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Decision 99-06-052 June 10, 1999

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Annual Earnings Assessment Proceeding (AEAP) Application of Pacific Gas and Electric Company for Approval of Demand-Side Management Shareholder Incentives For 1997 Program Year Accomplishments and Second Claim for Incentives for 1996 Program Year Accomplishments. (U 39 M)	Application 98-05-001 (Filed May 1, 1998)
In the Matter of the Application of San Diego Gas & Electric Company for Authority to Increase its Gas and Electric Revenue Requirements to Reflect its Accomplishments for Demand-Side Management Program Years 1996 and 1997 in the 1998 Annual Earnings Assessment Proceeding (AEAP). (U 902 M)	Application 98-05-005 (Filed May 1, 1998)
Application of Southern California Edison Company (U 338-E) for Approval of Demand-Side Management Shareholder Incentives for 1997 Program Year Accomplishments and the Second Installment of Shareholder Incentives for the 1996 Program Year.	Application 98-05-013 (Filed May 1, 1998)
Application of SoCal Gas Company for Authority To Increase Its Gas Revenue Requirements To Reflect Its Accomplishments for Demand Side Management Program Years 1997, and 1996 in the 1998 Annual Earnings Assessment Proceeding (AEAP.) (U 904 G)	Application 98-05-018 (Filed May 1, 1998)

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OPINION

1. Summary[1]

By today's decision, we address the earnings claims 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 their demand-side management (DSM) activities. Specifically, we award first-year earnings for 1997 DSM programs and second-year earnings for 1996 DSM programs, as summarized in Table 1.

During the course of this proceeding, the parties agreed on all earnings claims with one exception. The Office of Ratepayer Advocates (ORA) disputes PG&E's 1997 earnings claim for the DSM bidding project at the Presidio. In particular, ORA argues that PG&E's administration of the contract was unreasonable, and all expenses and shareholder earnings should be disallowed for that project. We address these reasonableness review issues today, pursuant to the direction in Decision (D.) 94-04-039 to consider PG&E's administration of the DSM bidding contracts in a future reasonableness review.

We find that PG&E was unreasonable in its administration of the Presidio DSM bidding contract with regard to the gas boiler replacement project. The record clearly demonstrates that PG&E should have determined prior to project installation that the project would not be cost-effective due to dramatically declining occupancy at the Presidio. At that time, PG&E should have denied

[1] Attachment 2 explains each acronym or other abbreviation that appears in this decision.

payment under the contract due to the failure of the project to pass the total resource cost test of cost-effectiveness. Accordingly, we disallow all expenses, estimated to be $4.3 million, and earnings, estimated to be $0.641 million lifecycle, for the gas energy efficiency measures under the project.

However, we do not find merit to ORA's claim that the expenses and earnings associated with the electric measures installed at the Presidio should be disallowed. ORA's observation that the Commission has directed PG&E to assume all costs of distribution facilities at the Presidio does not appear relevant to the issue of eligibility for shareholder incentives. PG&E supplies the generation, transmission and primary distribution to the Presidio, and the Presidio has historically provided its own secondary distribution. The Presidio has always been eligible for participation in energy efficiency programs, and continues to contribute to the funding for these programs. Therefore, we approve PG&E's request for shareholder incentives for this component of the Presidio project.

We also adopt specific modifications to our measurement and evaluation protocols, as described further below.

2. Procedural Background

In this Annual Earnings Assessment Proceeding (AEAP), the utilities submitted first earnings claims for DSM program year 1997 (PY97) and second earnings claims for program year 1996 (PY96). The utilities' original earnings claims were filed on May 1, 1998 and a prehearing conference was held in San Francisco on May 28, 1998.

In each AEAP, the California DSM Measurement Advisory Committee (CADMAC) submits to the Commission a summary of consensus recommendations for modifications to measurement protocols and related issues. CADMAC is composed of the four investor-owned utilities, the California

Energy Commission (CEC), ORA, and other interested parties. It has been charged with the general responsibilities for reviewing utility measurement plans and results, including statewide studies, as well as considering potential modifications to the adopted protocols for consideration in each AEAP. (See Decision (D.) 93-05-068, 49 CPUC2d 327, 342.) Pursuant to our adopted M&E protocols, the Commission retains Independent Reviewers, on behalf of CADMAC, to perform analyses of disputed measurement issues that affect the utilities' earnings claims in each AEAP. These reviewers perform their analyses under the direction of the Energy Division.

