

11. During 1998, utilities will have considerable incentive to promote their own business interests in the restructured electric industry environment in their role as interim administrators.

12. The utilities should make all contracts, pricing, and measurement and evaluation methods between themselves and program implementers (e.g., ESCOs) publicly available.

13. Identifying the 1998 programs under a generic logo at the outset will (1) avoid customer confusion, (2) reduce information costs and (3) facilitate the transition to independent administration.

14. Introducing a competitive process for delivery of energy management services programs will avoid some of the potential anticompetitive advantages of the utility interim administrators.

15. Requiring a competitive process for energy management services programs and information and other education programs may disrupt ongoing market transformation programs included under these categories.

16. Withholding billing information from contractors under the SPC program or other programs subject to competitive bidding until each customer has been contracted and has given their written consent may be unworkable for certain energy efficiency applications and marketing approaches.

17. The utilities' proposed shareholder incentive mechanisms, as modified by CBEE, reduce the emphasis on resource savings associated with the current incentive mechanisms and introduce performance milestones based on criteria more suited to market transformation objectives. They offer improved compatibility with market transformation activities. CBEE's recommended earnings caps represent a reasonable balancing of risks and rewards associated with the proposed incentive mechanisms.

18. Shareholder incentives are still required during the utilities' continued administration of energy efficiency programs into 1998 because gas and electric utilities have significant disincentives to promoting energy efficiency in the new competitive environment.

19. Reducing the utility's earnings potential for 1998 programs without modifying other aspects of the incentive mechanisms would create an unacceptable imbalance in risks and rewards.

20. The ratemaking circumstances surrounding the utility applications as interim administrators are distinguishable from those related to pre-1998 shareholder incentives.

21. At the time the Commission issued D.97-02-014, it was anticipated that the new administrators for energy efficiency would be in place by January 1, 1998. Had that deadline been met, any profits to the new administrators resulting from the difference between the bid price and actual administration costs would have been funded out of 1998 PGC funds.

22. Funding 1998 shareholder incentives out of program carryover funds is inconsistent with prior treatment of those balances and with prior ratemaking treatment of gas-side shareholder incentives.

23. Modifying the shareholder incentive mechanism for program years 1994-1997 represents a retroactive change in policy.

24. There are insufficient grounds to treat SoCal differently from PG&E, SCE and SDG&E in terms of the recovery of unauthorized earnings for program years 1994-1997.

25. The cost-accounting system for energy efficiency PCG funds recommended by CBEE addresses three phases of transition to a new program administrator: (1) before CBEE has legal authority to receive funds, (2) after CBEE has legal authority to receive funds, but before activities are transferred to a new administrator, and (3) when the new administrators are established and the utilities' 1998 role as interim administrators ceases.

26. Creating a new energy efficiency balancing account to accommodate the separation of the PGC funds from funds authorized and collected for pre-1998 dollars would allow the status of those funds and expenditures during and after the transition be more apparent in the accounting trail.

27. Existing utility program billing and audit procedures may need to be modified to permit CBEE to perform detailed verification and audit of program spending and funds accounting.

28. Inconsistencies in the reporting of pre-1998 commitments, encumbrances and carryover funds by individual utilities make it difficult to estimate these quantities accurately. Lack of annual estimates for commitments and encumbrances make it difficult to estimate future obligations or to ascertain if there are particular years in which a net commitment funding problem arises.

29. The utility filings to date do not adequately describe the capability of their program accounting systems to track 1998 costs associated with pre-1998 commitments.

30. In establishing the contract pay out deadlines, CBEE did not intend to subject utility measurement studies related to evaluating the impacts or cost-effectiveness of pre-1998 program years to a December 31, 1997 deadline.

31. Applying the contract pay-out deadlines established in D.97-09-117 would impose a retroactive modification to agreements signed prior to that date.

Conclusions of Law

1. Because we are addressing all of the issues surrounding SoCal's 1998 program plans in today's order, A.L 2632 (filed October 1, 1997) is moot and should be rejected.

2. CBEE's proposed policy rules for the utility interim administrators (SDG&E, PG&E, SCE and SoCal), as set forth in Attachment 2, are reasonable and should be adopted. The application of these rules should be limited strictly to the activities of the utility interim administrators during 1998.

3. CBEE should file a proposed schedule and procedural forum for the Commission's consideration of shareholder incentives associated with the utilities' 1998 energy efficiency activities.

4. Based on the clear and unambiguous language of the statute, it is reasonable to interpret PU Code § 381(c)(1) as authorizing $106 million per year for PG&E's energy efficiency programs, not including funding for electric direct assistance or energy efficiency programs targeted to low-income ratepayers.

5. Funding for residential SPC programs should be increased for PG&E and SCE to afford residential customers a greater opportunity to achieve measurable savings in the retrofit market. Doubling the amounts recommended by CBEE is reasonable. If there are not sufficient cost-effective residential SPC programs available to use the increased funds, then remaining residential SPC funds should be allocated to other residential program activities during the utilities' 1998 program administration.

6. CBEE's recommended program designs and budget for the first nine months of 1998, as modified by this decision, strike a reasonable balance among many different views on how market transformation should be pursued during the transition to a new administrative structure.

7. During the first nine months of 1998, it is reasonable to allow the interim utility administrators discretion over remaining disputed program design issues, as identified in Attachment 3, consistent with past practices. To the extent that these issues are also applicable to programs being designed under the new administrative structure, CBEE should consider them further with continued public input.

8. As described in this decision, the utilities should submit to CBEE the specifics of their residential SPC programs in conformance with CBEE's guidelines and recommendations. (See Attachment 3.)

9. As described in this decision, SoCal should submit to CBEE the specifics of its shareholder incentive mechanism in conformance with CBEE's guidelines and recommendations. (See Attachment 3.)

10. The new administrators should offer all energy efficiency programs, including SPC, on a dual-fuel basis. In the meantime, SoCal and SCE should offer dual-fuel information and recommendations in their energy management programs, as proposed by CBEE.

11. CBEE should develop one or more appropriate statewide logos for energy efficiency to be used by the utilities in their 1998 program materials as soon as feasible. There should be co-branding for public disclosure purposes.

12. Any materials or programs (e.g., web sites, training materials, etc.) developed by the interim administrators with PGC funds should become the property of the CBEE and this Commission.

13. The utilities should be encouraged, but not required, to employ competitive bidding or their SPC system to select service providers for energy management services programs, and information and other education programs.

14. The utilities should make all contracts, pricing, and measurement and evaluation methods between themselves and program implementers (e.g., ESCOs) publicly available.

15. It is reasonable for the interim utility administrators to make customer billing records available to contractors under the SPC program or other programs subject to competitive bidding consistent with the procedures adopted for the DSM bidding pilot program. CBEE may review these procedures and make recommendations to modify them for the new administrators.

16. The program funding levels and program designs adopted today should be interim in nature, and apply only to utility energy efficiency activities undertaken in 1998.

17. CBEE's recommended shareholder incentive mechanisms, including earnings caps, for 1998 are reasonable and should be adopted. These incentive mechanisms should be limited to 1998 when utilities continue to administer energy efficiency programs. No shareholder incentives should be associated with contracts between the new administrator and the Board.

18. It is reasonable to fund 1998 shareholder incentives to the utility interim administrators in the same manner we would have authorized funding for the new administrators after January 1, 1998, including any profits they make, i.e., with PGC funds.

19. Utility shareholder incentives associated with 1998 gas energy efficiency activities should be recovered through changes in rates, consistent with past practices.

20. SoCal's proposal to modify the shareholder incentive mechanism adopted for program years 1994-1997 is unreasonable and should be denied.

21. CBEE's recommendations for a three-phase cost-accounting system and new energy efficiency balancing account to receive PCG funds allocable to energy efficiency are reasonable and should be adopted.

22. As described in this decision, CBEE should develop a funding transfer mechanism and schedule of transfers in collaboration with PG&E, SCE and SDG&E.

23. As described in this decision, the utilities (including SoCal) should work with CBEE to review, and modify as necessary, existing program billing and audit procedures to permit detailed verification and audit of program spending and funds accounting.

24. The utilities should work with CBEE to develop improved tabulations of pre-1998 commitments, encumbrances and carryover funds by, among other things, including separate encumbrance estimates and estimated end dates for programs, noting when end dates are uncertain. Future reporting of commitments and encumbrances should be displayed, where appropriate, as a series of annual estimates, in addition to providing the total-to-end-date calculations.

25. The utilities' accounting and expense booking systems should be sufficient to (1) fairly allocate staff and other costs to pre-1998 commitments versus other program elements and (2) permit separate aggregation of these activities' expenditures versus other program activity. To this end, the utilities should use program account numbering schemes to assign DSM activities to the appropriate program and account so that 1998 costs associated with pre-1998 commitments can be booked separately. As discussed in this decision, the utilities should work with CBEE to ensure that its program account system meets these requirements.

26. D.97-09-117, Ordering Paragraph 9, should be clarified to exempt from the new contract end date deadlines: 1) agreements signed prior to that date that include different contract end date deadlines and 2) utility measurement studies related to evaluating the impacts or cost-effectiveness of pre-1998 program years.

27. Because there are no remaining issues to address in A.97-10-001, A.97-10-002, A.97-10-011 and A.97-10-012, these dockets should be closed.

28. To proceed as expeditiously as possible with the 1998 energy efficiency programs, this order should be effective today.

O R D E R

IT IS ORDERED that:

1. Advice Letter 2632, filed by Southern California Gas Company (SoCal) on October 1, 1997 is moot and shall be rejected.

2. On or before October 31, 1998, the California Board for Energy Efficiency (CBEE) shall file a proposed schedule and procedural forum for the Commission's consideration of the level of shareholder incentives associated with the utilities' 1998 energy efficiency activities. Interested parties may file comments on CBEE's proposal no later than ten days thereafter. CBEE's proposal and parties' comments shall be filed at the Commission's Docket Office and served on the Special Public Purpose service list in Rulemaking (R.) 94-04-031/Investigation (I.) 94-04-032, or successor proceeding.

3. The nine-month budgets for utility energy efficiency activities recommended by CBEE as presented in Attachment 4 and further described in Attachment 3, Sections 2 and 3 are adopted with the following modifications: The amounts allocated in the proposed budget to residential standard performance contracting (SPC) for Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E) and Southern California Edison Company (SCE) shall be increased to the following levels: PG&E, $4.83 million; SCE, $3.6 million; SDG&E, $3.134 million; all utilities, $14.514 million.[11] Funding for nonresidential SPC shall be decreased to the following amounts: PG&E, $11.27 million; SCE, $14.2 million; SDG&E, $7.958 million; all utilities, $33.428 million. If there are not sufficient cost-effective residential SPC projects to utilize all of the allocated funding, then the remaining residential SPC funds shall be allocated to other residential programs during the utilities' 1998 administration or the new

[11] This total amount includes SoCal's residential SPC program funded at $2.95 million.

administrator may use such funds for residential programs in 1998. The utilities may increase nonresidential SPC spending to CBEE-recommended levels if there are any unallocated funds in Commission-approved 1998 nine-month budget levels.

4. CBEE's recommendations regarding program design for 1998 utility-administered energy efficiency activities, as presented in Attachment 3, Sections 6-11, are adopted. In addition:

- CBEE shall develop one or more appropriate statewide logos for energy efficiency to be used by PG&E, SDG&E, SCE, and SoCal, collectively referred to as "the utilities," in their 1998 program materials as soon as feasible. There shall be co-branding for public disclosure purposes once the logo(s) are developed.
- The utilities shall be encouraged, but not required, to employ competitive bidding or their SPC system to select service providers for energy management services programs, and information and other education programs.
- The utilities shall make all contracts, pricing, and measurement and evaluation methods between themselves and program implementers publicly available.

5. Any materials or programs (e.g., web sites, training materials, etc.) developed by the interim administrators with Public Goods Charge (PGC) funds shall become the property of the CBEE and this Commission so these materials or programs may be available to the new administrators no later than October 1, 1998.

6. The program funding levels and program designs adopted today shall be interim in nature, and apply only to utility energy efficiency activities undertaken during 1998.

7. CBEE's recommended 1998 shareholder incentive mechanisms, including earnings caps, as presented in Attachment 3, are adopted. These incentive mechanisms shall apply only during 1998 when utilities continue to administer energy efficiency programs.

8. The utilities shall provide access to customer information to contractors under the standard performance contract program and other programs subject to competitive bid, at cost, provided that (1) the contractor has documented its need for such records based on the specifics of its program implementation or marketing plan and

(2) appropriate security arrangements have been made that will protect the confidentiality of these records. Consistent with the procedures adopted for the DSM pilot bidding program, the utilities shall negotiate with contractors the specific procedures for (1) releasing customer records (with or without prior customer consent), (2) contacting the customer with program information and (3) ensuring confidentiality of customer-specific information. Until further notice, these procedures shall also apply to contractors serving under the new administrative structure. CBEE may review these procedures and propose modifications for the new administrators by filing such recommendations in R.94-04-031/I.94-04-032 and serving them on the Special Public Purpose service list in that proceeding.

9. SoCal shall submit the specifics of its shareholder incentive mechanism, including the mechanism for SPC programs, in conformance with CBEE's guidelines and recommendations, as presented in Attachment 3. SoCal shall work with CBEE and its consultants in developing this material and submit the documentation no later than twenty days after the effective date of this decision. At its earliest opportunity, CBEE shall address SoCal's submittal at a Board meeting, and send a letter summarizing the results and any subsequent recommendations to the assigned Commissioner and Administrative Law Judge. Copies of SoCal's submittal and CBEE's letter shall also be sent to the Special Public Purpose service list in R.94-04-031/I.94-04-032.

10. Utility shareholder incentives associated with 1998 gas energy efficiency activities shall be recovered through changes in rates, consistent with past practices. Utility shareholder incentives associated with PGC-funded 1998 energy efficiency activities should be funded with PGC funds authorized for energy efficiency programs.

11. SoCal's proposal to modify the shareholder incentive mechanism adopted for program years 1994-1997 is denied.

12. The utilities shall submit to CBEE the specifics of their residential SPC program in conformance with CBEE's guidelines and recommendations as presented in Attachment 3. In addition to containing a complete description of the SPC residential program, the filing should include any revisions to the net benefits used in performance awards. The utilities shall work with CBEE and its consultants in developing this

material and submit the documentation no later than fifteen days after the effective date of this decision. At its earliest opportunity, CBEE shall address these submittals at a Board meeting, and send a letter summarizing the results and any subsequent recommendations to the assigned Commissioner and Administrative Law Judge. The utility submittals and CBEE's letter shall be served on the Special Public Purpose service list in R.94-04-031/I.94-04-032.

13. The following cost accounting system for PGC funds related to energy efficiency activities is adopted:

- In Phase 1, before the CBEE has legal authority to receive funds, the utilities will continue to administer and implement 1998 energy efficiency programs and incur expenses associated with pre-1998 commitments. Procedures will be set up to track funds and expenditures associated with 1998 activities and pre-1998 commitments, and two balancing accounts will be created. The existing demand-side management balancing accounting will be maintained in one account, with unspent pre-1998 balancing account funds and expenditures associated with pre-1998 commitments (such as pre-1998 bidding program obligations) reflected in this account. No PGC moneys will be credited to the demand-side management balancing account; rather, a second new account will be established to track PGC funds that are allocable to the allowed 1998 energy efficiency programs, operating costs of the CBEE and the funds directed by the CBEE to a new administrator.
- Phase 2 spans from the date when the CBEE has the authority to receive funds to the date when activities are transferred to a new administrator. Once the CBEE is authorized to receive funds, funds for the operation of the CBEE will be transferred from the new account established in Phase 1 to the CBEE or CBEE-designated entity. Otherwise, during Phase 2, the fund and expenditure accounting continues as in Phase 1.
- Phase 3 begins when the new administrators are established, and the utilities' 1998 role as interim administrators ceases. At this point, energy efficiency funds will be transferred to the administrators or other CBEE-designated entity, and the interim tracking and transfer systems established in Phases 1 and 2 will be eliminated.

14. CBEE, PG&E, SDG&E and SCE shall jointly develop a proposed schedule and milestones for a funding transfer mechanism related to energy efficiency programs. The milestones shall include: 1) the joint filing of a statement listing (with specificity as to times, dates, amounts and implementing mechanisms) all funding transfer issues on which the parties have reached agreement, 2) separate pleadings addressing all funding

transfer issues on which the parties have not reached agreement and 3) responsive pleadings on disputed issues and 4) implementing advice letter filings. The joint schedule and milestones shall be filed no later than ninety days after the effective date of this decision. Interested parties may comment on this filing no later than 15 days thereafter. Copies of the joint schedule and milestones and all comments shall be filed at the Commission's Docket Office and served on the Special Public Purpose service list in R.94-04-031/I.94-04-032.

15. The utilities shall work with CBEE to review, and modify as necessary, existing program billing and audit procedures to permit detailed verification and audit of program spending and funds accounting.

16. The utilities shall work with CBEE to develop improved tabulations of pre-1998 commitments, encumbrances and carryover funds. These tabulations shall include, among other things, separate encumbrance estimates and estimated end dates for programs, noting when end dates are uncertain. Future reporting of commitments and encumbrances shall be displayed, where appropriate, as a series of annual estimates, in addition to providing the total-to-end-date calculations.

17. Within 30 days from the effective date of this decision, the utilities shall file compliance statements describing how their cost-accounting systems (1) fairly allocate staff and other costs to pre-1998 commitments versus other program elements and (2) permit separate aggregation of these activities' expenditures versus other program activity. CBEE may comment on the utilities' compliance statements within 15 days thereafter. The utilities shall work with CBEE to meet CBEE's concerns, as described in CBEE's October 27, 1997 Comments On Supplements To Utility Filings.

18. Ordering Paragraph 9 of D.97-09-117 is modified to read as follows (additions in in italics):

- "The following contract pay out end dates are approved, subject to modification after CBEE has conferred further with the utilities on the issue of inspection and verification. These dates shall apply to both gas and electric energy efficiency programs, including those currently operated by SoCal. *They do not apply to 1) utility measurement studies related to evaluating the impacts or cost-effectiveness of pre-1998 program years or 2) agreements signed prior to the effective date of this decision.*

- For 1997 New Construction programs, December 31, 1998.
- For 1997 Energy Management Services programs, December 31, 1997.
- For 1997 Energy Efficiency Incentive programs, not pertaining to contracts associated with Commission-approved DSM pilot bidding programs, July 1, 1998.
- *For PG&E's 1997 Residential New Construction Program, June 1, 1999.*
- *For market transformation and commercialization programs within the "Other DSM" and "Other Residential" categories, October 1, 1998.*
- For all other activities funded from DSM accounts, December 31, 1997."

19. Application (A.) 97-10-001, A.97-10-002, A.97-10-011, A.97-10-012 are closed.

This order is effective today.

Dated December 16, 1997, at San Francisco, California.

JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
Commissioners

I will file a dissent.

/s/ P. GREGORY CONLON
President

ATTACHMENT 1
Page 1

************ SERVICE LIST ************

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710012

**************** APPEARANCES ****************

Dani Jo Merryman
EDISON SOURCE
13191 CROSSROADS PARKWAY NORTH SUITE 405
CITY OF INDUSTRY CA 91746
(562) 463-5108

Terry E. Singer
Executive Director
NATIONAL ASSOC OF ENERGY SERVICE CO
1615 M STREET, N.W. RM 800
WASHINGTON DC 20036-3203
(202) 822-0950

Peter Miller
Senior Scientist
NATURAL RESOURCES DEFENSE COUNCIL
71 STEVENSON STREET RM 1825
SAN FRANCISCO CA 94105
(415) 777-0110

Michelle L. Wilson
Attorney At Law
PACIFIC GAS AND ELECTRIC COMPANY
PO BOX 7442
77 BEALE STREET
SAN FRANCISCO CA 94120

James F. Walsh
Attorney At Law
SAN DIEGO GAS & ELECTRIC COMPANY
101 ASH STREET
PO BOX 1831
SAN DIEGO CA 92112
(619) 699-5022

Daniel Meek
Atty At Law
SESCO INC,/RESCUE
10949 S.W. 4TH AVENUE
PORTLAND OR 97219
(503) 293-9021

Frank J. Cooley
LAURA A. LARKS
SOUTHERN CALIFORNIA EDISON CO.
PO BOX 800
2244 WALNUT GROVE AVENUE
ROSEMEAD CA 91770
(626) 302-2908

Steven D. Patrick
Attorney At Law
SOUTHERN CALIFORNIA GAS COMPANY
633 WEST FIFTH ST., SUITE 5200
LOS ANGELES CA 90071-2071
(213) 895-5190

Sara Steck Myers
Atty At Law
WILLIAM NESBIT & ASSOCIATES
1221 FARMERS LANE
SANTA ROSA CA 95405
(707) 522-1457

*************** STATE EMPLOYEES **************

ENERGY DIVISION
ROOM 4002
CPUC

Meg Gottstein
Administrative Law Judge Division
RM. 5041
505 VAN NESS AVE
SAN FRANCISCO CA 94102
(415) 703-4802

Barbara Ortega
Executive Division
RM. 5109
107 S. BROADWAY, ROOM 5109
LOS ANGELES CA 90012
(213) 897-4158

************** INFORMATION ONLY **************

Richard Shaw
SECOND FLOOR
160 SOUTH FAIRFAX
LOS ANGELES CA 90036

ATTACHMENT 1
Page 2

************ SERVICE LIST ************

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R9404031 PUBLIC PURPOSE
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**************** APPEARANCES ****************

Nancy Rader
AMERICAN WIND ENERGY ASSOCIATION
1198 KEITH AVE
BERKELEY CA 94708

Glynnis Jones
APPLIANCE RECYCLING CNTRS OF AMERICA
1823 ELEVENTH STREET
SACRAMENTO CA 95815

Evelyn K. Elsesser
Attorney At Law
ATER WYNNE HEWITT DODSON & SKERRITT
ONE EMBARCADERO CENTER SUITE 2420
SAN FRANCISCO CA 94111
(415) 421-4143

Michael P. Alcantar
Attorney At Law
ATER WYNNE HEWITT DODSON & SKERRITT
222 SW COLUMBIA, SUITE 1800
PORTLAND OR 97201

Barbara Barkovich
Principal
BARKOVICH AND YAP, INC.
31 EUCALYPTUS LANE
SAN RAFAEL CA 94901-2304

William F. Parker
President
BAY AREA POVERTY RESOURCE COUNCIL
930 BRITTAN AVENUE
SAN CARLOS CA 94070

Maurice Brubaker
BRUBAKER & ASSOCIATES, INC.
PO BOX 412000
1215 FERN RIDGE PARKWAY RM 208
ST. LOUIS MO 63141-2000

Tim Tutt
CALIFORNIA ENERGY COMMISSION
MS-22
1516 9TH STREET, MS-22
SACRAMENTO CA 95184

Neal A. Johnson
Management Board
CALIFORNIA INTEGRATED WASTE
8800 CAL CENTER DRIVE
SACRAMENTO CA 95826-3268

Christopher S. Taylor
Action Assoc.
CALIFORNIA/NEVADA COMMUNITY
225 30TH STREET SUITE 200
SACRAMENTO CA 95816-3359

Joy Omania
Action Association
CALIFORNIA/NEVADA COMMUNITY
225 30TH STREET SUITE 200
SACRAMENTO CA 95816

Eileen A. Koch
CALPINE CORPORATION
50 W. SAN FERNANDO ST.
SAN JOSE CA 95113

Richard Shaw
CHASE SHANNON
PO BOX 469
FILLMORE CA 91305

Michael Yamada
CITY OF L.A. DEPT OF WATER AND POWER
ROOM 1534 GOB
PO BOX 111
LOS ANGELES CA 90051

David Cruthers
13430 NORTHWEST FREEWAY
HOUSTON TX 77040

Mark J. Berman
Director Of Business Development
DAVIS ENERGY GROUP
123 C STREET
DAVIS CA 95616

Michael J. Micciche
And Development
DEPARTMENT OF COMMUNITY SERVICES
700 NORTH TENTH STREET RM 258
SACRAMENTO CA 95814

************ SERVICE LIST ************

Doug Grandy
DEPARTMENT OF GENERAL SERVICES
717 K STREET, SUITE 409
SACRAMENTO CA 95814

Norman J. Furuta
Attorney At Law
DEPARTMENT OF THE NAVY
OFFICE OF THE GENERAL COUNSEL
900 COMMODORE DRIVE, (CODE 09C)
SAN BRUNO CA 94066-5006

Sam Defrawi
Director (Code Corl)
DEPARTMENT OF THE NAVY
BLDG 212, FOURTH FLOOR
901 M STREET, SE, BLDG.212, 4TH FL.
WASHINGTON DC 20374-5018

Ray Czahar
ECONOMIC & TECHNICAL ANALYSIS GROUP
ROUTE 116 NORTH
5650 GRAVENSTEIN HIGHWAY
FORESTVILLE CA 95436
(707) 887-2522

Ron Knecht
ECONOMIC AND TECHNICAL ANALYSIS GROUP
3419 SCOTT STREET
SAN FRANCISCO CA 94123
(415) 922-3824

Richard H. Counihan
EDISON SOURCE
13191 CROSSROADS
CROSSROADS NORTH
CITY OF INDUSTRY CA 91746
For: Edison Enterprises

Carolyn A. Baker
Attorney At Law
EDSON & MODISETTE
925 L STREET, SUITE 1490
SACRAMENTO CA 95814
(916) 552-7070

Marvin Liebermann
ELECTRIC POWER RESEARCH INSTITUTE
3412 HILLVIEW AVENUE
PALO ALTO CA 94304-1395

Lynn M. Haug
Attorney At Law
ELLISON & SCHNEIDER
2015 H STREET
SACRAMENTO CA 95814

Don Wood
Sr. Business Development Specialist
ENERGY PACIFIC
4539 LEE AVE.
LA MESA CA 91941

Dan Kirshner
Senior Economic Analyst
ENVIRONMENTAL DEFENSE FUND
5655 COLLEGE AVE., SUITE 304
OAKLAND CA 94618

William L. Nelson
ENVIRONMENTAL MARKETING GROUP
1926 CONTRA COSTA BLVD, STE 176
PLEASANT HILL CA 94523-3034

Dian M. Grueneich
Atty At Law
GRUENICH RESOURCE ADVOCATES
582 MARKET STREET, STE. 407
SAN FRANCISCO CA 94104

Charles J Hahn
611 ANTON BLVD SUITE 700
COSTA MESA CA 92626
For: Bentley Company

James Hodges
4720 BRAND WAY
SACRAMENTO CA 95819
For: East Los Angeles Community Union

Jan Smutny-Jones
Association
INDEPENDENT ENERGY PRODUCERS
1112 I STREET, STE. 380
SACRAMENTO CA 95814-2896

Robert E. Burt
Consultant
INSULATION CONTRACTORS ASSOCIATION
2210 K STREET
SACRAMENTO CA 95816

Carl Robert Aron
Exec. Vice President
ITRON, INC.
PO BOX 15288
2818 N. SULLIVAN ROAD
SPOKANE WA 99216

************ SERVICE LIST *************

William H. Booth
Attorney At Law
JACKSON TUFTS COLE & BLACK, LLP
650 CALIFORNIA STREET, STE 3130
SAN FRANCISCO CA 94108-2613

Norman A. Pedersen
Atty At Law
JONES, DAY, REAVIS & POGUE
555 WEST FIFTH ST., SUITE 4600
LOS ANGELES CA 90013-1025
(213) 243-2810

Tim Krause
PO BOX 519
CYPRESS CA 90630
For: Energx Controls, Inc.

Luis Arteaga
ROXANNE FIGUEROA
LATINO ISSUES FORUM
785 MARKET ST., 3RD FL.
SAN FRANCISCO CA 94103

Susan Brown
Legal Counsel
LATINO ISSUES FORUM
785 MARKET STREET 3RD FLOOR
SAN FRANCISCO CA 94103-2003
(415) 284-7220

Edward B. Lozowicki
Attorney At Law
TEN ALMADEN BLVD., SUITE 1250
SAN JOSE CA 95113

Emilio E. Varanini III
Atty At Law
MARRON, REID, & SHEEHY
980 9TH STREET, STE. 1800
SACRAMENTO CA 95814

Marc Mihaly
Attorney
396 HAYES STREET
SAN FRANCISCO CA 94102
For: LIGB

Terry E. Singer
Executive Director
NATIONAL ASSOC OF ENERGY SERVICE CO
1615 M STREET, N.W. RM 800
WASHINGTON DC 20036-3203
(202) 822-0950

Sheryl Carter
Policy Analyst
NATURAL RESOURCES DEFENSE COUNSEL
71 STEVENSON ST., STE. 1825
SAN FRANCISCO CA 94131

Thomas J. O'Rourke
O'ROUKE & COMPANY
44 MONTGOMERY STREET, RM 1705
SAN FRANCISCO CA 94104

A. Y. Ahmed
OCCIDENTAL ANALYTICAL GROUP
1313 N GRAND AVENUE, STE 392
WALNUT CA 91789
For: Occidental Analytical Group

Richard T. Sperberg
ONSITE ENERGY CORPORATION
701 PALOMAR AIRPORT ROAD RM 200
CARLSBAD CA 92009

Robert B. Mclennan
Attorney At Law
PACIFIC GAS AND ELECTRIC COMPANY
PO BOX 7442
77 BEALE ST RM 3131
SAN FRANCISCO CA 94120

Robert B. Mclennan
ROGER PETERS
Attorney At Law
PACIFIC GAS AND ELECTRIC COMPANY
PO BOX 7442
77 BEALE ST RM 3131
SAN FRANCISCO CA 94120

Patrick Petersilia
555 W FIFTH STREET
LOS ANGELES CA 90013
For: Southern California Gas Company

Stanley I. Anderson
POWER VALUE INCORPORATED
877 YGNACIO VALLEY ROAD, SUITE 105
WALNUT CREEK CA 94596

Thomas Adams
PROVEN ALTERNATIVES, INC
1740 ARMY STREET
SAN FRANCISCO CA 94124

************ SERVICE LIST ************

Richard Esteves
RESCUE/SESCUE, INC.
77 YACHT CLUB DRIVE, RM 1000
LAKE FOREST NJ 07849
(201) 663-5125

Dennis Dobkowski
Clearing House, Inc.
RESIDENTIAL ENERGY EFFICIENCY
19896 FELICIA DRIVE
YORBA LINDA CA 92886

Bryan Griess
RESOURCE MANAGEMENT INTERNATIONAL
3100 ZINFANDEL DRIVE, SUITE 600
SACRAMENTO CA 95852-1516

Robert Mowris
ROBERT MOWRIS & ASSOCIATES
10 RIDGE LANE
ORINDA CA 94563

Yole Whiting
SAN DIEGO GAS & ELECTRIC CO.
BLDG. 4, ROOM 4226A
8306 CENTURY PARK COURT
SAN DIEGO CA 92123

James Walsh
Attorney At Law
SAN DIEGO GAS & ELECTRIC COMPANY
101 ASH STREET
SAN DIEGO CA 92112-4150

Lynn G. Van Wagenen
Atty At Law
SAN DIEGO GAS & ELECTRIC COMPANY
101 ASH STREET RM 10A
SAN DIEGO CA 92109

Steven Schiller
PHILLIP HASLEY
SCHILLER ASSOCIATES
1333 BROADWAY, SUITE 1015
OAKLAND CA 94612

Jeff Schlegel
1167 SAMALAYUCA DRIVE
TUCSON AZ 85704-3224
For: Consultant to CBEE

Daniel Meek
Atty At Law
SESCO INC,/RESCUE
10949 S.W. 4TH AVENUE
PORTLAND OR 97219
(503) 293-9021

Robert Perlmutter
Attorney At Law
SHUTE, MIHALY & WEINBERGER
396 HAYES STREET
SAN FRANCISCO CA 94102
For: LIGB

Rick Breeze-Martin
SIERRA BUSINESS CONSULTING
19625 CEDAR ROAD
SONOMA CA 95370

Rich Ferguson
SIERRA CLUB
SUITE 300
1100 11TH STREET, SUITE 300
SACRAMENTO CA 95814

Frank J. Cooley
BRUCE A. REED
SOUTHERN CALIFORNIA EDISON CO.
PO BOX 800
2244 WALNUT GROVE AVENUE
ROSEMEAD CA 91770
(626) 302-2908

Steven D. Patrick
Attorney At Law
SOUTHERN CALIFORNIA GAS COMPANY
633 WEST FIFTH ST., SUITE 5200
LOS ANGELES CA 90071-2071
(213) 895-5190

Leonard Stein
Attorney At Law
STEEFEL, LEVITT & WEISS
29TH FLOOR
SAN FRANCISCO CA 94111
For: CBEE

Keith R. Mccrea
SUTHERLAND, ASBILL & BRENNAN
1275 PENNSYLVANIA AVENUE, NW
WASHINGTON DC 20004-2404

************ SERVICE LIST ************

Robert Finkelstein
Attorney At Law
THE UTILITY REFORM NETWORK
711 VAN NESS AVENUE, SUITE 350
SAN FRANCISCO CA 94102

Dr. Donald W. Aitken
UNION OF CONCERNED SCIENTISTS
20100 SKYLINE BOULEVARD
WOODSIDE CA 94062

Robert Ellery
UNITED AMERICAN ENERGY
2420 CAMINO RAMON, SUITE 229
SAN RAMON CA 94583

Carl Blumstein
Energy Institute
UNIVERSITY OF CALIFORNIA BERKELEY
2539 CHANNING WAY
BERKELEY CA 94720

Linda Williams
UTILITY REFORM PROJECT
10266 S.W. LANCASTER ROAD
PORTLAND OR 97219

Philip Vermeulen
1335 RIDGEDALE COURT
ROSEVILLE CA 95661
For: Service Institute

James Walsh
Attorney At Law
101 ASH STREET
SAN DIEGO CA 92112-4150
For: San Diego Gas & Electric Company

Sharon Weinberg
1111 BROADWAY SUITE 1200
OAKLAND CA 94607
For: CH2M Hill

Jeffrey C. Sprecher
WESTERN POWER GROUP INC.
660 NEWPORT CENTER DRIVE, STE 470
NEWPORT BEACH CA 92660

Sara Steck Myers
Atty At Law
WILLIAM NESBIT & ASSOCIATES
1221 FARMERS LANE
SANTA ROSA CA 95405
(707) 522-1457

Wallis J. Winegard
WINEGARD ENERGY
1806 FLOWER AVENUE
DUARTE CA 91010

Nancy Licht
WM. NESBIT & ASSOCIATES
1221 FARMERS LANE
SANTA ROSA CA 95405

*************** STATE EMPLOYEES *************

Diana Brooks
Office of Ratepayer Advocacy
RM. 4102
505 VAN NESS AVE
SAN FRANCISCO CA 94102
(415) 703-1445

Daivd Abelson
CALIFORNIA ENERGY COMMISSION
MS-14
1516 9TH STREET
SACRAMENTO CA 95184

Michael Messenger
CALIFORNIA ENERGY COMMISSION
MS-22
1516 9TH STREET
SACRAMENTO CA 95184

Monica Rudman
CALIFORNIA ENERGY COMMISSION
MS-42
1516 9TH STREET, MS 42
SACRAMENTO CA 95184-5512

Don Shultz
Office Of Ratepayer Advocates
CALIFORNIA PUBLIC UTILITIES COMMISSION
1207 O STREET
SACRAMENTO CA 95662

Henry Knawls
Dept. Of Community & Senior Services
COUNTY OF LOS ANGELES
3175 WEST 6TH STREET RM 200
LOS ANGELES CA 90020

Robert C. Cagen
Legal Division
RM. 5124
505 VAN NESS AVE
SAN FRANCISCO CA 94102
(415) 703-2197

************ SERVICE LIST ************

Meg Gottstein
PO BOX 210
VOLCANO CA 95689-0210

Alex L. Franco
GTE CALIFORNIA INCORPORATED
SUITE 300
711 VANNESS AVENUE
SAN FRANCISCO CA 94102

Meg Gottstein
Administrative Law Judge Division
RM. 5041
505 VAN NESS AVE
SAN FRANCISCO CA 94102
(415) 703-4802

Laura A. Martin
Energy Division
AREA 4-A
505 VAN NESS AVE
SAN FRANCISCO CA 94102
(415) 703-2149

Geoffrey W. Meloche
Consumer Services Division
AREA 2-D
505 VAN NESS AVE
SAN FRANCISCO CA 94102
(415) 703-3372

Maurice Monson
Energy Division
AREA 4-A
505 VAN NESS AVE
SAN FRANCISCO CA 94102
(415) 703-3072

Jay Morse
Office of Ratepayer Advocacy
RM. 4102
505 VAN NESS AVE
SAN FRANCISCO CA 94102
(415) 703-1587

Nancy Brockway
NATIONAL CONSUMER LAW CENTER, INC.
18 TREMON STREET, SUITE 400
BOSTON MA 02108

Maggie M. Cuadros
Center, Inc.
NORTH PENINSULA NEIGHBORHOOD SERVICES
600 LINDEN AVE.
SOUTH SAN FRANCISCO CA 94080

Barbara Ortega
Executive Division
RM. 5109
107 S. BROADWAY, ROOM 5109
LOS ANGELES CA 90012
(213) 897-4158

John P. Rozsa
Senate Energy Advisor
STATE CAPITOL, ROOM 408
SACRAMENTO CA 95814

Russell C. Salazar
Dept. Of Community Services & Dvlp.
STATE OF CALIFORNIA
700 NORTH 10TH ST. RM 258
SACRAMENTO CA 95814-0338

James E. Scarff
Legal Division
RM. 5121
505 VAN NESS AVE
SAN FRANCISCO CA 94102
(415) 703-1440

Thomas W. Thompson
Office of Ratepayer Advocacy
AREA 3-B
505 VAN NESS AVE
SAN FRANCISCO CA 94102
(415) 703-2881

Donna L. Wagoner
Energy Division
AREA 4-A
505 VAN NESS AVE
SAN FRANCISCO CA 94102
(415) 703-3175

Helen W. Yee
Legal Division
RM. 5031
505 VAN NESS AVE
SAN FRANCISCO CA 94102
(415) 703-2474

************** INFORMATION ONLY **************

Taghi Alereza
ADM ASSOCIATES
3239 RAMOS CIRCLE
SACRAMENTO CA 95827

************ SERVICE LIST ************

Robert W. Carr
Air Pollution Control Officer
AIR POLLUTION CONTROL DISTRICT
3433 ROBERTO COURT
SAN LUIS OBISPO CA 93401

Tom Delaney
BONNEVILLE POWER ADMINISTRATION
2939 NW 23RD
CAMAS WA 98607

Scott D. Rasmussen
Assistant City Attorney
CITY OF PASADENA
150 S LOS ROBLES AVENUE, STE 200
PASADENA CA 91101

Richard Ely, Ph.D.
Economist
1213 PURDUE
DAVIS CA 95616

Elisabeth R. Gunther
Atty. At Law
GUNTHER, SIVAS & WALTHALL
123 TOWNSEND STREET, STE 250
SAN FRANCISCO CA 94107

Steven Kelly
INDEPENDENT ENERGY PRODUCERS ASSOCIATION
1112 I STREET, STE. 380
SACRAMENTO CA 95814-2823

John Wiley Gould
LANE, POWELL, SPEARS & LUBERSKY
520 S. W. YAMHILL, STE. 800
PORTLAND OR 97204

Judy Corbett
LOCAL GOVERNMENT COMMISSION
1414 K ST. SUITE 250
SACRAMENTO CA 95814

Georganne Ross
MARRON, REID & SHEEHY, LLP
601 CALIFORNIA STREET, SUITE 1200
SAN FRANCISCO CA 94108-2896

Scott Mcgaraghan
466 SCOTT STREET .
SAN FRANCISCO CA 94771-2323
(415) 551-2390

Dinesh Bhagani
Assoc Analyst
NORTHEAST UTILITIES SYSTEM
107 SELDEN STREET
BERLIN CT 06037
(860) 665-2046

David K. Slifer
PLANERGY SERVICES INC.
1003 WEST CUTTING BLVD., STE. 110
RICHMOND CA 94804-2028

Bruce K. Thiesen
PRICE WATERHOUSE LLP
555 CALIFORNIA STREET
SAN FRANCISCO CA 94104
(415) 398-8764

Bud Beebe
SACRAMENTO MUNICIPAL UTIL DIST
6201 S STREET
SACRAMENTO CA 95817-1899

George Sanchez
4820 34TH STREET
SAN DEIGO CA 92116

Edward E Maddox
SEAWEST ENERGY CORPORATION
1455 FRAZEE ROAD
SAN DIEGO CA 92108

Faye Smothers
16 LAHONDA COURT
EL SOBRANTE CA 94803

Candy Stevens
SOUTHERN ENERGY INC.
900 ASHWOOD PARKWAY, 3RD FLOOR, RM 3017
ATLANTA CA 30338

James C. Paine
Attorney At Law
STOEL RIVES LLP.
900 S.W. FIFTH AVENUE RM 2300
PORTLAND OR 97225
(503) 294-9246

Jack Pigott
TERRAWATT INC
650 CASTRO STREET NO 120-220
MOUNTAIN VIEW CA 94041

Ted Jones
THE ALLIANCE TO SAVE ENERGY
1200 18TH STREET, N.W. RM 900
WASHINGTON DC 20036

ATTACHMENT 1
Page 9
************ SERVICE LIST *************

Thomas G. Eckhart
UCONS, LLC.
3055 112TH N.E., STE. 225
BELLEVUE WA 98004

Philip Vermeulen
1335 RIDGEDALE COURT
ROSEVILLE CA 95661

(END OF ATTACHMENT 1)

ATTACHMENT 2
Page 1

INTERIM POLICY RULES

I. GENERAL: Energy Efficiency Objectives, Definitions and Reporting Requirements

A. This Commission's goal for energy efficiency has changed from trying to influence utility decision makers, as monopoly providers of generation services, to trying to transform the market so that individual customers and suppliers in the future, competitive generation market will be making rational energy service choices.[1]

B. The objectives for energy-efficiency policies have changed to the use of PGC-funded energy-efficiency programs that will: (1) encourage direct interactions and negotiations between private energy-efficiency providers and customers; (2) promote the upstream market (e.g. manufacturers and retailers) so that energy-efficient products and services are available and advertised by private vendors and builders; (3) provide cost-beneficial energy-efficiency services to customers not normally served by markets; (4) empower customers with meaningful information on the costs and benefits of energy-efficiency measures; (5) reduce market barriers to investments in energy-efficient products and services; and (6) create a sustainable and competitive energy efficiency services market.

C. All programs should be designed, and impacts reported, in a manner that enables a systematic evaluation of market barriers addressed, and the elements of the energy efficiency service industry affected by the program.

D. Current definitions of "programs" should be used in planning, designing, implementing and reporting on energy efficiency activities in 1998, modified by adding a supra-category for integrated and upstream market transformation programs, which does not replace but is used in addition to the regular definitions. Within this categorization, report programs that involve financial incentives to customers or other market actors, separately.[2]

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[1] New rule which, in effect, replaces current Policy Rules #1-3, with the language in D.97-02-014, Finding of Fact 1.

[2] Modification to current Policy Rule #4; integrated and upstream market transformation includes Residential New Construction, Nonresidential New Construction, as well as projects and programs targeted to manufacturers, retailers, and other trade allies.

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E. The October 1, 1997 filing should contain, but not be limited to: (1) the standard tables for reporting proposed budgets and expected cost-effectiveness results; (2) a new section entitled "DSM Commitments."[3]

F. The CBEE is an appropriate forum for parties to review program implementation and any proposed changes to programs.[4]

G. The Rules and Definitions most recently published in the Administrative Law Judge Ruling of June 3, 1997, apply to utility programs implemented prior to January 1, 1998. The Proposed Rules in this document apply only to programs implemented by the Interim Administrator during 1998.

II. COST-EFFECTIVENESS (Ex ante, before the program, requirements)

A. Energy Management Services programs should be focused on informational market barriers and provided to customers with no expectations for measuring or reporting program-level load impacts or cost-effectiveness; administrator performance mechanisms for these programs, therefore, may be based on criteria other than load impacts or conventional relationships between costs and benefits.[5]

B. Retrofit Energy Efficiency Programs (REEI), in aggregate, should pass both the TRC and UC tests of cost-effectiveness by including both actual projects completed in 1998 and projects committed to in 1998, as measured by a benefit-cost ratio of 1.0 or greater, with benefits defined per the SPM, and costs defined by the costs in the SPM plus any administrator reward or incentives.[6]

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[3] Modifies current Commission requirement and expectations for the scope and content of the October 1 filing. Decision 97-09-117 directs utilities to supplement their October 1 filing by October 15, 1997.

[4] Replaces current Policy Rule #24.

[5] New rule which, in effect, replaces cost-effectiveness expectations for EMS programs in Policy Rule #11.

[6] Represents (1) modification of current Policy Rule #5 (which references the SPM and "requires" use of all tests of cost-effectiveness); (2) modification to current Policy Rule #6 (which requires, among other things, measure-level "dual-test" of cost-effectiveness for each program); and (3) retention of Policy Rule #10 (inclusion of "shareholder incentives" as a cost in cost-effectiveness tests).

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C. For New Construction Programs (residential and nonresidential, in aggregate), the TRC test should be the primary indicator of cost-effectiveness by including both actual projects completed in 1998 and projects committed to in 1998. New Construction Programs should be designed, funded and implemented in a manner that effectively promotes the development of future, higher efficiency standards by the CEC, as well as the objectives of Public Utilities Code § 701.1. In conjunction with the CEC standards, utility New Construction Programs should provide resource benefits in the form of reduced demand to be met by the utility electric and gas systems. New Construction programs should also be designed to minimize lost energy efficiency opportunities.[7]

D. The need for additional M&E studies to measure load impacts from REEI and New Construction programs offered by the Interim Administrator should be minimal. These programs should use the measured verified load impacts and measure costs (costs of the investment in energy efficiency materials or equipment) estimates from PY95-96.[8]

E. For calculating the benefits for the TRC and UC tests, the avoided costs should be the avoided costs (gas and electric) used for PY97 programs.[9]

F. For other programs for which cost-effectiveness data are either not readily available or for which there is not a demonstrated track record on the effectiveness of the program design and delivery strategy to transform markets, the interim administrators must:

- identify the costs and benefits of the technology or service opportunities promoted by the program;
- identify potential increases in saturation or sales of energy-efficient technologies that can be attributed to the program; and
- compare the overall costs and benefits (if available) associated with the program using the Utility Cost Test.

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[7] Modified treatment of cost-effectiveness for New Construction programs, as contained in current Policy Rule #11.

[8] New rule which, in effect, replaces current Policy Rules #20-22.

[9] New rule which, in effect, replaces current Policy Rules #7 and 8.

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G. For purposes of the October 1, 1997 filing, the Interim Administrator must demonstrate that the benefits for the total portfolio of programs authorized for use in PY98 exceed the total costs of surcharge funds (e.g., the portfolio should pass a utility cost type test with a benefit-cost ratio greater than 1), with benefits determined per Interim Rules II.D, E, and F.

III. ADMINISTRATOR PERFORMANCE MECHANISMS

A. Interim Administrators may propose Administrator Performance Mechanisms for PY98 activities, which can include either: (1) modified forms of current incentive mechanisms that reflect changes in cost-effectiveness requirements or program design (e.g., shared savings and performance adder); or (2) new mechanisms, called Performance Awards.[10]

B. Performance Awards proposed by Interim Administrators must include performance milestones which are related to the market effects targeted by the program and which can be verified during or after the programs' operation by an independent party. These milestones, if achieved successfully, will be used to determine some or all of the Performance Award to be received by the Interim Administrator for that program and represent a proxy for the overall performance or value produced by the program. Two types of performance milestones may be proposed: (1) activity milestones - that link compensation to achievement of performance specific targets (e.g., program participation goals, specific market effects such as changes in stocking practices or increased customer awareness of targeted technology, or specific market outcomes such as introduction of new services or products), (2) management milestones - that link compensation levels to successful design, delivery, and transfer of the program to the New Administrator.

C. For purposes of reporting post-implementation program impacts, including satisfying performance requirements established for new or modified administrator performance mechanisms, the performance award may be affected by the reported net benefits. The interim administrator must report committed and actual costs and benefits determined per Interim Rules II.D, E, and F.

D. For any administrator incentive mechanism that causes a rate impact outside of the impact from the energy efficiency surcharge, the administrator should explicitly quantify: (1) the rate effects of both the program incentive and program costs to

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[10] New rule which, in effect, replaces current Policy Rules #14-19.

which the incentive will apply; (2) the program's net resource savings; and (3) the timing of both rate effects and resource savings."[11]

E. Treatment of earnings from pre-98 commitments: projects completed during 1998 that were the covered by a commitment made prior to 1998 should be considered eligible for earnings based on either: (1) the terms and conditions of the earnings mechanism that was in place for the program at the time of the commitment; or (2) the terms and conditions of the administrator performance mechanism adopted for a comparable program for new projects completed or committed to during 1998.

F. Payments for interim administrators' performance incentives will be made from: (a) electric utility energy efficiency surcharge funds for SCE; (b) authorized energy efficiency funds for 1998, specifically electric energy efficiency surcharge funds and authorized gas funds for SDG&E and PG&E; and, (c) unspent DSM funds available at the end of 1997 for SoCalGas.

G. Performance awards to each interim administrator will be capped at the amount authorized for 1998. The CBEE will be responsible for verifying the performance results of the interim administrator and making recommendations to the CPUC on the reward payments.

H. The costs of CBEE verification of PY 1998 program activities will be covered by the energy efficiency surcharge; the costs and process for verification of utility DSM programs completed prior to 1998 will continue under the verification process identified in Appendix B of the Commission-adopted Measurement and Evaluation Protocols.

IV. PROGRAM DESIGN

A. Collectively, the program offerings should reflect and include a portfolio of services, including general information, customer-specific information and financial assistance, and services to entities in the energy efficiency industry delivery chain that are upstream from end use customers; the allocation of funds between these types of services, for purposes of pre-implementation budgeting and planning and during implementation, should be established according to the cost-effectiveness and incentive mechanism rules identified in Sections II and III and the program design rules identified in this section.

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[11] Current Policy Rule #23.

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B. General information services includes services provided by utility energy centers, mass market information activities, general support activities, and educational information on energy efficiency.

C. Customer specific information services associated with the Residential Energy Management Services programs: (1) should be coordinated and consistent with the messages and materials available to customers as part of the electricity Customer Education Plan (i.e., the general message regarding changes in energy service markets associated with restructuring, and the message that customers also have choices regarding increasing energy efficiency); (2) should provide information to end users about efficiency opportunities for electric and natural gas usage; and, (3) may be combined with one or more forms of financial assistance typically provided through the Residential retrofit energy efficiency incentives program (e.g., direct installation of low cost high efficiency measures, rebates for identified energy efficiency measures, loans for a package of efficiency improvements to targeted dwelling units).