PG&E submitted revisions to its filing on July 31, 1998. On September 8, 1998, CADMAC submitted consensus modifications to the protocols. ORA submitted a report which proposed several adjustments to the utilities' earnings claims on August 26, 1998. The utilities submitted rebuttal testimony on September 21, 1997. The Independent Reviewers submitted a report on disputed earnings issues on October 12, 1997, and PG&E submitted reply testimony on October 20, 1998.

As a result of extensive discussions among the utilities, ORA and the Independent Reviewers, all but one issue pertaining to the level of earnings for PY 96 and PY 97 were resolved to the satisfaction of the utilities and ORA. These agreements are reflected in the Case Management Statement submitted on October 26, 1998, and revised on November 11, 1998. Therefore, at evidentiary hearings, the assigned Administrative Law Judge (ALJ) directed the utilities to file revised E-tables and other summary tables reflecting the agreements.[2]

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[2] E-Tables refer to the reporting requirements, as adopted in our M&E protocols, for utilities to use when they file an application for authorization to recover DSM earnings. They show the cost and benefit elements used to calculate shareholder earnings for each earnings claim on an aggregated and program-specific basis.

Evidentiary hearings were held on November 12 and 13, 1998 in San Francisco. The assigned Commissioner attended the prehearing conference and one day of evidentiary hearings. On December 7, 1998, ORA and PG&E filed concurrent opening briefs addressing the one disputed earnings claim issue. ORA and PG&E filed reply briefs on December 14, 1998. This decision was completed within the timeframe required by Senate Bill 960.

3. Earnings Claims

In this section we describe the DSM incentive mechanisms applicable to PY96 and PY97 DSM activities and summarize the areas of initial dispute among the parties. We also present the agreed upon resolution of issues reached by the parties during the course of this proceeding, and our final determinations regarding the one issue in dispute involving PG&E's PY97 earnings claim.

3.1 DSM Incentive Mechanisms For PY96 and PY97

The utilities' earnings claims for PY96 and PY97 are a product of the DSM incentive mechanisms we adopted in our DSM Rulemaking (R.) 91-08-003 and companion Investigation (I.) 91-08-002. Briefly, these incentive mechanisms provide the utility the opportunity to earn when DSM programs produce ratepayer benefits. More specifically, the utility has the opportunity to earn 30% of net resource benefits for all new construction and retrofit energy efficiency activities.

These savings are calculated separately for two portfolios, residential and nonresidential. Before any earnings can accrue, the utility must achieve 75% of forecasted performance for each portfolio, as verified in the first earnings claim. Shareholders must reimburse ratepayers if verified savings from DSM do not exceed costs. These penalties will accrue for each portfolio at a 100% rate, up to the total amount of DSM expenditures recovered in rates.

We apply performance adder incentives to DSM programs that serve equity goals or provide service whose long-term savings are difficult to quantify, i.e., direct assistance and energy management services. Our adopted performance adder mechanisms for PY96 and PY97 incorporate performance factors that motivate the utilities to reduce the cost and increase the amount of kilowatt-hour savings generated by these programs. Specifically, the amount of earnings (5% of program expenditures) is reduced or increased depending on the extent to which current year costs per megawatt-hour (mWH) or therm are higher or lower than prior year costs.

In accordance with our rules, each utility claims its total earnings based on the prior year's achievements. The utilities are then eligible for recovery of those claims in four equal installments, which are recovered in rates in the first, second, fifth, and tenth years after program year implementation. For a few types of programs the fourth installment is made in the seventh year.

The first earnings claim for each program year's achievements is based on actual, verified program costs, participation levels, and forecasted savings. The following years' claims are then adjusted for revised savings estimates based on additional verification efforts. Our adopted M&E protocols provide a comprehensive methodology for verifying savings and linking the results of measurement studies to earnings recovery. These protocols were adopted in D.93-05-063.

3.2 Initial Earnings Disputes and Proposed Resolution

The Case Management Statement (Exhibit (Exh.) 1) presents the status of the parties' positions at the start of evidentiary hearings. We summarize the initial disputes between the utilities and ORA, and briefly summarize how those disputes were resolved prior to evidentiary hearings. As discussed further below, all monetary issues were resolved, except for one issue related to PG&E's

PY97 earnings claim. Attachment 1 presents a summary of the 1998 earnings claims, by utility.

3.2.1 SCE (PY96 second-year claim; PY97 first-year claim)

SCE requested $2.836 million for its PY96 second earnings claim and $5.474 million for its PY97 first earnings claim. There were no disputes regarding the PY97 claim. ORA originally contested SCE's PY96 claim and recommended earnings of $1.778 million.