D. Customer-specific information services associated with Commercial, Industrial, and Agricultural EMS programs: (1) should be designed and provided in a manner that is coordinated and consistent with the messages and materials available to "small commercial" customers as part of the electricity Customer Education Plan (i.e., the general message regarding changes in energy service markets associated with restructuring, and the message that customers also have choices regarding reducing energy usage); (2) may include one or more services that require the customer to pay for some or all of the service; and, (3) should be administered, provided, and reported separately from the Commercial, Industrial, and Agricultural EEI programs.

E. Customer specific financial assistance associated with a retrofit energy efficiency incentives program or programs in the form of financial assistance may include rebates and loans, and should include a Standard Performance Contract (SPC) in at least one identified energy market segment.

F. An SPC provides significant support for the Commission's goals for energy efficiency and for restructuring. A program providing financial assistance in the form of a SPC should have the following program design features: (1) a clearly defined, end use energy efficiency market segment or segments, including an identified set of market barriers to be overcome; (2) an identified set of market participants that will provide the services, and the certification requirements for these market participants; (3) a posted price, or prices, expressed as a dollar amount per unit of energy efficiency service delivered by energy efficiency service provider;

(4) limitations on the share of program funds that could be received by an individual customer; (5) limitations on the share of funds that could be received by an individual service provider; (6) fully-developed minimum requirements for customer contract language regarding the terms and conditions for performance for the service provider (e.g., measurement and verification procedures, equipment maintenance, and financial transactions between the customer and the service provider); (7) an identified process for addressing and resolving customer complaints associated with the contract between the end user and the service provider, including an identified role for the administrator in the dispute resolution process.[12]

G. Each program should include design features that clearly: (1) do not inhibit customer choices associated with the purchase of energy from another energy service provider; (2) preclude a commitment to an energy efficiency service provider or customer with an end date no later than December 31, 2001 for an SPC contract, December 31, 1999 for new construction, or December 31, 1998 for all other programs; and (3) include provisions that the responsibility for honoring the commitment may be transferred to another administrator.

H. Interim Administrators may shift authorized funds between programs as follows: (1) unallocated or unused funds for the Third Party Proposals and Initiatives program may be allocated to other residential and small commercial programs; (2) authorized funds for Energy Management Services, General Information, Support, and CEC Data Collection may not be increased by transfer of funds from other programs except from the Third Party Proposals and Initiatives program as provided for in (1) above; (3) funds for Energy Efficiency Incentives and Integrated and Upstream Market Transformation programs may be increased up to 125% of their authorized amounts by transfer of funds from other programs; and (4) transfer of more than 10% of authorized funds for any residential program to any nonresidential program under the conditions above must be approved by the Commission upon recommendation by the CBEE.

V. AFFILIATE TRANSACTIONS

A. The administrator will not provide preferential treatment to any provider of an energy efficiency service that uses energy efficiency surcharge funds.

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[12] Replaces current Policy Rules #26-29.

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B. For the administration of a Standard Performance Contract or a Competitive Bid, the Administrator will not provide preferential access to utility-held information regarding energy efficiency market potential, nor implement a preferential process for selecting qualified energy efficiency service providers using energy efficiency funds.

C. The Administrator will supplement and/or modify these provisions, with Board approval, with any relevant utility affiliate transactions developed in affiliate transactions as a result of R.97-04-011/I.97-04-012.

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Comparison of CBEE-Recommended Interim Policy Rules and Existing DSM Policy Rules

CBEE-Recommended Interim Policy Rule (BRIPR)	Existing DSM Policy Rules replaced/modified by BRIPR
I. GENERAL: Energy Efficiency Objectives, Definitions and Reporting Requirements	
A. - commission goals	replaces #1-3
B. - transforming markets	
C. - barriers/industry reporting	
D. - program categories	modifies #4
E. - program reporting	
F. - forum for review	replaces #24
G. - period of application	
II. COST-EFFECTIVENESS (Ex ante, before the program, requirements)	
A. - EMS	replaces cost-effectiveness expectations for EMS programs in #11
B. - EEI	modifies #5 and 6 and retains #10
C. - new construction	modifies #11
D. - minimal M&E	replaces #20-22
E. - avoided costs	replaces #7 and 8
F. - info. on costs & benefits	
G. - portfolio cost-effectiveness	
III. ADMINISTRATOR PERFORMANCE MECHANISMS	
A. - incentive types	replaces #14-19
B. - performance award features	
C. - net benefits in perf. awards	
D. - rate impact	current rule #23
E. - pre-98 commitment earnings	
F. - source of incentive payments	
G.- awards cap	
H. - CBEE verification costs	

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CBEE-Recommended Interim Policy Rule (BRIPR)	Existing DSM Policy Rules replaced/modified by BRIPR
IV. PROGRAM DESIGN	
A. - program portfolio	
B. - general information	
C. - resid. EMS	
D. - nonresid. EMS	
E. - SPC in EEI	
F. - SPC rules	replaces #26-29
G.- end dates	
H. - fund shifting	
V. AFFILIATE TRANSACTIONS	
A. - no preferential treatment	
B. - no preferential access	
C. - provisions for supplement	

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Existing DSM Policy Rules not Addressed in the CBEE-Recommended Interim Policy Rules

Existing DSM Policy Rules Not Addressed in BRIPR	CBEE Comments
#9 - indirect costs	Subsumed under BRIPR II.F.
#12 - bypass and load building	Does not apply to PGC-funded activities or is addressed under BRIPR section V
#13 - fuel substitution	Does not apply to PGC-funded activities or is addressed under BRIPR section V
#25 - consolidated M&E	Not applicable
#30 - bidding program changes	Not applicable

(END OF ATTACHMENT 2)

ATTACHMENT 3

CBEE FINAL RECOMMENDATIONS ON MAJOR ISSUES[1]

In its October 17, 1997 comments on the utilities' October 1, 1997 applications, the CBEE identified 10 major issues:

1. Interim Policy Rules
2. Nine-Month Program Budgets
3. Measurement Forecasting and Regulatory Reporting (MFRR) Budgets
4. Third-Party Proposal Programs
5. Interim Administrator Performance Mechanisms and Awards
6. Standard Performance Contract (SPC) Programs
7. Additional Recommendations on PG&E's October 1, 1997 Application
8. Additional Recommendations on SCE's October 1, 1997 Application
9. Additional Recommendations on SDG&E's October 1, 1997 Application
10. Additional Recommendations on SCG's October 1, 1997 Application

At its scheduled meetings on October 24, 1997 and October 30, 1997, the CBEE's made final recommendations on these issues. The recommendations are as follows:

1. INTERIM POLICY RULES

The CBEE recommends that the Commission adopt the CBEE's proposed interim policy rules to govern PGC-funded activities by the interim administrators. The CBEE recommends that application of these rules be limited strictly to the activities of the interim administrators during PY98.

In D.97-09-117, Conclusion of Law 7, the Commission states:

> "The October 1, 1997 applications may include proposed modifications to DSM rules, energy efficiency program designs, and shareholder incentives. These modifications should be designed to respond to the Commission's goal of market transformation and creation of a self-sustaining energy efficiency services industry. Such proposals should be developed with the transition deadlines established by this decision in mind."

CBEE's recommendation is consistent with this direction. CBEE believes that its recommendation is supported by the following:

1. The CBEE's proposed interim policy rules advance the Commission's goal of market transformation and creation of a self-sustaining energy efficiency services industry.

2. The CBEE developed and relied on interim policy rules in discussions with the utilities on the development of their October 1, 1997 applications.

3. The CBEE further modified the interim policy rules in response to recommendations made by the utilities in their October 1, 1997 applications, comment by interested parties in their October 17, 1997 comments on the October 1, 1997 applications, and public comment at the workshop on October 24, 1997.

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[1] From: Chapter II and Appendix C of the CBEE Workshop Report dated November 10, 1997 as corrected and supplemented by CBEE's November 19, 1997 Supplemental Filing and CBEE's December 10, 1997 recommendations on residential SPC programs.

ATTACHMENT 3

4. The CBEE relied on consistency with the interim policy rules as the primary basis for reaching mutual agreement with the utilities and other parties on outstanding issues at the CBEE's public workshop on October 24, 1997, and at CBEE meetings on October 24, 1997 and October 30, 1997.

5. The CBEE's final recommendations on the utilities' proposals for 1998 PGC-funded energy-efficiency activities in this workshop report are based, in part, on the consistency of the proposals with the interim policy rules.

The CBEE wishes to ensure that the utilities, as interim administrators, rely on these interim policy rules for guidance on both the goals and objectives to be pursued and the program operating and reporting guidelines to be used for the operation of PGC-funded programs and activities during the first nine months of 1998.

The CBEE proposes to rely on these interim policy rules as the primary basis for making recommendations to the Commission on any financial incentives claimed by the interim administrators resulting from their performance in operating PGC-funded programs and activities in the first nine months of 1998.

The complete text of the CBEE's proposed interim policy rules is contained in Appendix A. Remaining areas of disagreement, by party, are presented in Attachment 2.

2. NINE-MONTH PROGRAM BUDGETS

The CBEE recommends that the Commission: (1) cap program budgets at 85% of authorized levels to ensure that a minimum of 15% of authorized funding is available for the new program administrators in 1998; and (2) authorize nine-month energy-efficiency program budgets developed by the CBEE using data provided by the utilities, consistent with D. 97-09-117

The CBEE expects that new administrators will be in operation on October 1, 1998. The CBEE also recognizes that it may recommend early transfer of programs or activities (D.97-09-117, Ordering Paragraph 2). Therefore, the CBEE recommends that no less than 15% of Commission-adopted funds (D.97-02-014, Ordering Paragraph 2) be reserved for these new administrators in 1998. That is, the CBEE recommends a cap on 1998 program funding for interim administrators of 85% of Commission-adopted levels. The budgets proposed by the CBEE do not exceed this cap.

The CBEE's nine-month budget recommendation includes up to $163.457 million for programs; up to $13.532 million for measurement, forecasting, and regulatory reporting (MFRR) activities, up to $20.610 million for administrator performance mechanisms and awards, and a CBEE set-aside of $9.950 million for a total of $207.549. PGC energy-efficiency funds refer to funds identified in Section 381 of the Public Utilities Code, as adopted by the Commission in D. 97-02-014. See Tables 1-5, Attachment 4.

For PG&E, the CBEE recommends the Commission authorize a nine-month program-only budget of $65.866 million and a CBEE set-aside of $4.450 million.

For SCE, the CBEE recommends the Commission authorize a nine-month program-only budget of $55.263 million and a CBEE set-aside of $4.000 million.

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For SDG&E, the CBEE recommends the Commission authorize a nine-month program-only budget of $22.850 million and a CBEE set-aside of $1.500 million.

For SCG, the CBEE recommends the Commission authorize a nine-month program-only budget of $19.478 million.

The CBEE's recommendation is based on its expectation that new administrators will be fully operational by October 1, 1998. Should it become apparent that new administrators will not be fully operational by October 1, 1998 and that it is appropriate for the utilities to continue as interim administrators, or that some programs or activities should be transferred to new administrators before October 1, 1998, the CBEE will recommend modifications to these budgets as part of its updated status report on the transition to new administrators to the Commission in April, 1998, pursuant to D.97-09-117, Ordering Paragraph 3.

Specific programs and budget items originally proposed by the utilities in their October 1, 1997 applications for which the CBEE does not recommend authorization are described in the recommendations for individual utilities.

3. MEASUREMENT, FORECASTING, AND REGULATORY REPORTING (MFRR)

The CBEE recommends that the Commission authorize MFRR budgets consistent with the CBEE's recommendations for nine-month PY98 program budgets. The CBEE recommends that the Commission restrict PGC funding, and limits its recommendations for gas DSM funding, to only those MFRR items that are undertaken in direct support of PY98 programs or of the CBEE's objectives, as described in the proposed interim policy rules.

In particular, the CBEE does not, at this time, recommend the Commission authorize funding for CEC data collection in PY98 and CADMAC market effect studies (ordered in D. 96-12-079) that will not be completed until PY 98 from PGC energy-efficiency funds. The CBEE, nevertheless, affirms its support for these activities, recognizes that they will provide information useful for PGC activities, and anticipates that the utilities will complete them as planned. However, the CBEE recommends that the Commission only authorize funding for these activities from PGC energy-efficiency funds after it has been demonstrated that there is insufficient carry-over funding available. The CBEE proposes to make this determination as part of its on-going assessment of commitments and carry-over funds.

For PG&E, the CBEE recommends the Commission authorize a nine-month MFRR budget of $4.600 million, as identified in Table 2, Attachment 4.

For SCE, the CBEE recommends the Commission authorize a nine-month MFRR budget of $5.010 million, as identified in Table 3, Attachment 4.

For SDG&E, the CBEE recommends the Commission authorize a nine-month MFRR budget of $1.973 million, as identified in Table 4, Attachment 4.

For SCG, the CBEE recommends the Commission authorize a nine-month MFRR budget of $1.949 million, as identified in Table 5, Attachment 5.

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Individual MFRR items proposed by the utilities' in their October 1, 1997 applications items that the CBEE does not recommend the Commission authorize are presented and discussed separately, below.

4. THIRD PARTY PROPOSALS

The CBEE recommends that the Commission direct each utility to reserve a minimum of 5% of the CBEE's recommended nine-month program-only budget for funding proposals made by third parties. (Recommended budgets for each utility are presented below.) At least one half of these funds should be made available for projects that will benefit residential consumers.

The CBEE recommends that the Commission direct the utilities to adopt the following definition for third party proposals: Third-party programs are programs that are proposed by third parties (defined as those other than CBEE members or staff of the utility), administered by the utility, and primarily implemented by the same party or by some other non-utility and/or utility party, as designated by the proposing party.

The CBEE recommends that the Commission direct the utilities to adopt a process for soliciting proposals based on that proposed by SDG&E with the following modifications: (1) the process shall indicate that utilities will solicit, evaluate, and select projects with affirmation-only from the CBEE; (2) the process shall consider proposals targeted to either consumers or market participants upstream of the consumer; (3) the interim administrators shall report projects for affirmation by the CBEE in a timely fashion, preferably before December 25, 1997, but no later than January 15, 1998.

The third party proposal program is an important new program design that represents a distinct strategy from the standard performance contract program, described below, that is capable of advancing both prongs of the Commission's approaches for market transformation, as articulated in D. 97-02-014.

For PG&E, the CBEE recommends the Commission authorize a nine-month Third Party Proposal program budget of $4.000 million; see Table 2, Attachment 4.

For SCE, the CBEE recommends the Commission authorize a nine-month Third Party Proposal program budget of $1.863 million; see Table 3, Attachment 4.

For SDG&E, the CBEE recommends the Commission authorize a nine-month Third Party Proposal program budget of $1.100 million; see Table 4, Attachment 4.

For SCG, the CBEE recommends the Commission authorize a nine-month Third Party Proposal program budget of $1.960 million; see Table 5, Attachment 4.

5. INTERIM ADMINISTRATOR PERFORMANCE MECHANISMS AND AWARDS

The CBEE recommends that the Commission authorize (1) overall caps on interim administrator's earnings and (2), for three program types, specific earnings caps of performance award mechanisms.

The size of the overall caps, expressed as percentages of nine-month program-only budgets, differ among utilities to reflect differences in the overall balance between risk, and reward, among programs among utilities.

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For PG&E, and SDG&E, the CBEE recommends the Commission authorize an overall cap on earnings of 14% calculated based on the CBEE's recommended nine-month program-only budgets, or $9.221 million for PG&E and $3.199 million for SDG&E; see Tables 2 and 4, Attachment 4.

For SCE, the CBEE recommends the Commission authorize an overall cap on earnings of 12% calculated based on the CBEE's recommended nine-month program-only budget, or $6.632 million; see Table 3, Attachment 4.

For SCG, the CBEE recommends the Commission authorize an overall cap on earnings of 8%, consistent with their October 1, 1997 Application, calculated based on the CBEE's recommended nine-month program-only budget, or $1.558 million; see Table 5, Attachment 4.

The CBEE also recommends the Commission authorize consistent program-specific earnings caps for two programs (EMS and Third Party Proposals) and consistent performance award designs for the SPC programs.

For EMS programs, the CBEE recommends that the Commission authorize a consistent earnings cap of 5% based on program costs for all utilities. Prior to 1998, all EMS programs earned performance adders of 5% based on program costs. SDG&E, SCE, and SCG have proposed to continue this approach while PG&E previously proposed substantially higher performance awards for their EMS programs linked to achievement of specific management and achievement awards. The CBEE sees little evidence that EMS program designs have changed substantially to warrant higher award levels. PG&E is now in agreement with the CBEE's recommendation.

For PG&E, the CBEE recommends the Commission adopt earnings caps of 5%, based on program spending for the following EMS programs: Residential Energy Management Services, Multifamily Properties Energy Management Services, Residential Energy Education and Information Services, Business Energy Management Services.

For SCE, the CBEE recommends the Commission adopt earnings caps of 5%, based on program spending for the following EMS programs: Residential (In-Home Audit and Energy Use Profile Audit), Small Business Energy Use Survey, Small Business Lighting Modification Program, Commercial and Industrial Energy Management Services, and Agricultural Energy Management Services.

For SDG&E, the CBEE recommends the Commission adopt earnings caps of 5%, based on program spending for the following EMS programs: Residential Audit Program, Small Commercial Audit Program.

For SCG, the CBEE recommends the Commission adopt earnings caps of 5%, based on program spending for the following EMS programs: Home Energy Fitness Program, Commercial Energy Management Services Program, Industrial Energy Management Services Program.

For the Third Party Proposal programs, the CBEE recommends the Commission authorize a consistent earnings cap of 10% based on program costs for all utilities. For other new programs, such as those labeled integrated and upstream market transformation, the CBEE recognizes that risks and proposed

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awards may vary. However, because the CBEE recommends adoption of a common process for selecting Third Party Proposals (see Section 4 of this Attachment), it does not believe that administrator performance awards should be higher than 10% for these programs.

For the SPC programs, the CBEE recommends the Commission direct the utilities to rely on consistent milestones as the basis for performance awards. SPC programs account for 20-50% of total program expenditures among the utilities and it is critical that the interim administrators be rewarded for superior performance. The CBEE-recommended performance award milestones reward the interim administrators for putting an SPC program infrastructure in place as quickly as possible after a CPUC decision, and link a significant portion of the award to the successful market activity of energy-efficiency service providers in developing, submitting, and constructing projects that are cost-effective.

The CBEE recommends the Commission direct the utilities to include the following design features in their performance award mechanisms for the SPC programs:

1. An award of up to 35% of the SPC program earnings cap for putting an SPC program in place in a timely fashion following final approval by the Commission. Elements would include having: (a) all forms and procedures completed and available, as well as documentation processes developed; (b) measurement and verification protocols developed and available to project sponsors; (c) a program tracking system (include information about each project and the status of various activities, such as project processing, inspections, payments) developed and in place; (d) educational materials developed and customer workshop(s) conducted on the SPC program; and (e) educational materials developed and workshop(s) conducted on the SPC program for project sponsors.

2. An award of up to 30% of the earnings cap for managing the program efficiently. Elements would include: (a) conducting pre-installation inspections within a specified number of working days after a "complete" detailed application is received; (b) conducting the post-installation inspection within a specified number of working days after receipt of a "complete" installation report from the project sponsor; and (c) providing payment within specified number of days of receipt of "complete" invoice for approved projects.

3. An award of up to 35% of the earnings cap based on the net benefits of the program calculated using the Utility Cost test.

6. STANDARD PERFORMANCE CONTRACT (SPC) PROGRAMS

The CBEE recommends that the Commission direct the utilities to offer separate SPC programs in the residential and nonresidential sector authorized at the following levels: For PG&E, residential SPC - $2.415 million; nonresidential SPC - $13.685 million. For SCE, residential SPC - $1.800 million; nonresidential SPC - $16.000 million. For SDG&E, residential SPC - $3.134 million; nonresidential SPC - $7.958 million. For SCG, residential SPC - $2.950 million; nonresidential SPC - $0. (See Attachment 4.)

The CBEE also recommends that the Commission direct the utilities to revise their SPC programs to ensure: (1) that there is greater consistency among the programs, and (2) that the SPC programs are consistent with the interim policy rules adopted by the CBEE.

Consistency is important because: (1) it will help to ensure that the programs are more likely to meet the Commission's objectives of market transformation and the creation of a self-sustaining energy

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efficiency services industry; (2) the SPC programs will be transferred to the new independent administrator(s) while the programs and many of the individual projects are in-process; (3) consistent programs will be easier to transfer and will minimize any burden on the new administrator(s) during the transition period; (4) consistent programs will reduce any confusion in the marketplace among customers and other market actors, including potential partners of energy efficiency service providers (EESPs) such as product vendors or designers; and (5) consistent programs will make it easier for customers with facilities in more than one service territory to participate. In recommending greater consistency among the programs, however, the CBEE does not necessarily believe that the SPC programs should be made uniform. The CBEE recognizes the value of some experimentation and diversity in 1998.

The CBEE recommends that the Commission direct the utilities to incorporate the following elements in their SPC programs. The CBEE makes separate design recommendations for consistent elements of residential and nonresidential SPC programs.

CBEE Design Recommendations for Residential SPC Programs[2]

The residential SPC program design recommendations below are based on the recommendations of the CBEE in the November 10, 1997 Workshop Report and the November 19, 1997 Supplement, updated based on the CBEE's deliberations at the December 3, 1997 CBEE meeting.

The CBEE recognizes the value that SPC programs can play in achieving the Commission's market transformation objectives. However, the CBEE believes that residential customers will be well-served by the mix and funding levels of 1998 programs proposed by the utilities and recommended by the CBEE. Thus, the CBEE does not recommend that the Commission authorize the majority of residential funds for SPC programs. The CBEE continues to support the funding levels proposed by the utilities and recommended by the CBEE in the Workshop Report and Supplement.

<u>Role of the Administrator</u>

- Shall manage the program in a fair and nondiscriminatory manner.
- Shall process applications and forms in a fair and nondiscriminatory manner.
- Shall promote the program by providing information, general advertising and fact sheets, sponsoring educational seminars, workshops, training sessions, and offering a facilities survey.
- Shall support the energy services industry in its promotion of the program.

<u>Eligible Market Segments</u>

- Customers in all residential market segments, except new construction, shall be eligible to participate.

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[2] The Residential SPC design recommendations include updates based on the CBEE's review of revised program descriptions submitted by the utilities in early December 1997, the CBEE's review of comments of parties on program design issues, and the CBEE's recommendations reached at the December 3, 1997 CBEE meeting reported to ALJ Gottstein on December 10, 1997.

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- Shall not exclude low-income customers.

- Interim administrators shall develop a list of cost-effective measures with available standard M&V protocols. Project sponsors shall be able to propose additional measures as long as the interim administrators and project sponsors agree to a reasonable M&V protocol, if no standard is available.

- Cost-effective electric and gas measures shall both be promoted.

- Fuel substitution, self-generation, and cogeneration measures shall not be eligible for PGC funds in the SPC programs.

Minimum Project Size and Aggregation

- No recommendation. CBEE recognizes that aggregation will be needed, and suggests that the utilities set minimum project sizes with input from the parties.

Market Limitations

- Affiliates of an interim program administrator should be limited to contracting for a maximum of 15% of the PGC incentive funds budgeted in the SPC program(s) managed by that affiliated interim program administrator in 1998.

- A single EESP should be limited to contracting for a maximum of 30% of the PGC incentive funds budgeted in the SPC program(s) in each interim program administrator service territory in 1998.

Contract Term and Performance Period

- The performance period of the contracts between the interim administrators and the project sponsors shall be 1 to 2 years.

- The end date of contracts between the interim administrators and the project sponsors shall be no later than December 31, 2001.

- SCE shall adopt PG&E's approach to installation period (12 months after the project is accepted by the interim administrator) and performance period (2 years).

Payment Structure

- Payments between the interim administrators and the project sponsors shall be made in three installments of 40%, 30%, and 30% for a two-year performance period, or 60% and 40% if a one-year performance period is used.

- For a two-year performance period, the timing of the three payments shall be: (1) after verification of installation and proper operation; (2) after the end of the first year with savings documentation; and (3) after the end of the second year with savings documentation. For a one-year performance period, the timing of the two payments shall be (1) after verification of installation and proper operation; and (2) after the end of the first year with savings documentation.

Pricing and Payments to Project Sponsors

- Pricing and SPC payments shall consider the following three factors: 1) achieving consistency with DSM bidding or financial incentive program experience, adjusted for performance risk; 2) encouraging

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customer contributions; and 3) encouraging market entry by service providers in difficult to reach market segments.

- Bonuses for implementation during the early months of the program shall not be provided.
- The interim administrators shall use the following SPC payments, which allow for some different approaches to pricing.

Residential SPC Payments for PG&E and SCE

Program Element or Measure Category	Total SPC Payment Per One-Year Energy Savings ($) Using Deemed or Measured M&V Options			
	Single Family Detached Dwellings		Multifamily or Mobile Homes	
	$/kWh	$/therm	$/kWh	$/therm
Retail	.11	.40	.11	.40
Shorter-Life Measures (10 years or less)	.18	.60	.25	.80
Longer Life Measures (longer than 10 years)	.35	.80	.44	1.00
For SCE only: Central Air Conditioning/ Central Heat Pump (3 tons and greater)	.40	—	.44	—

Residential SPC Payments for SDG&E

Program Element or Measure Category	Total SPC Payment Per One-Year Energy Savings ($) Using Deemed or Measured M&V Options
Retail Element:	
Interior CF bulbs	.11 per kWh
High efficiency refrigerators	
2001 Standard	.36 per kWh
10% > 2001 Standard	.48 per kWh

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Direct Install, single-family and common area multifamily:	
Interior CF bulbs	.18 per kWh
Exterior CF fixtures	.18 per kWh
Interior CF fixtures	.25 per kWh
Refrigerator recycling	.12 per kWh
Electric showerheads	.12 per kWh
Gas showerheads	.40 per therm
Other electric – single family	
Measure life of 10 years or less	.18 per kWh
Measure life longer than 10 years	.35 per kWh
Other electric – multifamily	
Measure life of 10 years or less	.25 per kWh
Measure life longer than 10 years	.44 per kWh
Direct Install, multifamily non-common areas:	
Interior CF bulbs	.25 per kWh
Interior CF fixtures	.25 per kWh
Gas showerheads	.36 per kWh
	.80 per therm
Direct Install, multifamily master-metered non-common areas:	
Other electric	
Measure life of 10 years or less	.25 per kWh
Measure life longer than 10 years	.44 per kWh
Other gas	
Measure life of 10 years or less	.80 per therm
Measure life longer than 10 years	1.00 per therm

Residential SPC Payments for SCG

Program Element or Measure Category	Total SPC Payment Per Lifecycle Energy Savings ($) Using Deemed or Measured M&V Options
Central Water Heater Controller	.10/therm for savings over the measure life
All Other Measures	.20/therm for savings over the measure life

<u>Site Control</u>

- SDG&E shall eliminate its residential SPC site control requirement. All utilities shall adopt PG&E's approach (i.e., EESP shall provide a detailed marketing plan including targeted customers, milestones, and projected savings).

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Reporting Total Project Costs

- Project sponsors shall collect and record information on total project costs for all projects. More information will be gathered from the utilities and parties regarding: (1) who should compile and report actual total project cost data collected by project sponsors (e.g., interim administrators or an independent third party evaluator); and (2) mechanisms for increasing the reliability of total project cost data.

Timing of Implementation

- Programs shall be implemented on January 1, 1998 ideally, but no later than 60 days from the Commission decision in any event.

Measurement and Verification (M&V) Requirements

- The interim administrator and project sponsor shall agree on a reasonable M&V protocol before project approval.

- The M&V plans and requirements proposed by the interim administrators shall be approved, with one exception. CBEE shall review the lists of evaluation contractors accepted by the utilities and/or the utilities' evaluation approaches, and modify these if necessary to ensure a fair and objective process.

- The CBEE shall review the deemed estimates submitted by the interim administrators to verify that (1) the methods used to develop the estimates are consistent with the Commission-adopted M&E protocols, and (2) the estimates are based on the results of the most recent evaluation studies. The interim administrators shall provide technical support documentation on deemed savings estimates (i.e., sources for and methods used to develop the estimates) to the CBEE's technical consultants and Technical Advisory Committee. The CBEE shall be authorized to modify deemed savings estimates based on the results of its review prior to full program implementation.

Customer Protection and Disclosure

- All SPC programs shall have fully developed minimum requirements for customer contract language regarding the terms and conditions for performance of the service provider (e.g., M&V procedures, equipment maintenance, and financial transactions between the customer and the service provider).

- SPC programs shall have an identified process for addressing and resolving customer complaints associated with the contract between the end used and the service provider, including an identified role for the administrator in the dispute resolution process.

- The interim administrators shall develop Customer Affidavits by December 26, 1997 and submit them to the CBEE for its review and approval.

Evaluation of the SPC Programs

- Interim administrators shall be prepared to collect and provide data that could be used in evaluations of SPC programs.

Access to Customer Information

- The CBEE recommends that the Commission resolve this outstanding dispute.

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Other Program Design Issues

- The residential SPC program descriptions submitted by the utilities include proposed approaches to many other program design issues, including additional details on: the role of the interim administrator, eligible market segments, eligible measures, market limitations, payment structure, reporting total project costs, and minimum measure performance requirements. Some of the interested parties have raised objections to the more detailed interim administrator proposals in many of these areas. The CBEE believes that while some of these issues are important, they are not of such significance as to delay approval of the residential SPC programs. The CBEE has committed a large portion of the joint planning process to the SPC programs, including the residential SPC programs, and has not had the time or resources to analyze the remaining differences among the parties on these less critical program design issues in detail. Therefore, the CBEE recommends that the Commission approve the other design elements of the residential SPC programs, as set forth above, and, consistent with the level of discretion of the current administrators, leave the resolution of the remaining detailed program design issues up to the interim administrators, with CBEE oversight as needed.

CBEE Design Recommendations for Nonresidential SPC Programs

Role of the Interim Administrators

- The interim administrators shall manage the program in a fair and nondiscriminatory manner.

- All applications and forms shall be processed by the interim administrators in an expeditious manner.

- The interim administrators shall promote the SPC program by providing customers, project sponsors, and energy efficiency service providers (EESPs) with program-related information, providing general advertising and fact sheets, sponsoring educational seminars, workshops, and training sessions, and offering customers a facilities survey.

- The interim administrators shall support the energy services industry in its promotion of the program.

Eligible Segments and Measures

- Customers in all non-residential market segments, except new construction, shall be eligible to participate in the SPC programs offered by interim administrators.

- The interim administrators shall develop a list of eligible, cost-effective measures with available standard measurement and verification (M&V) protocols. Project sponsors shall be able to propose additional measures as long as the sponsors demonstrate that the measures are cost-effective, and as long as the interim administrators and project sponsors agree to a reasonable M&V protocol, if no standard protocol is available.

- Cost-effective electric and gas measures shall both be promoted in the SPC programs.

- Fuel substitution, self-generation, and cogeneration measures shall not be eligible for PGC funds in the SPC programs.

Minimum Project Size and Aggregation

- Projects shall be in excess of 200,000 annual kWh savings, or 20,000 annual therm savings, or an equivalent combination of electric and gas savings.

- An EESP or project sponsor may aggregate smaller projects in order to meet the minimum project size.

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Opportunity for Interim Administrators to Offer Programs or Services in Parallel to SPC Programs in Some Market Segments

- Interim administrators shall continue to attempt to balance (1) concerns about overlapping programs and potential confusion in the market, and (2) concerns about the degree to which SPC programs are able to serve all non-residential customers well or are optimal programs for achieving the goals of the Commission in all market segments.

- Interim administrators shall be able to offer non-SPC programs or provide services in parallel in some market segments providing that the programs and services are targeted to customers or market segments that may not be well served by SPC programs (possibilities may include small commercial and industrial customers, federal government customers, or industrial process opportunities). The CBEE continues to encourage interim administrators to use private firms to implement programs or deliver services.

Market Limitations

- Affiliates of an interim program administrator shall be limited to contracting for a maximum of 15% of the PGC incentive funds budgeted in the SPC program(s) managed by that affiliated interim program administrator in 1998.

- A single EESP shall be limited to contracting for a maximum of 30% of the PGC incentive funds budgeted in the SPC program(s) in each interim program administrator service territory in 1998.

- A single customer shall be limited to contracting for a maximum of 15% of the PGC incentive funds budgeted in the SPC program(s) in each interim program administrator service territory in 1998.

Contract Term

- The performance term of the contracts between the interim administrators and the project sponsors shall be two years.

- The end date of contracts between the interim administrators and the project sponsors shall be no later than December 31, 2001.

Payment Structure

- Payments between the interim administrators and the project sponsors shall be made in three installments of 40%, 30%, and 30%.

- The timing of the three payments shall be: (1) after verification of installation and proper operation; (2) after the end of the first year with savings documentation; and (3) after the end of the second year with savings documentation.

Pricing

- The CBEE believes that the benefits of a uniform statewide approach on incentive levels in the nonresidential SPC program (e.g., minimize confusion and reduce transaction costs in the marketplace for customers and EESPs, as well as facilitate transfer to new Administrator) significantly outweigh the potential benefits of allowing utilities to experiment with different pricing approaches and levels.

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- A uniform approach to incentive levels shall be designed to achieve the following objectives: (1) incentive levels that are sufficient to stimulate entry and participation by EESPs yet encourage customers to provide significant cost contribution for projects,[3] and (2) incentive levels that are designed to stimulate and help transform certain end use markets (e.g., HVAC, refrigeration) where it is been more difficult to achieve significant market penetration rates for high-efficiency equipment.

- Interim administrators shall offer the following total incentive payments for verified savings that accrue during a one-year period for measures installed in these end uses: 7.5 cents/kWh for lighting savings; 21 cents/kWh for savings from HVAC and refrigeration measures, and 11 cents/kWh for savings from other types of measures (e.g., motors).[4] These total incentive payments for verified savings that accrue during a one-year period will be paid out in three installments over a two-year period (see Payment Structure). Thus, the payments will be in nominal dollars.

- Current state and federal energy standards shall be used in establishing the appropriate baseline condition for savings determination.

- Bonuses for implementation during the early months of the program shall not be provided.

Reporting Total Project Costs

- Project sponsors (either EESPs or customers) shall be required to provide information on total project costs for each project to the Interim Administrators. Total project cost is intended to reflect turnkey project costs which includes audit, design, engineering, construction, materials, overhead, and labor. This information (i.e., total project costs) shall be included in the customer affidavit which is signed by the customer.

Timing of Implementation

- The programs shall be implemented on January 1, 1998 ideally, but no later than 60 days from the Commission decision in any event.

Measurement and Verification (M&V) Requirements

- The International Performance Measurement and Verification Protocol (IPMVP) provides a useful initial framework for developing consistent M&V requirements statewide. Sponsors choosing Option A of the IPMVP must agree to stipulate to pre-specified kW load impacts or therm savings values from measure lists prepared by the Interim Administrators. Interim Administrators shall also prepare guidebooks for project sponsors that include minimum acceptable M&V requirements for specific measures, sampling plan requirements, examples of acceptable M&V plans for specific types of measures, and process for proposing M&V protocols for measures not covered by the existing protocols. Interim Administrators shall solicit input and feedback from the Technical Advisory Committee as they develop M&V requirements for the SPC program.

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[3] The pricing levels recommended by the CBEE and the language in this recommendation eliminate the need for a separate section on encouraging customer contributions through the use of an incentive cap of 50% of the total project cost related to energy efficiency.

[4] Interactive savings between end-uses are not eligible for payments. For measurement techniques that involve whole-facility or whole-building analytical approaches, HVAC savings must total at least 30% of claimed savings.

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- All M&V procedures will take into account the program requirement for incorporating minimum state and federal energy efficiency standards or codes into the baseline determination.

- If there is no established M&V protocol available for a proposed measure, the project proposal shall include a M&V protocol for the measure. The interim administrator and project sponsor shall agree on a reasonable M&V protocol before project approval.

Customer Protection and Disclosure

- Interim administrators shall develop customer affidavits similar to those proposed by SDG&E (with some additions). EESPs must provide Interim Administrators with a signed affidavit from the customer which includes the following information: (1) firm name, (2) project site and address, (3) estimated annual and life-cycle savings, (4) total project costs, (5) agreement by the customer to provide access to the site for inspections and measurement of the performance of the energy savings measures, (6) indication of the M&V protocol to be used to measure and verify savings, (7) listing of SPC incentive levels and an indication that Public Goods Charge funds were being used as an incentive, (8) a statement from the customer indicating responsibility for selection the of EESP and releasing the Interim Administrator from any damages resulting from the Project, including but not limited to equipment malfunctions or energy savings shortfalls, and (9) an indication of the existence and type of dispute resolution process mechanism between the EESP and customer.

- SPC programs shall have an identified process for addressing and resolving customer complaints associated with the contract between the end user and the service provider, including an identified role for the interim administrator in the dispute resolution process.

Evaluation of the SPC Programs

- The CBEE intends to assess and evaluate the degree to which the SPC programs are meeting the goals of the Commission and the stated objectives of the programs. Interim administrators shall be prepared to collect and provide data that could be used in evaluations of SPC programs.

7. ADDITIONAL RECOMMENDATIONS ON PG&E'S OCTOBER 1, 1997 APPLICATION

In addition to the above recommendations, the CBEE recommends that the Commission further direct PG&E as follows:

A. Not authorize funding for the following programs or activities, as proposed in the Company's October 1, 1997 Application: Power Savings Partners, and unallocated funding.

B. Not authorize PGC funding for electric direct assistance using funds identified in Section 381 of AB 1890, and adopted in D. 97-02-014. Funds for electric direct assistance should be authorized consistent with Section 382 of AB 1890. If the Commission intends for the PGC funding described in ordering paragraph 2 of D. 97-02-014 to include funding for electric direct assistance, the CBEE recommends that the funding level be increased by the amount authorized in 1996 for this purpose.

C. Transfer the review and oversight of all direct assistance activities and associated gas DSM funds to the Low Income Governing Board. Authorize electric direct assistance funds consistent with Section 382 of AB 1890, and transfer the review and oversight of electric direct assistance funds to the Low Income Governing Board.

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CBEE recognizes that gas direct assistance is included in authorized gas DSM funds and that its gas-related recommendations only apply to gas energy-efficiency activities. These activity-based recommendations are consistent with the CBEE's recommendations on electric PGC energy-efficiency activities.

8. ADDITIONAL RECOMMENDATIONS ON SCE'S OCTOBER 1, 1997 APPLICATION

In addition to the above recommendations, the CBEE recommends that the Commission further direct SCE as follows:

A. Offer dual-fuel recommendations in the following EMS programs: Residential (In-Home Audit and Energy Use Profile Audit), Small Business EnergyUse Survey, Small Business Lighting Modification Program, Commercial and Industrial Energy Management Services, and Agricultural Energy Management Services.

9. ADDITIONAL RECOMMENDATIONS ON SDG&E'S OCTOBER 1, 1997 APPLICATION

The CBEE has no recommendations to the Commission for SDG&E beyond those identified previously in this chapter.

10. ADDITIONAL RECOMMENDATIONS ON SCG'S OCTOBER 1, 1997 APPLICATION

In addition to the above recommendations, the CBEE recommends that the Commission further direct SCG as follows:

A. Offer dual-fuel recommendations in the following EMS programs: Home Energy Fitness Program, Commercial Energy Management Services Program, Industrial Energy Management Services Program.

B. Do not authorize PY98 funds for utility earnings claims associated with pre-98 programs.

11. CBEE FINAL RECOMMENDATIONS ON APPENDIX C ITEMS FROM THE NOVEMBER 10, 1997 WORKSHOP REPORT

The November 10, 1997 Workshop Report contained material prepared by parties pursuant to CBEE guidance in Appendix C. As of November 10, 1997, the CBEE had not reviewed the material contained in Appendix C and, therefore, offered no final recommendation to the Commission on Appendix C in the Workshop Report.

In its November 19, 1997 supplemental filing, based on the decisions taken at its November 17, 1997 meeting, CBEE makes the following, final recommendations:

1. The CBEE recommends that the Commission adopt the performance award mechanism and target earning levels for PG&E, as described in Appendix C of the Workshop Report and, as supplemented, in Appendix C of the November 19, 1997 supplemental filing and errata to the Workshop Report. This material is reproduced as Appendix A to this Attachment.[5]

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[5] The description of PG&E's residential SPC performance mechanism is updated by PG&E's November 21, 1997 supplemental filing. This filing filled in the blanks in some of the sections of that description in Appendix C of the November 10, 1997 Workshop Report.

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2. The CBEE recommends that the Commission adopt the performance award mechanism and target earning level for SCE, as corrected in Appendix B of the November 19, 1997 supplemental filing and errata to the Workshop Report. This material is reproduced in Appendix B.

3. The CBEE recommends that the Commission adopt the SPC program performance award mechanism and target earning level for SDG&E's SPC programs, as described in Appendix C of the Workshop Report. This material is reproduced in Appendix C

4. Based on its review of the report and parties comments on the residential SPC workshop held on November 4, 1997, the CBEE makes no further recommendations to the Commission on residential SPC programs beyond those contained in the Workshop Report.

5. The CBEE continues to recommend that the Commission adopt the CBEE's customer protection and disclosure principles for nonresidential SPC programs, which call for the development of a customer affidavit. However, based on review of the customer affidavit proposed by the utilities and contained in Appendix C of the Workshop Report, and concerns from the Technical Advisory Committee regarding wording and tone of the proposed customer affidavit, the CBEE takes no position on the proposed customer affidavit at this time.

In addition, PG&E, SCE, and SDG&E have provided forecasts of the Utility Cost (UC) net benefits associated with their SPC programs for use in determining performance awards for the SPC programs. These forecasts were identified as information that would be provided on November 13, 1997 in the descriptions of the SPC performance award mechanisms in Appendix C of the Workshop Report.

The forecasted UC net benefits reported by the utilities are as follows: PG&E nonresidential SPC - $29.48 million; PG&E residential SPC - not available; SCE nonresidential SPC - $42.09 million; SCE residential SPC - $1.10 million; SDG&E nonresidential SPC - $11.51 million; SDG&E residential SPC - $2.23 million.

The forecasts were developed following general guidance from the CBEE. However, the CBEE has not yet reviewed the detailed assumptions and precise methodologies used to develop these forecasts. The up-side earnings potential associated with each SPC program is limited through a program-specific earnings cap.

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SPC Performance Mechanism
Residential SPC Programs-PG&E

45% -- Step 1: Have SPC operational within 45 or 60 calendar days of final Commission/CBEE approval, based on the following milestones:

a. Have SPC "on the street" and be able to accept applications from project sponsors. This includes having all forms and procedures completed and a documentation process developed. (40% of Step 1 incentive)

b. Have M&V protocols developed and available to sponsors for eligible measures. (20% of Step 1 incentive)

c. Have program tracking system developed and in place. The tracking system should include information about each project and the status of various activities (such as project processing, inspections, payments) for each project. (20% of Step 1 incentive)

d. Develop educational materials and conduct customer workshop(s) on the SPC program. SDG&E will conduct one workshop and then determine if additional workshops are necessary; SCE will conduct three workshops; PG&E will conduct two workshops. (10% of Step 1 incentive)

e. Develop educational materials and conduct workshop on the SPC program for project sponsors. (10% of Step 1 incentive)

Incentives are paid for each milestone as follows ($ mill.)

Milestone	Within 45 Days	Within 46-60 Days	Over 60 Days
a. SPC on the street	$.089	$.081	0
b. M&V protocols	$.042	$.04	0
c. Tracking system	$.042	$.04	0
d. Customer workshop	$.022	$.02	0
e. ESCO workshop	$.022	$.02	0

15% -- Step 2: Conduct post-installation inspection within specified number of working days after receipt of "complete" installation report from the project sponsor. The inspection will verify that equipment has been installed in accordance with the installation report.

Within 1-15 days	$.075
Within 16-30 days	$.068
Over 30 days	0

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10% -- Step 3: Provide payment within specified number of days of receipt of "complete" invoice for approved projects.

Within 1-15 days	$.05
Within 16-30 days	$.045
Over 30 days	0

30% -- Step 4: Incentives will be awarded based on final program Utility Cost (UC) benefits based on the following tiered structure:

90-100% of forecasted UC net benefits	.135
50-89% of forecasted UC net benefits	.108
21-49% of forecasted UC net benefits	.081
0-20% of forecasted UC net benefits	0

Forecasted UC net benefits are based on the following assumed end-use mix:

Lighting	$2.15 million
Refrigerators	$0.03 million
HVAC	$0.13 million
Water Heating	$0.64 million
Clothes Washer	-$0.02 million
Weatherization	$0.42 million
Insulation	$1.02 million
Total	$4.37 million

Costs for actual and committed projects, 1997 avoided costs, and ex ante assumptions based on the most current Commission-approved measurement studies (or subsequently approved by the Commission) will be used to calculate forecast UC net benefits.

Notes: "Complete" is defined as including all required information to meet contractual obligations.

For Steps 2 and 3, the number of days is calculated as a simple average of all projects processed.

Forecasted UC net benefits are $4.37 million.

Program maximum award is $0.45 million.

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SPC Performance Mechanism
Nonresidential SPC Programs-PG&E

35% -- <u>Step 1:</u> Have SPC operational within 45 or 60 calendar days of final Commission/CBEE approval, based on the following milestones:

a. Have SPC "on the street" and be able to accept applications from project sponsors. This includes having all forms and procedures completed and a documentation process developed. (40% of Step 1 incentive)

b. Have M&V protocols developed and available to sponsors for eligible measures. (20% of Step 1 incentive)

c. Have program tracking system developed and in place. The tracking system should include information about each project and the status of various activities (such as project processing, inspections, payments) for each project.(20% of Step 1 incentive)

d. Develop educational materials and conduct customer workshop(s) on the SPC program. SDG&E will conduct one workshop and then determine if additional workshops are necessary; SCE will conduct three workshops; PG&E will conduct three workshops. (10% of Step 1 incentive)

e. Develop educational materials and conduct workshop on the SPC program for project sponsors. (10% of Step 1 incentive)

Incentives are paid for each milestone as follows:

Milestone	Within 45 Days	Within 46-60 Days	Over 60 Days
a. SPC on the street	$.390	$.357	0
b. M&V protocols	$.195	$.179	0
c. Tracking system	$.195	$.179	0
d. Customer workshop	$.100	$.090	0
e. ESCO workshop	$.100	$.090	0

15% -- <u>Step 2:</u> Conduct pre-installation inspection within specified number of working days after "complete" detailed application is received. The inspection will include a baseline assessment for M&V purposes. For aggregated projects, inspections will be completed consistent with the M&V protocols.

Within 1-15 days	$.400
Within 16-30 days	$.383
Over 30 days	0

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15% -- Step 3: Conduct post-installation inspection within specified number of working days after receipt of "complete" installation report from the project sponsor. The inspection will verify that equipment has been installed in accordance with the installation report.

Within 1-15 days	$.400
Within 16-30 days	$.383
Over 30 days	0

10% -- Step 4: Provide payment within specified number of days of receipt of "complete" invoice for approved projects.

Within 1-15 days	$.27
Within 16-30 days	$.25
Over 30 days	0

25% -- Step 5: Incentives will be awarded based on final program Utility Cost (UC) benefits based on the following tiered structure: ($ MILLION)

90-100% of forecasted UC net benefits	.64
50-89% of forecasted UC net benefits	.51
21-49% of forecasted UC net benefits	.38
0-20% of forecasted UC net benefits	0% of Step 6 incentive

Forecasted UC net benefits are the following:

Lighting	$16.87 million	(30% of the budget)
HVAC	$ 4.05 million	(30% of the budget)
Other	$ 8.56 million	(40% of the budget)

Costs for actual and committed projects, 1997 avoided costs, and ex ante assumptions based on the most current Commission-approved measurement studies (or subsequently approved by the Commission) will be used to calculate forecast UC net benefits.

Notes: "Complete" is defined as including all required information to meet contractual obligations.

For Steps 2, 3, and 4, the number of days is calculated as a simple average of all projects processed.

Forecasted UC net benefits are $29.48 million.

Program maximum award is $2.55 million.

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ADDITIONAL INFORMATION ON PG&E'S PERFORMANCE MILESTONES AND AWARDS

Residential Energy Management Services

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. Successfully deploy programs to use audits as a communication vehicle for other residential programs including SPC, and develop a transition strategy to hand off service to new administrator or to private sector "house doctors." Achieve a minimum of 40,000 single family audits.	$131

TOTAL AWARD: $131

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MILESTONES

Multi-Family Properties Energy Management Services

MILESTONE		AWARD AMOUNT($ 000)
Management:		
1.	Successfully deploy the MFP energy survey program. Complete at least 25,000 targeted energy survey units.	$37
	TOTAL AWARD:	$37

Note: Completion of the energy surveys will lead to lowering several barriers related to information education.

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MILESTONES

Residential Energy Education and Information Services

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. Implement an energy efficient information call center which has the capacity to handle approximately 200,000 calls per year. Develop and distribute advertising/marketing materials promoting residential new construction energy efficiency.	$147

TOTAL AWARD $147

Milestone linkage with Market Effects:

The increased awareness will empower customers to more effectively manage home energy consumption and to purchase energy efficient products.

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MILESTONES

PG&E Comfort Home Program

MILESTONE		AWARD AMOUNT($ 000)
Management:		
1. Design and implement an EPA Energy Star New Program within 90 days of Commission approval		$255
Achievement:		
2. Number of homes signed up in base PG&E Comfort Home Program: (within 9 months)		
	1,500 - 3,499	$330
	3,500 - 4,999 units	$383
	5,000 units and above	$440
Market Effects / Superior Achievement:		
3. Develop and implement a builder survey demonstrating that at least 65% of the participating builders believed that the program provided them a marketing advantage in selling their homes.		$255

TOTAL AWARD: $840 - $950

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MILESTONES

California Home Energy Rating Systems (CHEERS)

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. Develop upstream partnerships with organizations including FHA, Fannie Mae, and Freddie Mac to bring Energy Efficient Mortgages (EEMs) to California.	$8

TOTAL AWARD: $8

Milestone linkage with Market Effects:

The upstream partnerships will serve to create and solidify partnerships necessary for a sustainable market. The increased market for ratings through the use of other PG&E programs will build and verify business.

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MILESTONES

PG&E Comfort Link

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. Design and implement a Third Party Financing Option within 90 days of commission approval	$45
Achievement:	
2. Dollar value of loans funded (within 9 months)	
$3,000,000 - $9,000,000	$80
$9,000,000 - $15,000,000	$90
Greater than $15,000,000	$110
Verification - Loans with related installed energy efficient measures would be verified through data provided by lenders. From this data, PG&E will do on-site verification for energy efficiency product requirements for an average of 25% of each contractor's work.	
Market Effects / Superior Achievement:	
3. Achieve a 15% increase in the number of contractors generating projects involving loans for energy efficiency over 1997 program levels.	$70

TOTAL AWARD: $170 - $225

Milestone linkage to Market Effects:

The tracking of loans will be an indicator to verify customer response to an expanded lending program which will lead to the participation and involvement of all market actors and accomplish the market effects for each actor.

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MILESTONES

Energy Star Labeling

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. Develop and implement an advertising and promotional campaign to increase customer awareness of Energy Star Labeling.	$22
Achievement:	
2. Demonstrate through a survey that 10% of customers in the market for appliances in 1998 became aware of the Energy Star Label (as of Sept. 1, 1998).	$33
TOTAL AWARD:	$55

Milestone linkage with Market Effects:

Achievements of the milestones will lead to increased consumer demand, an increase in supply/availability, lower pricing and sustainability. Program success will demonstrate that efficient products can be produced and sold at a fair profit. This may in turn, lead to standards that would be higher than would normally be the case. PG&E would encourage others (through CEE Inc.) to participate in the program. The larger the market created the greater the degree of success.

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MILESTONES

Business Energy Management Services (BEMS)
(Commercial, Industrial, and Agricultural Markets)

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. Successfully deploy the mass marketing and targeted energy survey programs. Complete at least 10,000 targeted energy surveys.	$258

TOTAL AWARD: $258

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APPENDIX A

MILESTONES

Express Efficiency

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. Startup: Marketing brochures and applications printed, Procedure for processing applications established, and Program available in the market	
3 months from CPUC decision	$330
2 months from CPUC decision	$440
1 month from CPUC decision	$550
Achievement:	
2. 15% of net benefits* using the utility cost test. (Achievement earnings capped at 15% of total program expenditures):	up to $1650

TOTAL AWARD: $330 - $2,100

*Net benefits using both actual and committed impacts (adjusted for expected drop-out rate). Committed defined as those applications date stamped prior to October 1, 1998, but paid between October 1, 1998 and December 31, 1998.

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MILESTONES

Energy Standards Program

MILESTONE	AWARD AMOUNT($ 000)
1. Agreement with the California Energy Commission	**$5**
Agreement will be reached in principle with the California Energy Commission to join with interested parties in a series of workshops directed toward a continuous improvement process for the 2001 energy standards. Opportunities to be considered are movement of the basis of the standards to seasonally or time-differentiated source energy values, a multi-state REACH code, and improvements associated with individual equipment, materials, or design practices.	
2. Completion of Contract with Facilitator	**$5**
A Request for Proposals will be developed, bids conducted, and an award made for the facilitation and technical work needed in support of the improvement process.	
3. Workshops Begin	**$15**
The advisory committee will be formed, the work plan written, committees formed and work will be started in all areas identified in the plan. The goal will be to have a consensus proposal for the next revision.	

TOTAL AWARD: $25

Note: It is anticipated that this project will require 3-4 years of work to result in the desired market transformation : This represents the first year's milestones. Ultimately, milestones will be related to cost-effective overall efficiency gains in the standards.

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MILESTONES

Regional and National Alliances

MILESTONE	AWARD AMOUNT($ 000)
<u>Management:</u>	
1. Participate in regional and national collaborative efforts with goal of producing new program opportunities and/or improving existing programs.	$5

TOTAL AWARD: $5

Milestone linkage with Market Effects:

A timely and effective communications link with regional and national organizations will maximize the effectiveness in creating market transformation. Involvement will also support the opportunities for leveraged participation contributing to lower consumer costs.

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MILESTONES

Residential and Small Commercial Emerging Technologies

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. Identify and develop preliminary cost effectiveness analyses for at least three emerging technologies	$15
Achievement:	
2. Develop and implement a plan to further research at least one emerging technology	$23

TOTAL AWARD $38

Preliminary cost effectiveness analysis will consist of energy savings, incremental cost and market potential development with summary report provided for each technology. A more in depth study will be produced for a cost effective technology.

Milestone linkage to market effects:

Through this initial product screening process, PG&E will be able to identify emerging technologies which possess the greatest potential for achieving sustainable market effects. Detailed investigations will include strategies to reduce market barriers as well as the development of current and projected future cost effectiveness assessments.

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MILESTONES

Stockton Training Center

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. Training courses targeted to contractors and builders with a goal of 24 classes over 9 months	$35
Achievement:	
2. Achieve a 40% increase in installation competency of contractors and builders attending courses. Based on pre- and post- training test.	$53
Market Effects / Superior Achievement:	
3. Demonstrate that at least 50% of the successful attendees of the courses expect to use their new knowledge from the courses in designing, building or installing more efficient structures and are likely to retain or even spread this knowledge to non-participants.	$35

TOTAL AWARD **$123**

Milestone linkage with Market Effects:

The courses are designed to educate the market actors who communicate the benefits of and install energy efficiency measures.

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MILESTONES

GeoExchange Program Demonstration

MILESTONE	AWARD AMOUNT($ 000)
<u>Management:</u>	
1. Using GeoExchange Program Demonstration results, develop a detailed follow-on implementation plan for commercialization of GeoExchange technology in Northern California	$33
<u>Achievement:</u>	
2. Sponsor installation of GeoExchange systems at GeoExchange Program Demonstration Participation sites	
Up to 75 units (1)	$38
75 to 155 units (2)	$50
more than 155 units	$56
<u>Market Effects / Superior Achievement:</u>	
3. Determine if the training program has significantly increased participant knowledge of quality GHP design and installation practices for at least 70% of the respective trainees.	$45

TOTAL AWARD: $104 - $134

(1) A unit refers to either a residential housing unit or system installation at one commercial facility.
(2) Our original incentive budget was set based on 150 homes and about 2-5 commercial projects. Only by reducing incentive levels can we rebate more units which is challenging given the already low incentive amount.

Milestone linkage to market effects:

1. Completion of training will increase trade ally awareness of GeoExchange technologies and will increase the number of qualified trade allies
2. Installed systems goal achievement evidences an increase in customer demand and market share for the technology
3. The follow on plan milestone does not directly address market effects but will instruct future administrator how to most effectively cause market effects.

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APPENDIX A

MILESTONES

Super Cool Super Clean

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. Implement integrated marketing and incentive program with interested regional water agencies within 90 days of Commission approval	$60
Achievement:	
2. Number of rebates paid (within 9 months):	
2,000 - 4,000	$68
4,001 - 6,200	$90
More than 6,200	$120
Market Effects / Superior Achievement:	
3. Conduct a survey of participating customers that demonstrates that • 50% of program participants can identify why they received a rebate (models save energy relative to standard equipment) and • that there is a linkage between the PG&E program and the EPA Energy Star Program	$60
TOTAL AWARD	**$188 - $240**

Note:

Only SERP models qualified at this Refrigerator efficiency level in 1997 and Whirlpool has said they will not make SERP units next year so very little product is likely to be available. Additionally, washer rebates are significantly smaller in 1998 than 1997.

Milestones linkage with Market Effects:

Successful achievement of the program's implementation milestone will directly result in changes in promotional practices as retailers increase their focus on qualifying products as evidenced by their display of program promotional materials. Furthermore, program implementation necessarily leads to increased customer awareness from utility outreach activities and promotional materials in stores. The number of rebates paid directly indicates increased consumer demand.

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MILESTONES

Residential Energy Efficient Windows

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. Develop a residential energy efficient windows program that leverages the National Fenestration Rating Council (NFRC) and/or the EPA Energy Star window initiative within 90 days of contract award	$26
Achievement:	
2. Develop and conduct training seminars to educate builders and window contractors on efficient windows and their proper installation	$39

TOTAL AWARD: $65

Milestone linkage with Market Effects:

Collaborating with NFRC, Energy Star (EPA), and vendors will facilitate a concerted effort toward market transformation. In addition, consumer education via various media will serve as the foundation for demand increases.

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MILESTONES

Residential Energy Efficient Lighting Fixture Program

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. Design and implement a residential energy efficient Lighting Fixture Program within 90 days of Commission approval. (Program to be designed and implemented in coordination with regional and national partners)	$100
Achievement:	
2. Verification net of Fluorescent Fixture incentives paid: (A summary of the program design and manufacturer agreements will be submitted as verification of program deployment. In addition, documentation of units paid to retailers and manufacturers will be submitted.)	
50,000 - 100,000	$120
100,001 - 150,000	$150
More than 150,000	$210
Market Effects / Superior Achievement:	
3. Demonstrate availability of qualifying fixtures in at least 20% of retail outlets carrying fixtures.	$100

TOTAL AWARD: $320 - $410

Milestone linkages to market effect:

The first step to reducing market barriers and achieving the desired market effects is to work with the mid and up-stream market actors to increase product availability and to provide consumer education. Tracking the number of units will indicate movement in product availability.

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MILESTONES

PowerPAct

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. Negotiate to fruition, a financing component for PowerPAct customer agencies. Without financing, federal agencies are constrained in their ability to accomplish energy efficiency projects. Have sufficient administration fees under contract to offset program expenses. This would further demonstrate how energy efficiency could be cost effective, self-sustaining market for the federal sector.	$22
Achievement:	
2. Enter into 6 new contracts to perform work. Each contract represents a project in which the federal agencies, design professionals and manufacturers learn the advantages of integrated design.*	$33

TOTAL AWARD: $55

* The 6 contracts can be for any phase of work: feasibility, design or construction and may be at sites where an earlier phase of work was initiated in 1997.

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MILESTONES

The PG&E Energy Center

MILESTONE		AWARD AMOUNT($ 000)
Management:		
1.	Operate the Energy Center under proposed plans.	$62
Achievement:		
2.	Complete 80 energy efficiency technology training courses for the professional design community.	$30
3.	By October 1, 1998, the PEC will develop a comprehensive design, engineering community and customer database capable of storing both PEC visitor and project information as well as be expandable statewide in the event of a formal collaboration among state energy centers.	$63
Market Effects / Superior Achievement:		
4.	Enhance Tool Lending Library with simulation measurement and predictive tools for commercial buildings, complete 100 site-specific estimates of the savings achieved through the use of these tools, and report the results of these projects on a quarterly basis. Complete a survey that determines the level of knowledge retained by a sample of participants in training courses offered by the Center.	$70

Total Award: $225

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MILESTONES

The Food Service Technology Center

MILESTONE		AWARD AMOUNT($ 000)
Management:		
1.	Continue to manage service center and expand its list of clientele by providing reliable results and customer specific feedback.	$77
Achievement:		
2.	Four new methods of test completed	$41
3.	Ten customer/designer/manufacturer seminars complete	$39
4.	Ten new equipment test reports complete	$36

TOTAL AWARD: $193

These milestones bear directly on the most important market effects targeted by the FSTC. The new test development work provides a benchmark for measuring specific equipment efficiency, a necessary first step toward making higher efficiency equipment available. These test methods provide a means by which customers can specify energy efficiency performance as part of their procurement procedures. The equipment test reports provide valuable information to end users to aid their decision-making process. The seminars provide assurance that technical information transfer is occurring.

PG&E plans to provide records and other necessary documentation such that progress toward and attainment of these milestones is clear and unambiguous.

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MILESTONES

Design Assistance

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. New Design Assistance program designed and launched by 2/15/98	$23
2. Design Assistance program market transformation outreach (4 seminars, 3 workshops, 100 target market contacts by 9/30/98)	$70
Achievement:	
3. Conduct 10 case studies during the first 6 months of 1998 that would show savings through design assistance and design tools exceeding Title 24 standards, using simulation program data.	$140

TOTAL AWARD: $233

PG&E's Design Assistance Program milestones are tied to the program's measures of success. Milestone One recognizes initiative of program activities and program rollout. Milestones Two and Three go directly to:

- Increased use of advanced design tools;
- Early adoption of new energy standards;
- Creation of "reach" standards;
- Distributing more energy-efficiency information; and
- Increased PG&E Energy Centers' use.

All three milestones link Design Assistance Program's impact to market effects. For instance, these milestones signify efforts to:

- Change design and specification practices to promote re-integrating design practice;
- Change design firms' organizational behavior relative to promoting energy-efficient design practices;
- Improve compliance with existing energy codes and standards;
- Enhance State energy codes through successfully integrating energy-efficient designs; and
- Increase awareness and knowledge of energy-efficiency benefits amongst market players.

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MILESTONES

The CoolTools Project

MILESTONE		AWARD AMOUNT($ 000)
Management:		
1.	The software is functional and ready for initial phase release	$15
2.	A baseline study documenting existing commercial HVAC design practice is complete	$15
Achievement:		
3.	Distribute software to at least 50 design professionals for beta test	$45
Market Effects / Superior Achievement:		
4.	60 firms registered users of the chiller simulation tool	$45

Total Award: $120

The primary market effect targeted by this program is a design practice change: PG&E wants to establish the practice of full energy simulation of alternative design HVAC solutions for large HVAC projects (new and retrofit). Today, such simulation does not occur; far less robust criteria are employed for equipment selection.

The first step toward changing this practice is the development of the software tool that will permit such simulation. As such, PG&E proposes the release of a functional software package as project milestone.

There is little specific documentation regarding the details of the design process and the relationship of existing practices to energy efficient system design. PG&E's baseline study will provide a basis for demonstrating representative system efficiency values before and after the availability of the design tool.

PG&E anticipates that any reasonable review of the project will be able to easily determine attainment (or non-attainment) of the milestones. PG&E will make program records and documentation available as required.

Note: The baseline study will be very specifically focused on the use of energy simulation practices as they affect decision making in the HVAC design process.

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MILESTONES

The Lighting Exchange Project

MILESTONE		AWARD AMOUNT($ 000)
Management:		
1.	The phase I electronic bulletin board is up, running and available to the design community.	$13
2.	A detailed plan for phase II project enhancements is complete based on usage data.	$10
Achievement:		
3.	30% of all users find the information on the Lighting Exchange credible and reliable. Based on non-self-selected data.	$34

Total Award $57

Note: The phase II plan would be developed based upon extensive input from system phase I users.

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MILESTONES

Premium Efficient Relocatable Classrooms (PERCs)

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. Completion of an analysis of the technical, economic and operational feasibility of the more efficient classrooms and present to the relevant stakeholders (manufacturers, school districts)	$14
Achievement:	
2. Achieve 10% awareness of PERC's in service territory districts and have two districts commit to specifying the advanced design.	$20

TOTAL AWARD: $34

Note: It is anticipated that this project will require 3-4 years of work to result in the desired market transformation. This represents the first year's milestones. Ultimately, milestones will be related to market penetration of premium efficiency measures.

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MILESTONES

SmartSource

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. Background work to develop and launch SmartSource Web site, including gathering vendor contact data and updating vendor information database, and researching "Equipment Purchase Decision Info" section:	
<3 months from Board decision	$24
3-5 months from Board decision	$30
>5 months from Board decision	$36
Achievement:	
2. Vendors signed on to be listed on SmartSource Web site:	
<50 vendors	$23
50-150 vendors	$26
>150 vendors	$30
3. Web site "hits":	
<700 hits per month	$15
700-1200 hits per month	$19
>1200 hits per month	$23

TOTAL AWARD: $62 - $89

ATTACHMENT 3
APPENDIX A

MILESTONES

Lighting Controls

The project milestones directly correlate to the measures of success, market effects and implementation strategy for the lighting control system investigation. These include partnering with nationally recognized lighting research organizations, developing testing protocols, product testing, and the development of performance specifications and calibration standards.

MILESTONE	AWARD AMOUNT($000)
Management:	
1. Develop a testing protocol to determine the photometric response for lighting control systems. For a selected set of lighting control systems, test each one of them, in a lighting laboratory, using the agreed upon testing protocol. For each, develop and fully document photometric response range. Assemble a database with the test results. Develop and document calibration and commissioning protocols for lighting control systems. Develop a performance specification the purpose of assisting the designer and specifier in selecting and specifying lighting control systems for indoor lighting applications.	$22
Achievement:	
2. Increase the awareness of the new tools and data base developed by the program for at least 30% of the system manufacturers and professional organizations targeted.	$33

TOTAL AWARD: $55

ATTACHMENT 3
APPENDIX A

MILESTONES

The Daylighting Project

MILESTONE		AWARD AMOUNT($ 000)
Management:		
1.	The software is functional and ready for initial phase release	$16
2.	A baseline study documenting existing daylighting design practice is complete	$16
Achievement:		
3.	Develop 10 case studies where daylighting design tools are used by architect to integrate daylighting into electric lighting designs.	$49

Total Award: $81

The primary market effect targeted by this program is a design practice change: PG&E wants to establish the practice of full physical and computer simulation of daylighting impacts and incorporate this practice into routine lighting design practice. Today, such simulation occurs only on a rare, exceptional basis.
The first step toward changing this practice is the development of the software tool and the physical tool that will permit such simulation. As such, PG&E proposes the release of a functional software package as a milestone.
There is little specific documentation regarding the details of the design process and the relationship of existing practices to high quality daylighting design and of the energy saving implications of daylighting design. PG&E's baseline study will provide a basis for demonstrating representative system efficiency values before and after the availability of the design tool.
PG&E anticipates that any reasonable review of the project will be able to easily determine attainment (or non-attainment) of the milestones. PG&E will make program records and documentation available as required.

Note: The baseline study will be very specifically focused on the use of computer simulation as a lighting and daylighting design tool within the lighting design community.

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APPENDIX A

MILESTONES

Light Emitting Diode Program

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. This is a small pilot program and should receive a performance adder -5% simply by demonstrating a good faith effort to implement above-described program design.	$8

TOTAL AWARD: $8

Note: It is anticipated that this project will require 3-4 years of work to result in the desired market transformation : Confidence in service life, proper characterization of operating environment and heat mitigation techniques, and new luminance standards. This represents the first year's milestones. Ultimately, milestones will be related to the penetration of red, green and yellow light sources.

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APPENDIX A

MILESTONES

Hotel and Motel Program

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. This is a small pilot program and should receive a performance adder -5% simply by demonstrating a good faith effort to implement above-described program design.	$6
TOTAL AWARD:	**$6**

Note: It is anticipated that this project will require 3-4 years of work to result in the desired market transformation. This represents the first year's milestones. Ultimately, milestones will be related to the market penetration of high efficiency measures.

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APPENDIX A

MILESTONES

The Commercial Refrigeration Simulation Project

MILESTONE		AWARD AMOUNT($ 000)
Management:		
1.	Develop new software and release for beta testing	$30
Achievement:		
2.	A baseline study documenting existing commercial refrigeration design practice is complete	$45
Market Effects / Superior Achievement:		
3.	Get at least one market leader to adopt software as part of their practice	$45

Total Award: $120

Note: The baseline study will be very specifically focused on the use of energy simulation practices as they affect decision making in the commercial refrigeration design process.

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APPENDIX A

MILESTONES

Building Commissioning and Building Performance Tools

MILESTONE		AWARD AMOUNT ($000)
Management:		
1.	Develop a guide that shows facility managers how to collect building measurements and performance measurements and performance data with building measurement tools.	$46
Achievement:		
2.	Develop 10 case studies in which building measurement tools were used to measure baseline operations based on the above-mentioned guide.	$70
Market Effects / Superior Achievement:		
3.	Develop a case study of 5 buildings in which baseline measurements were taken and, based on changes in equipment, operations show at least a 10% decrease in energy use as a result of lessons learned from the program.	$70

TOTAL AWARD: $186

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APPENDIX A

MILESTONES

The Energy Information Centers Integration Project

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. A comprehensive analysis and implementation plan for state-wide integration of energy centers will be complete by June 1, 1998, with recommendations as to their organizational structure, funding, staffing, facilities and target markets.	$18
Achievement:	
2. Ensure that all market segments have access to resources of an energy center for those who live within major metropolitan centers in the state, including SF/Bay Area, LA Basin, Sacramento/Stockton, Bakersfield/Fresno, Redding/Chico/Eureka.	$26

TOTAL AWARD: $44

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APPENDIX A

MILESTONES

Natural Cooling

The project milestones directly correlate to the measures of success, market effects and implementation strategy for the natural cooling program. These include survey of the market place to gauge the penetration rate for natural cooling systems and equipment, developing testing protocols and the development of performance specifications and calibration standards.

MILESTONE		AWARD AMOUNT ($000)
Management:		
1.	Develop a project plan, testing protocols, and commissioning guidelines for these new indirect cooling systems.	$37
Achievement:		
2.	Sponsor 5 demonstrations of the technology.	$56
	TOTAL AWARD:	**$93**

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APPENDIX A

MILESTONES

Third Party Proposals

MILESTONE	AWARD AMOUNT($ 000)
Management:	
1. Develop Third Party Program to encourage a diversity of programs from a variety of non-utility private sector energy services companies and other organizations. This includes criteria for selection of programs to be funded.	$150
Achievement:	
2. Sign contracts with third party organizations or companies, with the input from the CBEE, to the extent of the funds authorized for this activity. Recruit at least 5 separate program proposals.	$250

TOTAL AWARD: $400

One of the objectives of the Commission, the legislation and the CBEE is to foster and encourage a viable private sector energy services industry. PG&E's third party program will encourage programs which affect a variety of market barriers with special attention paid to innovative approaches and any possible gaps in the offerings of present energy efficiency programs.

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Page 1

Proposed Earnings Mechanism For Interim Administration- Southern California Edison

I. Overview -

In the October 1 application, Edison proposed to replace its existing DSM shareholder incentives mechanism for a new performance awards mechanism for 1998. Edison believes that the mechanism it proposed as part of the October 1 application continues to represent a reasonable approach to meeting all of the Commission's objectives for 1998 – in regard to the performance award mechanism design and in regard to the performance award levels possible under the mechanism. However, as part of the CPUC's ongoing joint planning process and in the spirit of achieving consensus positions that both the CBEE and Edison could endorse, Edison has continued to work with the CBEE's interim administrator earnings mechanism subcommittee members to craft an alternate approach that would be acceptable to both the CBEE and Edison and would allow the Commission to avoid hearings that would threaten the State's ability to accomplish its transition goals on schedule. The 1998 interim administration earnings mechanism described below achieves that goal.

The earnings mechanism described below is consistent with the Commission's goal to promote market transformation activities and the privatization of the energy efficiency service industry. As an integrated package, the combination of elements in this mechanism: (1) provides an appropriate level of potential awards for accomplishment of the Commission's and Board's objectives as they specifically relate to program activities proposed for 1998; (2) where appropriate, differentiates between good and superior performance; (3) ties performance awards to factors that are (or should be) within the interim administrator's control; (3) provides balanced "incentive signals" to the interim administrator to ensure that all of the various programs in the portfolio are given appropriate attention; and, (4) satisfies all applicable CBEE proposed policy rules for interim administrators.

The proposed earnings mechanism for interim administration has two components. The first component is a modified form of Edison's 1997 earnings mechanism. The second component is a performance award assigned to the nonresidential and residential Standard Performance Contract programs. Each component is described below in further detail. In addition, Table 1 (Proposed Earnings Mechanism For Interim

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Administration) indicates the various earnings amounts associated with each program category.

II. Modified Incentive Mechanism Component -

The interim administrator modified incentive mechanism rewards the administrator for aggressive implementation of programs through performance adder and modified shared savings treatments.

Performance Adder - A performance adder of five percent of program expenditures applied to the following programs:

Residential Energy Management Services
Small Business Energy Use Survey
Small Business Lighting Modification
Commercial and Industrial Energy Management Services
Agricultural Energy Management Services
Residential Financing Program
Residential Appliance Direct Rebate
Residential Spare Refrigerator Recycling
Energy Efficiency Incentive Program
Residential SCE Home Program
Nonresidential Energy Design Resource
Nonresidential New Construction Incentive
Retail Initiatives
CHEERS
Consortium For Energy Efficiency Residential Electric End-Use Efficiency Initiative
LED Exit Sign Retrofit/Replacement Program
Market Transformation Showcases

A performance adder of ten percent of program expenditures (CBEE recommended for all utilities) applied to the following programs:

Local Energy Assistance Program (Third-Party Initiative)
Future Third-Party Initiatives (Proposals implemented during interim administration)

Shared Savings - The modified shared savings treatment applies to nonresidential and residential Energy Efficiency Incentives and specific Market Transformation programs. This modified shared savings treatment is in addition to the performance adder treatment described above in order to promote cost-effectiveness in the administration and implementation of affected programs. These programs are listed below and include a description of how the shared savings mechanism would apply to each.

Energy Efficiency Incentives -

Residential Appliance Direct Rebates
Residential Financing
Residential Spare Refrigerator Recycling
Nonresidential Energy Efficiency Incentive Program

After the 9-month interim administration period concludes, a Utility Cost Benefit Ratio is calculated, in aggregate, for the programs listed above. The components of the UC Ratio calculation are listed below.

UC Ratio* = (RBn)/(UIC+UAC)

where;

RBn = Total Resource Benefits, net (Redeemed + Committed Coupons)
UIC = Utility Incentive Costs
UAC = Utility Administrative Costs

*Calculation does not include possible performance award.

The calculated UC Ratio is compared to a four-tiered performance table listed below. Each Tier includes a range of UC ratios tied to a predetermined performance award. The actual performance award depends upon the Tier the calculated UC ratio falls.

Tiered Performance Table

Tier	UC Ratio Range	Performance Award
I	<1.00	$ 0
II	1.00 - 1.40	$ 800,000
III	1.50 - 2.00	$1,100,000
IV	2.00 +	$1,250,000

Market Transformation -

LED Exit Sign Retrofit/Replacement
Nonresidential New Construction Incentives

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After the 9-month interim administration period concludes, a Utility Cost Benefit Ratio is calculated, in aggregate, for the programs listed above. The components of the UC Ratio calculation are listed below.

UC Ratio* = (RBn)/(UIC+UAC)

where;

RBn = Total Resource Benefits, net (Redeemed + Committed Coupons)
UIC = Utility Incentive Costs
UAC = Utility Administrative Costs

*Calculation does not include possible performance award.

The calculated UC Ratio is compared to a four-tiered performance table listed below. Each Tier includes a range of UC ratios tied to a predetermined performance award. The actual performance award depends upon the Tier the calculated UC ratio falls.

Tiered Performance Table

Tier	UC Ratio Range	Performance Award
I	<2.00	$ 0
II	2.00 - 2.50	$ 800,000
III	2.51 - 3.00	$1,000,000
IV	3.00 +	$1,250,000

III. Performance Awards -

The Performance Award is the second component of the interim administrator earnings mechanism. Performance Awards applies to the following programs:

Standard Performance Contracting (SPC) -
Residential SPC
Nonresidential SPC

See Edison's SPC mechanism descriptions.

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IV. Earnings Cap

The CBEE's recommended earnings cap for Southern California Edison is \$6.64 million (12% of \$55.26 million program budget) during the 9-month interim administration period in 1998. The earnings potential is slightly above this amount, however, the interim administrator cannot receive more than the earnings cap amount.

V. Definitions

Resource Benefits, net represents the present dollar value of net capacity avoided costs and net energy avoided costs achieved over the life of the energy efficiency programs. The dollar value is based on Edison's 1997 avoided costs (i.e., marginal costs).

The RBn forecast is based on Edison's forecasted number of units per measure multiplied by pre-specified capacity reductions and energy savings and the net present value of avoided costs.

Actual RBn equals actual and committed number of units rebated multiplied by pre-specified capacity reductions and energy savings and the net present value avoided cost.

Utility Incentive Costs are any incentives paid or committed to customers during the interim period by the sponsoring utility.

Utility Administration Costs are expenses necessary to administer energy efficiency programs, and are exclusive of UIC programs may include payroll and benefits, employee pensions, insurance, rents, worker's compensation, consultants, franchise requirements, office supplies, general plant maintenance, general services, and other miscellaneous expenses.

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Proposed Earnings Mechanisms For Interim Administration:
Southern California Edison
($ in millions)

Program Category		Budget (9-Mos.)	Modified Current Mechanism	Administrator Performance Mechanism	Total
General Information	[1]	$ 3.32	$ -	$ -	$ -
EMS	[2]	9.40	0.47	-	0.47
EEI (Non-SPC)	[3]	10.00	1.30	-	1.30
Market Transformation	[4]	12.04	1.60	-	1.60
Third-Party Initiatives	[5]	2.70	0.27	-	0.27
Nonres. SPC	[6]	16.00	-	2.80	2.80
Res. SPC	[7]	1.80	-	0.20	0.20
Total	[8]	$ 55.26	$ 3.64	$ 3.00	$ 6.64
Cap					$ 6.64

notes -
[1] General Information: No shareholder earnings.
[2] EMS: 5% performance factor.
[3] EEI (Non-SPC): Does not include additional earnings potential for superior performance.
[4] Market Transformation: Does not include additional earnings potential for superior performance.
[5] Third-Party Initiatives: 10% performance factor.
[6] Nonres. SPC: Does not include an additional $100K for superior performance.
[7] Res. SPC: Does not include an additional $6K for superior performance.
[8] Edison's Overall Funding Cap (12% of $55.26) equals $6.64.

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SPC Performance Mechanism
Nonresidential SPC Programs

35% -- Step 1: Have SPC operational within 45 or 60 calendar days of final Commission/CBEE approval, based on the following milestones:

a. Have SPC "on the street" and be able to accept applications from project sponsors. This includes having all forms and procedures completed and a documentation process developed. (40% of $980,000)

b. Have M&V protocols developed and available to sponsors for eligible measures. (20% of $980,000)

c. Have program tracking system developed and in place. The tracking system should include information about each project and the status of various activities (such as project processing, inspections, payments) for each project.(20% of $980,000)

d. Develop educational materials and conduct customer workshop(s) on the SPC program. SDG&E will conduct one workshop and then determine if additional workshops are necessary; SCE will conduct three workshops; PG&E will conduct ___ workshops. (10% of $980,000)

e. Develop educational materials and conduct workshop on the SPC program for project sponsors. (10% of $980,000)

Incentives are paid for each milestone as follows:

Milestone	Within 45 Days	Within 46-60 Days	Over 60 Days
a. SPC on the street	$420,000	$392,000	0
b. M&V protocols	$210,000	$196,000	0
c. Tracking system	$210,000	$196,000	0
d. Customer workshop	$105,000	$98,000	0
e. ESCO workshop	$105,000	$98,000	0

15% -- Step 2: Conduct pre-installation inspection within specified number of working days after "complete" detailed application is received. The inspection will include a baseline assessment for M&V purposes. For aggregated projects, inspections will be completed consistent with the M&V protocols.

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Within 1-15 days	$430,000
Within 16-30 days	$420,000
Over 30 days	0

15% -- Step 3: Conduct post-installation inspection within specified number of working days after receipt of "complete" installation report from the project sponsor. The inspection will verify that equipment has been installed in accordance with the installation report.

Within 1-15 days	$430,000
Within 16-30 days	$420,000
Over 30 days	0

10% -- Step 4: Provide payment within specified number of days of receipt of "complete" invoice for approved projects.

Within 1-15 days	$290,000
Within 16-30 days	$280,000
Over 30 days	0

25% -- Step 5: Incentives will be awarded based on final program Utility Cost (UC) benefits based on the following tiered structure:

90-100% of forecasted UC net benefits	100% of $700,000
50-89% of forecasted UC net benefits	80% of $700,000
21-49% of forecasted UC net benefits	60% of $700,000
0-20% of forecasted UC net benefits	0% of $700,000

Forecasted UC net benefits are based on the following assumed end-use mix:

Lighting	30%
HVAC	40%
Other	30%

Costs for actual and committed projects, 1997 avoided costs, and ex ante assumptions based on the most current Commission-approved measurement studies (or subsequently approved by the Commission) will be used to calculate forecast UC net benefits.

Notes: "Complete" is defined as including all required information to meet contractual obligations.

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For Steps 2, 3, and 4, the number of days is calculated as a simple average of all projects processed.

Forecasted UC net benefits will be provided by November 13, 1997.

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Southern California Edison:
SPC Performance Mechanism - Residential SPC Programs

45% -- Step 1: Have SPC operational within 45 or 60 calendar days of final Commission/CBEE approval, based on the following milestones:

a. Have SPC "on the street" and be able to accept applications from project sponsors. This includes having all forms and procedures completed and a documentation process developed. (40% of $90,000)

b. Have M&V protocols developed and available to sponsors for eligible measures. (20% of $90,000)

c. Have program tracking system developed and in place. The tracking system should include information about each project and the status of various activities (such as project processing, inspections, payments) for each project.(20% of $90,000)

d. Develop educational materials and conduct customer workshop(s) on the SPC program. SCE will conduct three workshops. (10% of $90,000)

e. Develop educational materials and conduct workshop on the SPC program for project sponsors. (10% of $90,000)

Incentives are paid for each milestone as follows:

Milestone	Within 45 Days	Within 46-60 Days	Over 60 Days
a. SPC on the street	$37,680	$36,000	0
b. M&V protocols	$18,840	$18,000	0
c. Tracking system	$18,840	$18,000	0
d. Customer workshop	$9,420	$9,000	0
e. ESCO workshop	$9,420	$9,000	0

15% -- Step 2: Conduct post-installation inspection within specified number of working days after receipt of "complete" installation report from the project sponsor. The inspection will verify that equipment has been installed in accordance with the installation report.

Within 1-15 days	$30,900
Within 16-30 days	$30,000
Over 30 days	0

10% -- Step 3: Provide payment within specified number of days of receipt of "complete" invoice for approved projects.

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Within 1-15 days	$20,900
Within 16-30 days	$20,000
Over 30 days	0

30% -- Step 4: Incentives will be awarded based on final program Utility Cost (UC) benefits based on the following tiered structure:

90-100% of forecasted UC net benefits	100% of $60,000
50-89% of forecasted UC net benefits	80% of $60,000
21-49% of forecasted UC net benefits	60% of $60,000
0-20% of forecasted UC net benefits	0% of $60,000

Forecasted UC net benefits are based on the following assumed end-use mix:

Lighting	30%
Space Conditioning	40%
Weatherization	30%

Costs for actual and committed projects, 1997 avoided costs, and ex ante assumptions based on the most current Commission-approved measurement studies (or subsequently approved by the Commission) will be used to calculate forecast UC net benefits.

Notes: "Complete" is defined as including all required information to meet contractual obligations.

For Steps 2 and 3, the number of days is calculated as a simple average of all projects processed.

Forecasted UC net benefits are approximately $1.1 million.

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APPENDIX C

San Diego Gas and Electric
1998 Administrative Performance Incentives

Cap = $3.199 million

Program	Budget	Incentives (Good)	Incentives (Superior)
EMS -- Residential	$1.096	$.055	$.055
-- Small Commercial	.716	.036	.036
EEI -- Small Comm Rebates	1.395	.190	.190
-- Residential SPC	3.134	.467	.500
-- Nonresidential SPC	7.958	1.091	1.169
Market Transformation	6.480	1.250	1.250
Third Party	1.100	.110	.110
Information -- Residential	.769	0	0
-- Nonresidential	.202	0	0
Totals	$22.850	$3.199	$3.310

Note: For the Small Commercial Rebate and some Market Transformation programs, superior awards could be higher based on actual level of UC net benefits.

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APPENDIX C

San Diego Gas and Electric
SPC Performance Mechanism
Nonresidential SPC Program

35% -- Step 1: Have SPC operational within 45 or 60 calendar days of final Commission/CBEE approval, based on the following milestones:

a. Have SPC "on the street" and be able to accept applications from project sponsors. This includes having all forms and procedures completed and a documentation process developed. (40% of Step 1 incentive)

b. Have M&V protocols developed and available to sponsors for eligible measures. (20% of Step 1 incentive)

c. Have program tracking system developed and in place. The tracking system should include information about each project and the status of various activities (such as project processing, inspections, payments) for each project.(20% of Step 1 incentive)

d. Develop educational materials and conduct customer workshop(s) on the SPC program. SDG&E will conduct one workshop and then determine if additional workshops are necessary. (10% of Step 1 incentive)

e. Develop educational materials and conduct workshop on the SPC program for project sponsors. (10% of Step 1 incentive)

Incentives are paid for each milestone as follows:

Milestone	Within 45 Days	Within 46-60 Days	Over 60 Days
a. SPC on the street	$174,000	$153,000	0
b. M&V protocols	$87,000	$76,000	0
c. Tracking system	$87,000	$76,000	0
d. Customer workshop	$44,000	$38,000	0
e. ESCO workshop	$44,000	$38,000	0

15% -- Step 2: Conduct pre-installation inspection within specified number of working days after "complete" detailed application is received. The inspection will include a baseline assessment for M&V purposes. For aggregated projects, inspections will be completed consistent with the M&V protocols.

Within 1-15 days	$172,000
Within 16-30 days	$164,000
Over 30 days	0

15% -- Step 3: Conduct post-installation inspection within specified number of working days after receipt of "complete" installation report from the project sponsor. The

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APPENDIX C

inspection will verify that equipment has been installed in accordance with the installation report.

Within 1-15 days	$172,000
Within 16-30 days	$164,000
Over 30 days	0

10% -- Step 4: Provide payment within specified number of days of receipt of "complete" invoice for approved projects.

Within 1-15 days	$117,000
Within 16-30 days	$109,000
Over 30 days	0

25% -- Step 5: Incentives will be awarded based on final program Utility Cost (UC) benefits based on the following tiered structure:

90-100% of forecasted UC net benefits	$273,000
50-89% of forecasted UC net benefits	$218,000
21-49% of forecasted UC net benefits	$164,000
0-20% of forecasted UC net benefits	0%

Forecasted UC net benefits are based on the following assumed end-use mix:

Lighting	30%
HVAC	40%
Other	30%

Costs for actual and committed projects, 1997 avoided costs, and ex ante assumptions based on the most current Commission-approved measurement studies (or subsequently approved by the Commission) will be used to calculate forecast UC net benefits.

Notes: "Complete" is defined as including all required information to meet contractual obligations.

For Steps 2, 3, and 4, the number of days is calculated as a simple average of all projects processed.

Forecasted UC net benefits will be provided by November 13, 1997.

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San Diego Gas and Electric
SPC Performance Mechanism
Residential SPC Program

45% -- Step 1: Have SPC operational within 45 or 60 calendar days of final Commission/CBEE approval, based on the following milestones:

a. Have SPC "on the street" and be able to accept applications from project sponsors. This includes having all forms and procedures completed and a documentation process developed. (40% of Step 1 incentive)

b. Have M&V protocols developed and available to sponsors for eligible measures. (20% of Step 1 incentive)

c. Have program tracking system developed and in place. The tracking system should include information about each project and the status of various activities (such as project processing, inspections, payments) for each project.(20% of Step 1 incentive)

d. Develop educational materials and conduct customer workshop(s) on the SPC program. SDG&E will conduct one workshop and then determine if additional workshops are necessary. (10% of Step 1 incentive)

e. Develop educational materials and conduct workshop on the SPC program for project sponsors. (10% of Step 1 incentive)

Incentives are paid for each milestone as follows:

Milestone	Within 45 Days	Within 46-60 Days	Over 60 Days
a. SPC on the street	$93,000	$84,000	0
b. M&V protocols	$47,000	$42,000	0
c. Tracking system	$47,000	$42,000	0
d. Customer workshop	$23,000	$21,000	0
e. ESCO workshop	$23,000	$21,000	0

15% -- Step 2: Conduct post-installation inspection within specified number of working days after receipt of "complete" installation report from the project sponsor. The inspection will verify that equipment has been installed in accordance with the installation report.

Within 1-15 days	$75,000
Within 16-30 days	$70,000
Over 30 days	0

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10% -- Step 3: Provide payment within specified number of days of receipt of "complete" invoice for approved projects.

Within 1-15 days	$52,000
Within 16-30 days	$47,000
Over 30 days	0

30% -- Step 4: Incentives will be awarded based on final program Utility Cost (UC) benefits based on the following tiered structure:

90-100% of forecasted UC net benefits	$140,000
50-89% of forecasted UC net benefits	$112,000
21-49% of forecasted UC net benefits	$ 84,000
0-20% of forecasted UC net benefits	0

Forecasted UC net benefits are based on the following assumed end-use mix:

Lighting	___%
Refrigerators	___%
______	___%
______	___%

Costs for actual and committed projects, 1997 avoided costs, and ex ante assumptions based on the most current Commission-approved measurement studies (or subsequently approved by the Commission) will be used to calculate forecast UC net benefits.

Notes: "Complete" is defined as including all required information to meet contractual obligations.

For Steps 2 and 3, the number of days is calculated as a simple average of all projects processed.

Forecasted UC net benefits will be provided by November 13, 1997.

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Attachment 4
Table 1

Budget Summary Table
CBEE Final Recommendations

	All Utilities $M	All Utilities (% 9-mo. prog bud)	PG&E $M	PG&E (% 9-mo. prog bud)	SCE $M	SCE (% 9-mo. prog bud)	SDG&E $M	SDG&E (% 9-mo. prog bud)	SCG $M	SCG (% 9-mo. prog bud)
Program Types										
EMS	25.437	16%	11.483	17%	9.400	17%	1.812	8%	2.742	14%
Res SPC	10.299	6%	2.415	4%	1.800	3%	3.134	14%	2.950	15%
Nonres SPC	37.643	23%	13.685	21%	16.000	29%	7.958	35%	0.000	0%
Other EEI	25.476	16%	10.000	15%	10.000	18%	1.395	6%	4.081	21%
New Construction	15.113	9%	6.100	9%	4.100	7%	2.638	12%	2.275	12%
Gen. Info.	11.756	7%	4.265	6%	3.300	6%	0.971	4%	3.220	17%
Other	28.810	18%	13.918	21%	8.800	16%	3.842	17%	2.250	12%
Unallocated 3 Party	8.923	5%	4.000	6%	1.863	3%	1.100	5%	1.960	10%
Subtotal 9-mo. program-only budget	163.457	100%	65.866	100%	55.263	100%	22.850	100%	19.478	100%
MFRR (with % of program-only budget)	13.532	8%	4.600	7%	5.010	9%	1.973	9%	1.949	10%
CBEE Set-Aside	9.950		4.450		4.000		1.500		0.000	
Performance Award Cap (with % of program-only budget)	20.610	13%	9.221	14%	6.632	12%	3.199	14%	1.558	8%
Total Recommended for 9-mo. Budget PGC/EE and/or Gas DSM (program+MFRR+CBEE+perf. cap)	207.549		84.137		70.905		29.522		22.985	
Authorized PGC/EE for PY98	228.000		106.000 *		90.000		32.000			
Authorized Gas DSM PY98	45.383		12.888 **				5.500		26.995	
Total for authorized PGC/EE and/or Gas DSM	273.383		118.888		90.000		37.500		26.995	
Recommended total 9-month budget as fraction of total authorized		76%		71%		79%		79%		85%
additional analyses (% 9-month program budget)										
Residential Programs		35%		37%		29%		38%		40%
Nonresidential Programs		65%		63%		70%		62%		60%

* The CBEE is recommending that the Commission not authorize the use of energy efficiency monies to fund direct assistance programs, and, in particular, that PGC energy efficiency funds not be used to fund electric direct assistance programs. PG&E included $29.11 million of funding (combined electric and gas) for its direct assistance program in its application. In the event that the Commission accepts the CBEE's recommendation, the authorized PGC funding for energy efficiency should still be $106 million (D 97-02-014, ordering paragraph 2; AB1890, Section 381).

** PG&E included funding for its gas direct assistance program in the $27.920 million of authorized gas DSM funds for PY98. The CBEE is recommending that the Commission not authorize the use of energy efficiency monies to fund direct assistance programs. Assuming that $15.032 million of authorized gas DSM funds are for gas direct assistance activities (D. 95-12-055), then $12.888 million of authorized gas DSM funds are available for energy efficiency activities. The authorized gas DSM funding for energy efficiency reported in this table has been reduced from $27.920 million to $12.888 million consistent with the CBEE's recommendation.

Note: this version is from the 11/19 supplemental filing

Attachment 4
Table 2

Program Summary - PG&E
($ in millions)

Name	Customer Class1	Program Type2	Supra-categories3	CBEE-Recommended Authorized 9-mo. Program Budget	CBEE-Recommended Target Earnings4	Target Earnings as % of Program Budget
Resid. Energy Management Services	R	EMS	MT	2.620	0.131	5%
Resid. Multi-Family	R	EMS	MT	0.750	0.037	5%
Resid. Energy Educ. & Info Services	R	EMS	MT	2.950	0.147	5%
Busin. Energy Management Services	NR	EMS	MT	5.163	0.258	5%
PG&E Comfort Home	R	EEI	MT*	5.100	0.893	18%
Express Efficiency	NR	EEI	MT*	11.000	1.925	18%
Standard Performance Contract-Res	R	EEI	SPC	2.415	0.450	19%
Standard Performance Contract-NR	NR	EEI	SPC	13.685	2.550	19%
CHEERS	R	GI	MT	0.170	0.008	5%
PG&E Comfort Link	R	O	MT	0.910	0.180	20%
Energy Star	R	O	MT	0.440	0.055	13%
Geo Exchange	R	O	MT*	0.675	0.116	17%
Super Cool Super Clean	R	O	MT*	1.200	0.210	18%
Stockton Training Center	R	GI	MT	0.705	0.123	17%
Efficient Windows	R	O	MT*	0.525	0.065	12%
Efficient Lighting Fixtures	R	O	MT*	2.000	0.350	18%
PG&E Energy Center	NR	GI	MT	1.240	0.225	18%
Food Service Technology Center	NR	GI	MT	1.550	0.193	12%
Cool Tools	NR	O	MT	0.600	0.120	20%
Lighting Exchange	NR	O	MT	0.450	0.057	13%
Power Pact	NR	O	MT	0.440	0.055	13%
Premium Eff. Relocatable Classrooms	NR	O	MT*	0.275	0.034	12%
Smart Source	NR	GI	MT	0.600	0.075	13%
Design Assistance	NR	O	MT*	1.860	0.233	13%
Light Controls	NR	O	MT*	0.440	0.055	13%
Daylighting Design Tool	NR	O	MT	0.650	0.081	12%
Light Emitting Diode	NR	O	MT*	0.155	0.008	5%
Hotel & Motel	NR	O	MT*	0.115	0.006	5%
Commercial Refrigeration Simul. Tool	NR	O	MT*	0.600	0.120	20%
Building Commissioning	NR	O	MT*	0.930	0.186	20%
Energy Information Centers	R/NR	O	MT	0.350	0.044	13%
Natural Cooling	R/NR	O	MT*	0.745	0.093	12%

Attachment 4
Table 2

Program Summary - PG&E cont.
($ in millions)

Name	Customer Class1	Program Type2	Supra-categories3	CBEE-Recommended Authorized 9-mo. Program Budget	CBEE-Recommended Target Earnings4	Target Earnings as % of Program Budget
Emerging Technologies	R/NR	O	MT	0.305	0.038	12%
Energy Standards	R/NR	O	MT*	0.140	0.025	18%
Regional/National Alliances	R/NR	O	MT	0.113	0.005	4%
Unallocated 3 Party	R/NR	O	3PN	4.000	0.400	10%
Program Subotal				65.866	9.221 **	14%
MFRR Items						
PY98 Programs				3.000		
Pre-98 Programs				0.000		
CEC Data Collection				0.000		
Regulatory Reporting				1.600		
Forecasting				0.000		
Other				0.000		
Subtotal 9 mo. MFRR				4.600		
CBEE set aside				4.450		
Administrator Performance Award Cap				9.221		
Total Recommended for 9-Month Budget				84.137		

1 R=residential, NR=nonresidential, R NR=both
2 EMS=energy management services, EEI=energy efficiency incentives, GI=general information, NC=new construction, O=other
3 MT=Integrated & Upstream Market Transformation, MT*=MT with financial incentives, 3PN=Third Party Proposals or Initiatives accepted by utilities pursuant to discussions initiated less than 2 months prior, 3PO=Third Party Proposals or Initiatives accepted by utilities pursuant to discussions initiated over 2 months prior
4 Target earnings have been updated with supplemental information submitted 11/7/97 pursuant to CBEE guidance provided at 10/30/97 CBEE meeting
** = "Overall Administrator Performance Award Cap"
Note. this version is from the 11/19 supplemental filing

Attachment 4
Table 3

Program Summary - Southern California Edison
($ in millions)

Name	Customer Class1	Program Type2	Supra-categories3	CBEE-Recommended Authorized 9-mo. Program Budget	CBEE-Recommended Target Earnings4	Target Earnings as % of Program Budget
Resid.(In-Home Audit & Energy Use Profile Audit)	R	EMS		1.600	0.080	5%
Small Business Energy Use Survey	NR	EMS		0.400	0.020	5%
Small Business Lighting Modification Program	NR	EMS		0.400	0.020	5%
Commerical and Industrial EMS	NR	EMS		5.300	0.265	5%
Agricultural EMS	NR	EMS		1.700	0.085	5%
Residential SPC	R	EEI	SPC	1.800	0.200	11%
Residential Financing Program	R	EEI		1.500	0.187	12%
Residential Appliance Direct Rebate Program	R	EEI		0.800	0.100	13%
Residential Spare Refrigerator Recycling	R	EEI		5.500	0.688	13%
Commercial and Industrial SPC	NR	EEI	SPC	16.000	2.800	18%
Energy Efficiency Incentive Program	NR	EEI		2.200	0.275	13%
SCE Home Program	R	NC	MT	0.800	0.040	5%
Energy Design Resource	NR	NC	MT	0.800	0.040	5%
New Construction Incentive Program	NR	NC	MT*	2.500	0.705	28%
Retail Initiative	NR	O	MT*	3.000	0.150	5%
CHEERS	R	GI	MT	0.300	0.015	5%
Local Government Energy Efficiency Awareness Program	R	O	MT/3PN	0.900	0.090	10%
Consortium for Energy Efficiency Residential Electric End-Use Efficiency Initiative	R	O	MT*	0.200	0.010	5%
LED Exit Sign Retrofit/Replacement Program	NR	O	MT*	1.800	0.510	28%
Market Transformation Showcases	NR/R	O	MT	2.900	0.145	5%
Mass Market Information	R	GI	MT	0.300	0.000	0%
Customer Technology Applications Center/AgTAC	NR/R	GI	MT	2.200	0.000	0%
Marketing Support	NR/R	GI	MT	0.500	0.000	0%
Unallocated 3 Party	NR/R	O	3PN	1.863	0.180	10%
Program Subtotal				55.263	6.632 **	12%
MFRR						
PY98 Programs				1.310		
Pre-98 Programs				0.000		
CEC Data Collection				0.000		
Regulatory Reporting				1.400		
Forecasting				0.000		
Other (Management support)				2.300		
Subtotal MFRR				5.010		
CBEE Set aside				4.000		
Administrator Performance Award Cap				6.632		
Total Recommended 9-Month Budget				70.905		

Attachment 4
Table 3

1 R=residential, NR=nonresidential, R NR=both

2 EMS=energy management services, EEI=energy efficiency incentives, GI=general information, NC=new construction, O=other

3 MT=Integrated & Upstream Market Transformation, MT*=MT with financial incentives, 3PN=Third Party Proposals or Initiatives accepted by utilities pursuant to discussions initiated less than 2 months prior, 3PO=Third Party Proposals or Initiatives accepted by utilities pursuant to discussions initiated over 2 months prior

4 Target earnings have been updated with supplemental information submitted 11/7/97 pursuant to CBEE guidance provided at 10/30/97 CBEE meeting

** = "Overall Administrator Performance Award Cap"

Note: this version includes a change from the 11/19 supplemental filing

Attachment 4
Table 4

Program Summary - San Diego Gas & Electric
($ in millions)

Name	Customer Class1	Program Type2	Supra-categories3	CBEE-Recommended Authorized 9-mo. Program Budget	CBEE-Recommended Target Earnings4	Target Earnings as % of Program Budget
Residential Audit Program	R	EMS		1.096	0.055	5%
Small Commercial Audit Program	NR	EMS		0.716	0.036	5%
Residential SPC Program	R	EEI	SPC	3.134	0.467	15%
Nonresidential SPC Program	NR	EEI	SPC	7.958	1.091	14%
Small Commercial Rebate Program	NR	EEI		1.395	0.190	14%
Residential Fixture Program	R	O	MT*	1.347	0.280	21%
Horizontal Clothes Washer Program	R	O	MT*	0.242	0.010	4%
EnergyWise Contractor Program	R	O	MT	0.539	0.030	6%
Resid. Energy Design Assist. Prog.	R	NC	MT	0.265	0.010	4%
Energy Star Program	R	O	MT	0.634	0.180	28%
Energy Efficient Motors Program	NR	O	MT*	0.495	0.030	6%
Building Operator Certification	NR	O	MT	0.260	0.010	4%
Nonres. Energy Design Assist. Prog.	NR	NC	MT	0.128	0.010	8%
Savings Through Design Program	NR	NC	MT*	2.245	0.670	30%
Energy Cents Program	NR	O	MT	0.325	0.020	6%
Residential Information Program	R	GI		0.769	0.000	0%
Nonresidential Information Program	NR	GI		0.202	0.000	0%
Unallocated 3 Party	R/NR	O	3PN	1.100	0.110	10%
Program Subtotal				22.850	3.199 **	14%
MFRR						
PY98 Programs				1.607		
Pre-98 Programs				0.000		
CEC Data Collection				0.000		
Regulatory Reporting				0.366		
Forecasting				0.000		
Other				0.000		
Subtotal MFRR				1.973		
CBEE Set aside				1.500		
Adminstrator Performance Award				3.199		
Total Recommended 9-Month Budget				29.522		

1 R=residential, NR=nonresidential, R/NR=both
2 EMS=energy management services, EEI=energy efficiency incentives, GI=general information, NC=new construction, O=other
3 MT=Integrated & Upstream Market Transformation, MT*=MT with financial incentives, 3PN=Third Party Proposals or Initiatives accepted by utilities pursuant to discussions initiated less than 2 months prior, 3PO=Third Party Proposals or Initiatives accepted by utilities pursuant to discussions initiated over 2 months prior
4 Target earnings have been updated with supplemental information submitted 11/7/97 pursuant to CBEE guidance provided at 10/30/97 CBEE meeting
** = "Overall Administrator Performance Award Cap"
Note: this version is from the 11/10 filing

Attachment 4
Table 5

Program Summary - SoCalGas
($ in millions)

Name	Customer Class1	Program Type2	Supra-categories3	CBEE-Recommended Authorized 9-mo. Program Budget4	CBEE-Recommended Target Earnings	Target Earnings as % of Program Budget
Energy Advantage Home Program	R	O	MT	2.275	0.110	5%
The Home Energy Fitness Program	R	EMS		0.400	0.020	5%
EnergyFacts	R	GI		1.000	0.060	6%
CHEERS	R	O	MT	0.250	0.020	8%
AGA Cooperative Advertising	R	GI		0.300	0.020	7%
CEEI - Commercial Equipment Replacement (CER)	NR	EEI		2.203	0.350	16%
Industrial EEI	NR	EEI		0.588	0.160	27%
Energy Edge	NR	EEI		0.640	0.350	55%
Commercial Energy Management Services Prog.	NR	EMS		1.980	0.099	5%
Industrial Energy Management Services Prog.	NR	EMS		0.362	0.018	5%
Nonresidential Information Prog.	NR	GI		1.920	0.120	6%
Alternative Energy Efficiency	NR	EEI		0.650	0.000	0%
Select Technologies	NR	O	MT	2.000	0.120	6%
Residential SPC	R	EEI	SPC	2.950	0.050	2%
Unallocated 3 Party - Nonres	NR	O	3PN	0.980	0.098	10%
Unallocated 3 Party - Res	R	O	3PN	0.980	0.098	10%
Program Subtotal				19.478	1.558 **	8%
MFRR Items						
PY98 Programs				1.114		
Pre-98 Programs				0.000		
CEC Data Collection				0.000		
Regulatory Reporting				0.503		
Forecasting				0.000		
Other (with nonPGC funded General Management)				0.332		
Subtotal MFRR				1.949		
Administrator Performance Award Cap				1.558		
Total Recommended 9-Month Budget				22.985		

1 R=residential, NR=nonresidential, R NR=both
2 EMS=energy management services, EEI=energy efficiency incentives, GI=general information, NC=new construction, O=other
3 MT=Integrated & Upstream Market Transformation, MT*=MT with financial incentives, 3PN=Third Party Proposals or Initiatives accepted by utilities pursuant to discussions initiated less than 2 months prior, 3PO=Third Party Proposals or Initiatives accepted by utilities pursuant to discussions initiated over 2 months prior
4 Program budget has been updated with supplemental information submitted 11/3/97 pursuant to CBEE guidance provided at 10/30/97 CBEE meeting
** = "Overall Administrator Performance Award Cap"
Note: this version is from the 11/10 filing

(End of Attachment 4)

Attachment 5
Table 1

PG&E

Summary of 1998 Performance Incentives and Awards for Interim Administrators
Incentives and awards are represented in $ million, and as a percent of program budget

Program Name	Nine Month Program Budget	Total Perf. Award or Award Cap	Perf. Award as % of Pgm Budget	Management - Based Amount	Management - Based % of Pgm Budget	Pgm Activity - Based Amount	Pgm Activity - Based % of Pgm Budget	Mkt Change/Effects - Based Amount	Mkt Change/Effects - Based % of Pgm Budget	Net Benefit/Savings - Based * Amount	Net Benefit/Savings - Based * % of Pgm Budget
Resid. Energy Management Services	2.620	0.131	5.0%	0.131	5.0%						
Resid. Multi-Family	0.750	0.037	4.9%	0.037	4.9%						
Resid. Energy Educ. & Info Services	2.950	0.147	5.0%	0.147	5.0%						
Busin. Energy Management Services	5.163	0.258	5.0%	0.258	5.0%						
PG&E Comfort Home	5.100	0.950	18.6%	0.255	5.0%	0.440	8.6%	0.255	5.0%		
Express Efficiency	11.000	2.100	19.1%	0.450	4.1%					1.650	15.0%
Standard Performance Contract-Res	2.415	0.450	18.6%								
Standard Performance Contract-NR	13.685	2.550	18.6%								
Third Party Proposals	4.000	0.400	10.0%	0.150	3.8%	0.250	6.3%				
CHEERS	0.170	0.008	4.7%	0.008	4.7%						
PG&E Comfort Link	0.910	0.225	24.7%	0.045	4.9%	0.110	12.1%	0.070	7.7%		
Energy Star	0.440	0.055	12.5%	0.022	5.0%	0.033	7.5%				
Geo Exchange	0.675	0.134	19.9%	0.033	4.9%	0.056	8.3%	0.045	6.7%		
Super Cool Super Clean	1.200	0.240	20.0%	0.060	5.0%	0.120	10.0%	0.060	5.0%		
Stockton Training Center	0.705	0.123	17.4%	0.035	5.0%	0.053	7.5%	0.035	5.0%		
Efficient Windows	0.525	0.065	12.4%	0.026	5.0%	0.039	7.4%				
Efficient Lighting Fixtures	2.000	0.410	20.5%	0.100	5.0%	0.210	10.5%	0.100	5.0%		
PG&E Energy Center	1.240	0.225	18.1%	0.062	5.0%	0.093	7.5%	0.070	5.6%		
Food Service Technology Center	1.550	0.193	12.5%	0.077	5.0%	0.116	7.5%				
Cool Tools	0.600	0.120	20.0%	0.030	5.0%	0.045	7.5%	0.045	7.5%		
Lighting Exchange	0.450	0.057	12.7%	0.023	5.1%	0.034	7.6%				
Power Pad	0.440	0.055	12.5%	0.022	5.0%	0.033	7.5%				
Premium Eff. Relocatable Classrooms	0.275	0.034	12.4%	0.014	5.1%	0.020	7.3%				
Smart Source	0.600	0.089	14.8%	0.036	6.0%	0.053	8.8%				
Design Assistance	1.860	0.233	12.5%	0.093	5.0%	0.140	7.5%				
Light Controls	0.440	0.055	12.5%	0.022	5.0%	0.033	7.5%				
Daylighting Design Tool	0.650	0.081	12.5%	0.032	4.9%	0.049	7.5%				
Light Emitting Diode	0.155	0.008	5.2%	0.008	5.2%						
Hotel & Motel	0.115	0.006	5.2%	0.006	5.2%						
Commercial Refrigeration Simul. Tool	0.600	0.120	20.0%	0.030	5.0%	0.045	7.5%	0.045	7.5%		
Building Commissioning	0.930	0.186	20.0%	0.046	4.9%	0.070	7.5%	0.070	7.5%		
Energy Information Centers	0.350	0.044	12.6%	0.018	5.1%	0.026	7.4%				
Natural Cooling	0.745	0.093	12.5%	0.037	5.0%	0.056	7.5%				
Emerging Technologies	0.305	0.038	12.5%	0.015	4.9%	0.023	7.5%				
Energy Standards	0.140	0.025	17.9%	0.020	14.3%	0.005	3.6%				
Regional National Alliances	0.113	0.005	4.4%	0.005	4.4%						
Market Studies		0.100									
Total and Sum	**65.866**	**10.050**	**15.3%**	**2.353**	**3.6%**	**2.152**	**3.3%**	**0.795**	**1.2%**	**1.650**	**2.5%**
Adjusted for Award Cap	**65.866**	**9.221**	**14.0%**								

* Estimate of energy and demand savings are based on ex ante engineering estimates adjusted for the results for prior ex post measurement and evaluation studies.

"Total and Sum" should be sums and % using sums.
"Adjusted for the reward cap" should be the sum for budget, but with the incentive/award sum and % adjusted for the cap.

Management-based: achievement of internal utility program milestones (e.g., roll-out of program in 60 days).
Program activity-based: achievement of external program milestones (e.g., conducting x # of audits, or # of participants).
Market changes and market effects-based: changes in markets or market effects due to the program (e.g., changing stocking practices or customer awareness).
Net benefits or savings-based: based on net benefits (benefits minus costs) or energy and demand savings.

Attachment 5
Table 2

Table A. Southern California Edison
Summary of 1998 Performance Incentives and Awards for Interim Administrators (11/21/97)
Incentives and awards are represented in $, and as a percent of program budget.

Program	Nine Month Budget ($, 000)	Total Performance Award or Award Cap	Performance Award as % of Program Budget	Performance Adder		Management-Based		Program Activity Based		Market Change Effects Based		Net Benefits or Savings Based*	
				Amount ($, 000)	% of Program Budget	Amount ($, 000)	% of Program Budget	Amount ($, 000)	% of Program Budget	Amount ($, 000)	% of Program Budget	Amount ($, 000)	% of Program Budget
Resid (In-Home Audit & Energy Use Profile Audit)	$ 1,600	$ 80	5%	$ 80	5%	$ -	0%	$ -	0%	$ -	0%	$ -	0%
Small Business Energy Use Survey	400	20	5%	20	5%	-	0%	-	0%	-	0%	-	0%
Small Business Lighting Modification Program	400	20	5%	20	5%	-	0%	-	0%	-	0%	-	0%
Commercial and Industrial	5,300	265	5%	265	5%	-	0%	-	0%	-	0%	-	0%
Agricultural	1,700	85	5%	85	5%	-	0%	-	0%	-	0%	-	0%
Residential SPC	1,800	200	11%	-	0%	200	11%	-	0%	-	0%	-	0%
Residential Financing Program	1,500	206	14%	80	5%	-	0%	-	0%	-	0%	126	8%
Residential Appliance Direct Rebate Program	800	110	14%	40	5%	-	0%	-	0%	-	0%	70	9%
Residential Spare Refrigerator Recycling	5,500	757	14%	275	5%	-	0%	-	0%	-	0%	482	9%
Commercial and Industrial SPC	16,000	2,800	18%	-	0%	2,800	18%	-	0%	-	0%	-	0%
Energy Efficiency Incentive Program	2,200	302	14%	110	5%	-	0%	-	0%	-	0%	192	9%
SCE Home Program	800	40	5%	40	5%	-	0%	-	0%	-	0%	-	0%
Energy Design Resource	800	40	5%	40	5%	-	0%	-	0%	-	0%	-	0%
Incentive Program	2,500	850	34%	125	5%	-	0%	-	0%	-	0%	725	29%
Retail Initiative	3,000	150	5%	150	5%	-	0%	-	0%	-	0%	-	0%
CHEERS	300	15	5%	15	5%	-	0%	-	0%	-	0%	-	0%
Local Government Energy Efficiency Awareness Program	900	90	10%	90	10%	-	0%	-	0%	-	0%	-	0%
Consortium for Energy Efficiency Residential Electric End Use Efficiency Initiative	200	10	5%	10	5%	-	0%	-	0%	-	0%	-	0%
LED Exit Sign Retrofit/Replacement Program	1,800	615	34%	90	5%	-	0%	-	0%	-	0%	525	29%
Market Transformation Showcases	2,900	145	5%	145	5%	-	0%	-	0%	-	0%	-	0%
Mass Market Information	300	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Customer Technology Applications Center/AgTAC	2,200	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Marketing Support	500	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Unallocated 3rd Party Initiatives	1,863	180	10%	180	10%	-	0%	-	0%	-	0%	-	0%
Total and Sum	$ 55,263	$ 6,980	13%	$ 1,860	3%	$ 3,000	5%	$ -	0%	$ -	0%	$ 2,120	4%
Adjusted for Award Cap	$ 55,263	$ 6,640	12%										

* Estimates of energy and demand savings are based on ex ante engineering estimates adjusted for the results of prior ex post measurement and evaluation studies.
"Total and sum" should be sums and % using sums.
"Adjusted for the award cap" should be the sum for budget, but with the incentive/award sum and % adjusted for the cap.
Performance adder: % of program costs, as in traditional mechanisms for EMS programs.
Management based: based on internal program milestones (e.g., implement the program within 30 days; offer and complete two training sessions).
Program activity based: based on milestones and activities within the program (e.g., number of units completed, number of designers trained).
Market changes and market effects based: based on changes in markets or market effects due to the program (e.g., observed change in stocking or availability; change in awareness or knowledge).
Net benefits or savings based: based on Utility Cost Test ratio goals.

Attachment 5
Table 2

Table C. Administrator Performance Award - Southern California Edison (11/21/97)
($ in million)

Name	Utility-Proposed Performance Award ($M)	Incentive Cap	Management-Based Award[6]	Activity-Based Award: Program Milestones[7]	Activity-Based Award: Market Effects or Market Outcome[8]	Activity-Based Award: Ultimate Outcome[9]
Resid.(In-Home Audit & Energy Use Profile Audit)	$ 0.080	--	$ 0.080	--	--	--
Small Business Energy Use Survey	0.020	--	0.020	--	--	--
Small Business Lighting Modification Program	0.020	--	0.020	--	--	--
Commercia and Industrial	0.265	--	0.265	--	--	--
Agricultural	0.085	--	0.085	--	--	--
Residential SPC	0.200	--	-	$ 0.200	--	--
Residential Financing Program	0.206	--	0.080	--	--	$ 0.126
Residential Appliance Direct Rebate Program	0.110	--	0.040	--	--	0.070
Residential Spare Refrigerator Recycling	0.757	--	0.275	--	--	0.482
Commercial and Industrial SPC	2.800	--	-	2.800	--	--
Energy Efficiency Incentive Program	0.302	--	0.110	--	--	0.192
SCE Home Program	0.040	--	0.040	--	--	--
Energy Design Resource	0.040	--	0.040	--	--	--
Incentive Program	0.850	--	0.125	--	--	0.725
Retail Initiative	0.150	--	0.150	--	--	--
CHEERS	0.015	--	0.015	--	--	--
Local Government Energy Efficiency	-	--	-	--	--	--
Awareness Program	0.090	--	0.090	--	--	--
Consortium for Energy Efficiency Residential	-	--	-	--	--	--
Electric End-Use Efficiency Initiative	0.010	--	0.010	--	--	--
LED Exit Sign Retrofit/Replacement Program	0.615	--	0.090	--	--	0.525
Market Transformation Showcases	0.145	--	0.145	--	--	--
Mass Market Information	-	--	-	--	--	--
Customer Technology Applications Center/AgTAC	-	--	-	--	--	--
Marketing Support	-	--	-	--	--	--
Unallocated 3rd Party Initiatives	0.180	--	0.180	--	--	--
Program Subtotal	$ 6.980	$ 6.640	$ 1.860	$ 3.000	$ -	$ 2.120
		$ 6.980				

[6] Performance adder component.
[7] Milestones component for SPC programs.
[8] None.
[9] Modified shared savings treatment.

Attachment 5
Table 2

C-1. Administrator Performance Award Summary - Southern California Edison (11/21/97)

Name	Utility-Prop Perf Award ($M)	Award Cap (% Prop Award)	Award Cap or Prop Award (% Prog Costs)	Mgt-Based Award[5] (% Prog Admin)	Mgt-Based Award[5] (% Prog Costs)	Activity-Based Award: Prog Milestones[6] (% Prog Costs)	Activity-Based Award: Mkt Effects or Mkt Outcome[7] (% Prog Costs)	Activity-Based Award: Ultimate Outcome[8] (% Prog Costs)
Resid (In-Home Audit & Energy Use Profile Audit)	$ 0.080	-	5%	13%	5%	--	--	--
Small Business Energy Use Survey	0.020	-	5%	10%	5%	--	--	--
Small Business Lighting Modification Program	0.020	-	5%	5%	5%	--	--	--
Commercia and Industrial	0.265	-	5%	5%	5%	--	--	--
Agricultural	0.085	-	5%	5%	5%	--	--	--
Residential SPC	0.200	-	11%	0%	0%	11%	--	--
Residential Financing Program	0.206	-	14%	13%	5%	--	--	8%
Residential Appliance Direct Rebate Program	0.110	-	14%	20%	5%	--	--	9%
Residential Spare Refrigerator Recycling	0.757	-	14%	18%	5%	--	--	9%
Commercial and Industrial SPC	2.800	-	18%	0%	0%	18%	--	--
Energy Efficiency Incentive Program	0.302	-	14%	37%	5%	--	--	9%
SCE Home Program	0.040	-	5%	5%	5%	--	--	--
Energy Design Resource	0.040	-	5%	10%	5%	--	--	--
Incentive Program	0.850	-	34%	63%	5%	--	--	29%
Retail Initiative	0.150	-	5%	30%	5%	--	--	--
CHEERS	0.015	-	5%	5%	5%	--	--	--
Local Government Energy Efficiency	-	-	--	--	--	--	--	--
Awareness Program	0.090	-	10%	10%	10%	--	--	--
Consortium for Energy Efficiency Residential	-	-	--	--	--	--	--	--
Electric End-Use Efficiency Initiative	0.010	-	5%	10%	5%	--	--	--
LED Exit Sign Retrofit Replacement Program	0.615	-	34%	30%	5%	--	--	29%
Market Transformation Showcases	0.145	-	5%	5%	5%	--	--	--
Mass Market Information	-	-	--	--	--	--	--	--
Customer Technology Applications Center/AgTAC	-	-	--	--	--	--	--	--
Customer Technology Applications Center/AgTAC	-	-	--	--	--	--	--	--
Customer Technology Applications Center/AgTAC	0.180	-	10%	10%	10%	--	--	--
Program Subtotal	$ 6.980	105%						

Attachment 5
Table 3

San Diego Gas & Electric Company
Summary of 1998 Performance Incentives and Awards for Interim Administrators
(Incentives and Awards are Represented in Dollars and as a Percent of Program Budget)

Program	Nine Month Budget ($, 000)	Total Performance Award or Award Cap	Performance Award as % of Program Budget	Performance Adder Amount	Performance Adder % of * Program Budget	Management Based Amount	Management Based % of Program Budget	Program Activity Based Amount	Program Activity Based % of Program Budget	Market Change Effects Based Amount	Market Change Effects Based % of Program Budget	Net Benefits or Savings Based** Amount	Net Benefits or Savings Based** % of Program Budget
Residential Audits	1 096	0 055	5%	0 055	5%								
Small Commercial Audits	0 716	0 036	5%	0 036	5%								
Residential SPC	3 134	0 467	15%			0 21	7%	0 117	4%			0 14	4%
Nonresidential SPC	7 958	1 091	14%			0 381	5%	0 437	5%			0 273	3%
Small Commercial Rebates	1 395	0 19	14%	0 07	5%							0 12	9%
Residential Futures	1 347	0 28	21%	0 07	5%							0 21	16%
Horizontal Clothes Washers	0 242	0 01	4%	0 01	4%								
EnergyWise Contractor	0 539	0 03	6%	0 03	6%								
Residential Energy Design Assistance	0 265	0 01	4%	0 01	4%								
Energy Star	0 634	0 18	28%	0 03	5%							0 15	24%
Energy Efficient Motors	0 435	0 03	6%	0 02	4%							0 01	2%
Building Operator Certif.	0 26	0 01	4%	0 01	4%								
Nonresidential Energy Design Assistance	0 128	0 01	8%	0 01	8%								
Savings Through Design	2 245	0 67	30%	0 11	5%							0 56	25%
Energy Centers	0 325	0 02	6%	0 02	6%								
Third Party Initiatives	1.1	0 11	10%	0 11	10%								
Residential Information	0 769	0	0										
Nonresidential Information	0 202	0	0										
Total and Sum	22 850	3 199	14%	0 591	3%	0 591	3%	0 554	2%			1 453	6%
Adjusted for Award Cap													

* Performance Adder component of programs (excluding Third Party Initiatives) earn at a rate of 5 percent of program expenses. Percentage variances from the 5 percent level are attributable to rounding.

** Estimates of energy and demand savings are based on ex ante engineering estimates based on the results of prior ex post measurement and evaluation studies, where possible.

Performance Adder: % of program costs, as in traditional mechanisms for EMS programs.
Management Based: Based on internal program milestones (e.g., implement the program within 30 days, offer and complete two training sessions).
Program Activity Based: Based on milestones and activities within the program (e.g., number of units completed, number of designers trained).
Market Changes and Market Effects Based: Based on changes in markets or market effects due to the program (e.g., observed change in stocking or availability, change in awareness or knowledge).
Net Benefits or Savings Based: Based on net benefits (benefits minus costs) or energy or demand savings.

Attachment 5
Table 4

9-Month Program Summary - SoCalGas ($ in million) Name	Customer Class[1]	Program Type[2]	Supra-categories[3]	Utility-Proposed 12-mo. Pgm Budget[4]	Utility-Proposed 9-mo. Pgm Budget[4]	Program Admin Costs	Financial Incentives & Payments to Nonutility Providers[5]	Utility-Proposed Performance Award ($M) (9-Month)	Incentive Cap	Management-Based Award[6]	Activity-Based Award: Program Milestones[7]	Activity-Based Award: Market Effects or Market Outcome[8]	Activity-Based Award: Ultimate Outcome[9]
Energy Advantage Home Program	R	NC, GI	MT*	2.400	2.275	2.275		0.114		0.114			
The Home Energy Fitness Program	R	EMS		0.400	0.400	0.400		0.020		0.020			
EnergyFacts (REEI)	R	EEI		1.200	1.000	1.000		0.050		0.050			
CHEERS	R	O	MT*	0.300	0.250	0.250		0.013		0.013			
AGA Cooperative Advertising	R	GI		0.400	0.300	0.300		0.015		0.015			
CEEI - Commercial Equipment Replacement (CER)	NR	EEI		2.531	2.203	0.992	1.211	0.350		0.110			0.240
Industrial EEI	NR	EEI		0.666	0.588	0.315	0.273	0.163		0.029			0.134
Energy Edge	NR	EEI		0.750	0.640	0.555	0.085	0.347		0.032			0.315
Commercial Energy Management Services Prog.	NR	EMS		2.457	1.980	1.980		0.099		0.099			
Industrial Energy Management Services Prog.	NR	EMS		0.400	0.362	0.362		0.018		0.018			
Nonresidential Information Prog.	NR	GI		2.908	1.920	1.920		0.096		0.096			
Alternative Energy Efficiency	NR	EEI		0.700	0.650	0.650		-		-			
Select Technologies	NR	O	MT*	2.645	2.000	2.000		0.100		0.100			
Nonresidential Third Party Initiatives[7]	NR	SPC, 3FN		0.982	0.982		0.982	0.049		0.049			
Residential Third Party Initiatives[7]	R	SPC, 3FN		0.982	0.982		0.982	0.049		0.049			
Residential SPC[7]	R	SPC		2.951	2.951		2.951	0.148		0.148			
Nonresidential New Construction	NR	NC	MT	0	0					-			
Program Subtotal[a]				22.682	19.483		6.484	1.631		0.942			0.689
Administrator Performance Incentive[a]				1.836	1.631								
VFRR[a]				3.980	3.146								
Other Items (General Management)[6]				0.332	0.282								
Total funding[a]				28.830	24.542								

R=residential, NR=nonresidential, R/NR=both

EMS=energy management services, EEI=energy efficiency incentives, GI=general information, NC=new construction, O=other

MT=integrated & Upstream Market Transformation, MT*=MT with financial incentives, 3FN=Third Party Proposals or Initiatives accepted by utilities pursuant to discussions initiated less than 2 months prior, SPC=Third Party Proposals or Initiatives accepted by utilities pursuant to discussions initiated over 2 months prior

Source of data is SCG e-mail of Oct. 13, 1997, does not include performance awards

We assume that this column equals the utility proposed 9-mo. budget minus the program administrative costs

NOT PGC FUNDED

pending determination of program details

Attachment 5
Table 4

Administrator Performance Award Summary - SoCalGas (9-Month Budget)								
Name	Utility-Prop Perf Award ($M)	Award Cap (% Prop Award)	Award Cap or Prop Award (% Prog Costs)	Mgt-Based Award[5] (% Prog Admin)	Mgt-Based Award[5] (% Prog Costs)	Activity-Based Award: Prog Milestones[6] (% Prog Costs)	Activity-Based Award: Mkt Effects or Mkt Outcome[7] (% Prog Costs)	Activity-Based Award: Ultimate Outcome[8] (% Prog Costs)
Energy Advantage Home Program	0.114	0%	5%	5%	5%	0%	0%	0%
The Home Energy Fitness Program	0.020	0%	5%	5%	5%	0%	0%	0%
EnergyFacts (REEI)	0.050	0%	5%	5%	5%	0%	0%	0%
CHEERS	0.013	0%	5%	5%	5%	0%	0%	0%
AGA Cooperative Advertising	0.015	0%	5%	5%	5%	0%	0%	0%
CEEI - Commercial Equipment Replacement (CER)	0.350	0%	16%	11%	5%	0%	0%	11%
Industrial EEI	0.163	0%	28%	9%	5%	0%	0%	23%
Energy Edge	0.347	0%	54%	6%	5%	0%	0%	49%
Commercial Energy Management Services Prog	0.099	0%	5%	5%	5%	0%	0%	0%
Industrial Energy Management Services Prog	0.018	0%	5%	5%	5%	0%	0%	0%
Nonresidential Information Prog	0.096	0%	5%	5%	5%	0%	0%	0%
Alternative Energy Efficiency	0.000		0%	0%	0%	0%	0%	0%
Select Technologies	0.100	0%	5%	5%	5%	0%	0%	0%
Nonresidential Third Party Initiatives	0.049	0%	5%		5%	0%	0%	0%
Residential Third Party Initiatives	0.049	0%	5%		5%	0%	0%	0%
Residential SPC	0.148	0%	5%		5%	0%	0%	0%
Nonresidential New Construction	0.000							
	1.631	-	8%		5%	-	-	4%

ATTACHMENT 5
TABLE 5

SUMMARY OF PROPOSED 1998 SHAREHOLDER INCENTIVE MECHANISMS

Revised 11/21/97

	PG&E
1. Performance Basis	All 1998 surcharge funded programs would be subject to a new award mechanism. PG&E would achieve awards for meeting a variety of individual milestones for each program. These milestones include: Management type milestones: These include milestones such as 1) Implement an energy efficient information call center which has the capacity to handle approximately 200,000 calls per year (Res. Energy Education and Information Services Program), 2) Design and implement a Third Party Financing Option within 90 days of commission approval (PG&E Comfort Link Program). Achievement type milestones: These include milestones such as 1) 15% of net benefits using the utility cost test, net benefits are based on savings determined in the authorized measurement studies, achievement awards capped at 15% of total program expenditures (Express Efficiency Program), 2) Complete 80 energy efficiency technology training courses for the professional design community (PG&E Energy Center). Market effects / Superior Achievement type milestones: These include milestones such as 1) Demonstrate that at least 50% of the successful attendees of the courses expect to use their knowledge from the courses in designing, building or installing more efficient structures and are likely to retain or even spread this knowledge to non-participants (Stockton Training Center), 2) 60 firms registered users of the chiller simulation tool (The CoolTools Project).
2. Sharing Percentage	Fixed or variable dollar awards are identified for each milestone for each program. On average, the "sharing percentage" is approximately 14% of program expenditures.
3. Measurement and Verification Requirements and Protocols	All milestones would need to be verified but no protocols exist for most of them. For those programs with milestones based on energy savings would be sampled ex post to ensure the claimed installations are there. Savings would be based on ex-ante savings estimates and no additional M&V work would be conducted. Savings would include actual and committed.
4. Length of Measurement Period	One year only. After completion of the program period, all milestones would be verified immediately and no further measurement would be conducted.
5. Linkage Between Measurement and Payout	The award would be received in one installment in the year after verification of milestones was completed.
6. Projected Dollar Level of Incentives	$9.22 million cap.
7. Funding Source	Public goods charge and gas funding.

ATTACHMENT 5
TABLE 6

Southern California Edison

Summary Of Proposed 1998 Shareholder Incentive Mechanisms

1. Performance Basis: Performance Adder Mechanism - 5% of all program expenditures. Shared Savings Mechanism - 15% of Resource Benefits, net (actual and committed results) of Energy Efficiency Incentive programs.

2. Sharing Percentage: Performance Adder Mechanism - 5%. Shared Savings Mechanism - 15%.

3. Measurement and Verification Requirements and Protocols: Performance Adder Mechanism - recorded expenditures. Shared Savings Mechanism - ex ante per unit savings and number of installations (actual and committed).

4. Length of Measurement Period: Concurrent with program implementation.

5. Linkage Between Measurement and Incentive Pay Out: Verification of recorded expenditures and number of installations (actual and committed).

6. Projected Dollar Level of Incentives: $10 million cap.

7. Funding Source: Public Goods Charge.

ATTACHMENT 5
TABLE 7

SUMMARY OF PROPOSED 1998 ADMINISTRATIVE PERFORMANCE INCENTIVES
UPDATE FOR SAN DIEGO GAS AND ELECTRIC
NOVEMBER 21, 1997

1. Performance Basis	a. Energy Management Services (EMS): 5% of program expenditures. b. Third Party Initiatives: 10% of program expenditures. c. Small Commercial Rebate and Upstream Market Transformation (MT) programs: 5% of program expenditures plus 15% of Utility Cost (UC) net benefits. d. Residential SPC program: Step 1: Timing of program being operational based on 5 specific activities. Step 2: Timing of post-installation inspections. Step 3: Timing of payments. Step 4: Percent of forecast UC net benefits achieved. e. Nonresidential SPC program: Step 1: Timing of program being operational based on 5 specific activities. Step 2: Timing of pre-installation inspections. Step 3: Timing of post-installation inspections. Step 4: Timing of payments. Step 5: Percent of forecast UC net benefits achieved.
2. Sharing Percentage	a. EMS: 5% of program expenditures. b. Third Party: 10% of program expenditures. c. Small Commercial Rebate and Upstream MT programs: 5% of program expenditures plus 15% of UC net benefits. d. Residential and Nonresidential SPC programs: Incentives are fixed dollar amounts.

ATTACHMENT 5
TABLE 7

3. M&V Requirements and Protocols	a. EMS and Third Party: Calculate total expenditures. b. Small Commercial Rebate and Upstream MT programs: Calculate total expenditures. Calculate UC net benefits for completed and committed projects based on ex ante savings assumptions, 1997 avoided costs, and actual and committed expenditures. c. Residential SPC program: Step 1: Determine dates of accomplishment of specific activities for program to be operational. Steps 2 and 3: Calculate average timing for post-installation inspections and payments for all projects processed. Step 4: Calculate UC net benefits for completed and committed projects based on ex ante savings assumptions, 1997 avoided costs, and actual and committed expenditures. d. Nonresidential SPC program: Step 1: Determine dates of accomplishment of specific activities for program to be operational. Steps 2, 3 and 4: Calculate average timing for pre-installation inspections, post-installation inspections and payments for all projects processed. Step 4: Calculate UC net benefits for completed and committed projects based on ex ante savings assumptions, 1997 avoided costs, and actual and committed expenditures.
4. Length of Measurement Period	All program measurement activities to determine results for performance incentives to be completed for inclusion in DSM Annual Summary and AEAP to be filed in May, 1999.
5. Linkage Between Measurement and Payout	Measurement activities described in #3 must be completed for incentive payments to be awarded. Payments of incentives to be made as soon as possible (within one year) after verification of results.
6. Projected Dollar Level of Incentives	$3.2 million cap.
7. Funding Source	1998 energy efficiency surcharge funds and gas program funds.

ATTACHMENT 5
TABLE 8

SoCalGas' Proposed PY98 Shareholder Incentive Mechanism

1. *Performance basis:*
   SoCalGas proposes a two-part mechanism which will include a management fee based on program management goals, and an achievement incentive based on the net benefits garnered by the program. The suggested management fee would be 5% of the recorded program expenditures. The suggested achievement incentive would be 15% of the net Utility Cost benefits realized by the program, using 1997 filed ex-ante program performance parameters. This achievement incentive will apply only to programs with easily definable ex-ante program performance parameters, *i.e.*, the existing Energy Efficiency Incentive program and any new proposed standard performance contract or third party market transformation programs whose net benefits are easily defined.

2. *Sharing percentage:*
   The management fee is 5% of the recorded program expenditures. The achievement incentive is 15% of the net Utility Cost benefits.

3. *Measurement and verification requirements and protocols:*
   Benefits are calculated using 1997 filed ex-ante program performance parameters and verified number of installations.

4. *Length of measurement period:*
   The performance incentive will be paid upon verification of PY98 program achievements (number of installations), and therefore will not require post-'98 load impact or retention studies.

5. *Linkage between measurement and incentive pay out:*
   Incentive will be paid out upon verification of PY98 program achievements (number of installations).

6. *Projected dollar level of incentives:*
   Projected 12-month total incentive payments are $1,896,000. This is 7.0% of the overall program budget, 8.4% of the program budget without MFRR and Support.

7. *Funding of Shareholder Incentives:*
   This incentive will be paid from previously collected DSM funds, and therefore will not require increased rates. SoCalGas is also proposing a retroactive earnings adjustment of $12.4 million, which would also be paid from previously collected DSM funds. SoCalGas requests authorization to use $15 million of the existing over collection in the CEA account for the incentive and for the retroactive earnings adjustment.

(END OF ATTACHMENT 5)

Attachment 6
Table 1

Estimated Statewide Commitments for DSM Programs ($ million: estimates through October 1997)					
	Category	Commitments (Outstanding Obligations)	Program/Project Specific Encumbrances	Net Commitments (col. A- col. B)	Commitment End Date 1
1	Shareholder Incentives	246.9	-	246.9	12/31/09
2	Measurement and Evaluation	37.5	-	37.5	12/31/09
3	Bidding Programs	93.4	73.9	19.5	12/31/06
4	New Construction Programs	26.5	23.7	2.8	12/31/01
5	Other Activities				
	a. Forecasting and Regulatory Complianc	18.7	7.6	11.1	12/31/02
	b. Load Management	14.2	-	14.2	12/31/02
	c. Administrative Costs	16.0	-	16.0	12/31/09
	d. Market Transformation/Commercializat	4.6	-	4.6	12/31/07
	e. CIA Incentives	8.2	7.6	0.6	12/31/99
	f. Other	3.6	-	3.6	
	Subtotal Other	65.4	15.2	50.2	
6	Revenues (loan repayment)	5.5	-	5.5	12/31/04
	Total (Excl. Shareholder Incentives and Re	222.7	112.8	109.9	
	1 The latest end date reported by the utilities was employed.				
	2 Data are calculated from Table 2. See Table 2 and its footnotes for detailed notes and qualifications.				
	Notes: (1) This and subsequent tables do not account for utilities' responses to any CBEE action taken				
	at the October 24, 1997 meeting of the CBEE regarding treatment of some MFRR activities and funds.				
	This will be updated at a later date. (2) All tables may contain rounding errors.				

Attachment 6
Table 2
(Page 1 of 3)

Estimated Statewide Commitments for DSM Programs, by Utility
($ million: estimates through Oct. 1997)

Category	Commitments (Outstanding Obligations)	Program and Project-Specific Encumbrances	Net Commitments (col. A- col. B)	Commitment End Date	Comments
Pacific Gas & Electric [2]					
1 Shareholder Incentives	132.4	-	132.4	12/31/09	For PY 94 - 97, recovered outside of DSM budgets
2 Measurement and Evaluation	16.5	-	16.5	12/31/09	FTE to complete required studies for PY 94 - 97
3 Bidding Programs	63.7	55.4	8.3	12/31/06	Commercial and Industrial
4 New Construction Programs	23.7	23.7	-	12/31/01	Residential (end date 12/31/99) and Nonresidential (end date 12/31/01)
5 Other Activities					
a. Forecasting and Regulatory Compliance	13.0	7.6	5.4		Demand forecasting/ planning (end date 12/31/98) and Regulatory Compliance (end date 12/31/09)
b. Load Management	4.2	-	4.2	12/31/01	
c. Administrative Costs	16.0	-	16.0	12/31/09	
d. Market Transformation/ Commercialization	4.6	-	4.6	12/31/07	
e. CIA Incentives	7.6	7.6	-	12/31/99	
Subtotal Other	45.4	15.2	30.2		
6 Revenues (loan repayment)	-	-	-		Not reported
Total (Excluding Shareholder Incentives)	149.3	94.3	55.0		
Southern California Edison [3]					
1 Shareholder Incentives	21.0	-	21.0	12/31/09	
2 Measurement and Evaluation	7.3	-	7.3	12/31/06	
3 Bidding Programs	11.2	-	11.2	12/31/06	
4 New Construction Programs	2.8	-	2.8	12/31/99	
5 Other Activities					
a. Forecasting and Regulatory Compliance	-	-	-		
b. Load Management	9.0	-	9.0	12/31/02	Thermal Energy Storage (end date 12/99), Cooperatives (end date 12/01), Air Condit. (end date 12/02), Interruptibles (end date 12/02)
c. Administrative Costs	-	-	-		
d. Market Transformation/ Commercialization	-	-	-		
e. CIA Incentives	-	-	-		
f. Energy Efficiency Showcases	3.6	-	3.6	12/31/99	
Subtotal Other	12.6	-	12.6		

Attachment 6
Table 2
(Page 2 of 3)

Category	Commitments (Outstanding Obligations)	Program and Project-Specific Encumbrances	Net Commitments (col. A- col. B)	Commitment End Date	Comments
6 Revenues (loan repayment)	-	-	-		
Total (Excluding Shareholder Incentives)	33.9	-	33.9		
San Diego Gas & Electric [4]					
1 Shareholder Incentives	77.0	-	77.0	12/31/08	Earnings for PY 94 - 97, recovered outside DSM budgets
2 Measurement and Evaluation	8.5	-	8.5	12/31/08	to complete required studies for PY 94 - 97; also close-down of 1997 programs in early 1998
3 Bidding Programs	7.7	7.7	-	12/31/02	Payments and Administrative costs for pilot bidding programs
4 New Construction Programs	-	-	-	n/a	
5 Other Activities					
a. Forecasting and Regulatory Compliance [1]	5.7	-	5.7	12/31/02	Cost to fulfill CEC requirements (load research and annual saturation studies).
b. Load Management [1]	1.0	-	1.0	12/31/02	Residential and Nonresidential load management rate admin. costs
c. Administrative Costs		-	-		
d. Market Transformation/ Commercialization	-	-	-		
e. CIA Incentives	0.6	-	0.6	12/15/98	Costs associated with incentive payments on energy efficiency contracts
Subtotal Other	7.4	-	7.4		
6 Revenues (loan repayment)	5.5	-	5.5	12/31/04	Financing Rate Program Revenues from loan repayment are also excluded.
Total (Excluding Shareholder Incentives)	23.6	7.7	15.9		
Southern California Gas Company [5]					
1 Shareholder Incentives [6]	16.5	-	16.5	12/31/08	For PY 94 - 97, recovered outside of DSM budgets
2 Measurement and Evaluation [6]	5.2	-	5.2	12/31/08	FTE to complete required studies for PY 94 - 97
3 Bidding Programs [6]	10.8	10.8	-	12/31/98	Contracts with 3 res. ESCO's
4 New Construction Programs	-	-	-	n/a	
5 Other Activities					
a. Forecasting and Regulatory Compliance	-	-	-	n/a	
b. Load Management	-	-	-	n/a	
c. Administrative Costs	-	-	-	n/a	
d. Market Transformation/ Commercialization	-	-	-	n/a	
e. CIA Incentives	-	-		n/a	

Attachment 6
Table 2
(Page 3 of 3)

Category	Commitments (Outstanding Obligations)	Program and Project-Specific Encumbrances	Net Commitments (col. A- col. B)	Commitment End Date	Comments
Subtotal Other	-	-	-		
6 Revenues (loan repayment)	-	-	-		
Total (Excluding Shareholder Incentives)	16.0	10.8	5.2		

[1] The end date was assumed to be 12/31/02
[2] Table 5 information from PG&E's supplement Oct. 15, 1997 filing.
[3] Table II-2 information from SCE's supplement Oct. 15, 1997 filing.
[4] Summary Table of SDG&E Estimated Commitments information, from supplemental Oct 15 filing.
[5] Table 1 information from SoCal Gas' supplemental Oct. 15 filing.
[6] Table 2 information from SoCal Gas supplemental Oct. 15 filing, assuming no Buy-Out.
[7] SCE reported only net commitments (commitments minus encumbrances) in the October 15,1997 filing. To accommodate this convention, SCE's net commitments are entered in the Commitments column of this table, and zero encumbrances are recorded.

Attachment 6
Table 3

Estimated Year-End 1997 Carryover Funds, by Utility ($ million: estimates through October 1997)						
		Carryover		Total	Net 1	Estimated
Utility	Program	Electric	Gas	Carryover	Commitments	Fund Balance
				(1)	(2)	(1) - (2)
SDG&E	Conservation/Energy Efficiency	$ 14.8	$ 5.8	$ 20.6		
	Load Management	1.7	-	1.7		
	Fuel Substitution	-	2.8	2.8		
	Measurement, Forecasting and Regulatory Reporting	1.9	1.4	3.2		
	Other DSM	0.6	0.3	1.0		
	Subtotal DSM	18.9	10.4	29.3		
	DSM Bidding	9.1	0.4	9.5		
	Total	28.0	10.8	38.8	15.9	23.0
PG&E	Residential	5.2	(0.1)	5.1		
	Nonresidential	(4.8)	(6.2)	(10.9)		
	Performance Adder	20.2	13.7	33.9		
	Non-incentive	13.6	(3.2)	10.4		
	Interest	16.9	2.6	19.5		
	LIGB	0.1	3.3	3.4		
	Total	51.0	3.6	54.6	55.0	(0.4)
SCE	Energy Efficiency	-	-	21.0		
	Load Management	-	-	4.6		
	Fuel Substitution	-	-	-		
	Load Retention & Load Building	-	-	0.0		
	Measurement, Forecasting and RR	-	-	7.2		
	Other DSM	-	-	1.1		
	Total	-	-	33.8	33.9	(0.1)
SoCal Gas		-	-	26.0	5.2	20.9
Total				153.2	109.9	43.3
1 From Table 2						

(End of Attachment 6)

A.97-10-001

D.97-12-103

Commissioner P. Gregory Conlon, Dissenting:

I disagree with one issue in this decision regarding the amount of funding Pacific Gas & Electric (PG&E) must transfer to the California Board for Energy Efficiency (CBEE) for cost-effective energy conservation. My colleagues, based on their reading of the language of Assembly Bill 1890 (AB1890) believe that $106 million should be transferred by PG&E to CBEE. I agree that this is a logical statutory interpretation of AB1890 but I believe that it is inconsistent with what the State Legislature intended to do. Having participated throughout the AB1890 hearings, I believe that the intent of the Legislature was clear that the $106 million figure in AB1890 included funding for <u>both</u> cost-effective energy efficiency programs <u>and</u> PG&E's low-income energy efficiency programs such as weatherization.[1] I believe the Legislature intended that overall energy efficiency funding for PG&E should remain at its then currently authorized levels. This would have set PG&E's funding levels at approximately $92 million for cost-effective energy conservation and approximately $14 million for low-income energy efficiency programs.

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[1] The distinction between these two programs is that low-income energy efficiency programs, because of the public policy benefits they provide, may, but are not required to be cost-effective when viewed solely from a Demand Side Management (DSM) perspective

PG&E and the Natural Resources Defense Council (NRDC), both of which were active participants in AB1890, support this interpretation The distinction between the funding levels for these two programs were more clearly enunciated by the Legislature for both Southern California Edison and San Diego Gas & Electric. This distinction was not as clearly articulated in the statute as it should have been for PG&E but it is clear to me that it was the intent for PG&E as well.

As I noted at the Commission meeting, PG&E may want to pursue an appropriate clarification of AB1890's intent. In doing so, PG&E may want to identify the relevant portions of the legislative discussions regarding AB1890, as preserved in the video recordings of the Joint Committee's hearings to better determine the intent of at least the Joint Committee. If unable to establish clear intent than ultimately the statute would have to be clarified by the Legislature amending AB1890.

/s/ P. Gregory Conlon
P. Gregory Conlon

San Francisco, California
December 16, 1997

A.97-10-001

D.97-12-103

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P. Gregory Conlon

P. Gregory Conlon

San Francisco, California
December 16, 1997

MEG/vdl 12/22/97

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Proposed Policies Governing Restructuring California's Electric Services Industry and Reforming Regulation.	R.94-04-031
Order Instituting Investigation on the Commission's Proposed Policies Governing Restructuring California's Electric Services Industry and Reforming Regulation.	I.94-04-032

ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING SUPPLEMENTAL INFORMATION FROM THE CALIFORNIA BOARD FOR ENERGY EFFICIENCY

On November 24, 1997, the California Board For Energy Efficiency (CBEE) filed its request for proposal governing the selection of program administrators and policy rules for energy efficiency (RFP). Interested parties filed comments on the RFP on December 10, 1997.

In its December 19, 1997 response, CBEE indicates that it agrees with some of the recommended revisions and clarifications requested in those comments. Accordingly, CBEE should file a supplement to its December 19, 1997 response that translates those areas of agreement into language revisions to the RFP. This supplement may be in the form of replacement pages, addendum material or a marked up version (or sections thereof) of the November 24, 1997 RFP, whatever is most appropriate given the nature of the revisions.

In addition, CBEE should provide specific examples from existing state contracts where a two-step process has been used and/or where negotiation has occurred under an RFP process, similar to the proposed RFP. CBEE should provide specific cites from state procurement rules that support this approach, or that do not prohibit it. In addition, CBEE should define and list the types of clerical and administrative errors and/or inconsistencies that will be addressed during the draft proposal phase. CBEE should describe any negotiation steps to the RFP process, either before final selection of winning proposers or after, and specify the topics and issues that would be subject to such negotiation.

On December 10, 1997, the CBEE and Low Income Governing Board (LIGB) jointly filed proposed 1998 budgets for Board operations. It will be useful to evaluate these amounts in the context of overall funding for energy efficiency and low-income programs in 1998. Accordingly, CBEE and LIGB should supplement the December 10, 1997 filing by presenting the overall budget for 1998, including their proposed amounts for Board expenses and the program budgets recently approved for 1998 programs. CBEE should indicate the amounts budgeted for the interim administrators as well as for the new administrators scheduled to take over operations on October 1, 1998.

In addition, CBEE and LIGB should provide a summary of actual 1997 expenditures (and commitments) for board operations, and compare those levels to authorized amounts. Finally, CBEE and LIGB should describe any studies to be conducted by the board or consultants that are included in the budget proposal. For each study, present the funding level and describe the scope of study. Explain how that study 1) relates specifically to the board's responsibilities as set forth by the Commission and 2) does not overlap with any studies expected to be undertaken by the utilities (as interim administrators), the new administrator(s) or analysis agents.

CBEE and LIGB should file the information requested by this ruling no later than January 12, 1998. The information should be filed in the Commission's Docket Office and served on the Special Public Purpose service list in this proceeding.

The filings requested by this ruling shall not be subject to comment. In addition, I want to emphasize that the comment period on the RFP has ended. No additional comments will be accepted, except as permitted by Assigned Administrative Law Judge or Commissioner Ruling.

This ruling is effective today.

Dated December 22, 1997, at San Francisco, California.

Meg Gottstein (by AKM)
Meg Gottstein
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Requesting Supplemental Information From The California Board For Energy Efficiency on all parties of record in this proceeding or their attorneys of record.

Dated December 22, 1997, at San Francisco, California.

William A. Vicini

NOTICE

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.