After reviewing the Independent Reviewer's report on the disputed earnings, SCE and ORA agreed to a PY96 earnings claim of $2.184 million. Specifically, SCE agreed to accept ORA's recommendation for the estimate of net program savings for the nonresidential new construction program. For the industrial energy efficiency incentives (IEEI) program, SCE agreed to accept late operations information on two of three sites, consistent with the Independent Reviewers' recommendation. SCE also agreed with ORA's recommendation on deferred savings for participants with relatively low predicted savings, i.e., to zero out savings for measures which the participants said would have been installed within six months in the absence of the program.

We also note that ORA objected to SCE's reliance on the opinions of its energy service representatives in estimating net-to-gross ratios. Although ORA and SCE ultimately reached agreement that there was sufficient corroborating information to accept SCE's methods, we agree with the Independent Reviewers that this approach presents a clear appearance of conflict of interest. We accept SCE's methods in this particular case because of the corroborating information tha met ORA's concern. In the future, however, we will not accept any approach for estimating net-to-gross ratios that uses interviews with a utility's energy service representatives to affect the results.

3.2.2 SDG&E (PY96 second year claim; PY 97 first year claim)

SDG&E requested $13.190 for its PY96 second earnings claim and $4.438 million for its PY97 first earnings claim. ORA originally recommended PY96 and PY97 earnings claims of $8.587 and $2.256 million, respectively

Most of the initial disputes over SDG&E's PY96 earnings claim were resolved as errors and oversights were discovered and corrected. However, one generic issue that was addressed in the Independent Reviewers report warrants mentioning. In performing its study of IEEI programs, both SDG&E and PG&E followed a sampling approach that ORA and the Independent Reviewers strongly criticized. This approach, referred to as the "70% sequential sampling strategy," essentially ignores sites with small predicted savings. As the Independent Reviewers point out, the exclusion of these sites is inappropriate because there are a number of reasons why savings realization rates for cases with small total predicted savings could be systematically lower or higher than for the sample as a whole. We agree with the Independent Reviewers' assessment that the use of this approach represented a violation of the protocols, and that the protocols allow penalty of unspecified magnitude for this violation. At the same time, we concur with their conclusion that ORA's decision to simply zero out savings for small cases that were ignored in the sampling process was too severe as a "first warning." (Exh. 28, pp. 36-38.) However, should this sampling approach be used in the future, we will support zeroing out savings for any measures ignored.

The dispute over SDG&E's PY97 claim concerned the definition of program year. ORA originally argued that the year of participation is determined only when the rebate check is processed. We agree with the

Independent Reviewers that this does not comport with the definition of program year in the M&E protocols. That definition allows the year of participation to be determined by either the date in which the incentive check is processed *or* the date on which the customer "takes action". We also agree that SDG&E's approach is inappropriate because it appears to treat submittal by the participant of a request for inspection of the installed measure as proof that the measure has been installed. The appropriate criteria for inclusion of cases in PY97 for this program is the date on which the measure is actually inspected, as it is by this date that the measure is known to be installed. We do not adopt this as a universal standard, since not all programs feature 100% inspection of rebated measures, but we do direct utilities to use this standard, where applicable.

After reviewing the Independent Reviewers' recommendations, ORA and SDG&E came to agreement on PY96 and PY97 earnings claims of $10.371 and $4.092 million, respectively. (See Attachment 1.)

3.2.3 SoCal (PY96 second year claim; PY97 first year claim)

SoCal requested $0.175 million for its PY96 second earnings claim and $10,940 million for its PY97 first earnings claim. ORA originally recommended PY96 and PY97 earnings claims of -$0.080 million and $0.640 million, respectively.

The only disputed part of PY96 second earnings claim was related to the commercial energy efficiency incentives program. ORA originally recommended zeroing out the energy savings associated with this program because SoCal failed to provide the data required by the protocols and failed to meet the filing dates. SoCal conceded that it had been slow to respond to ORA's data request, but ultimately had done so. The results of its response had revealed a mistake in its original analysis, resulting in a reduction in SoCal's earnings claim. The Independent Reviewers recommended that SoCal's revised savings results be reduced by 20%. They argued that a penalty of this magnitude would be sufficient to encourage SoCal to comply more closely with the protocols' procedural requirements, and seemed fair given the relatively magnitude of SoCal's noncompliance.

After reviewing the Independent Reviewers' report, ORA and SoCal came to agreement on PY96 and PY97 earnings claims of $0.135 million and $0.716 million, respectively. (See Attachment 1.)

3.2.4 PG&E (PY96 second-year claim)

PG&E requested $8.269 million for its PY96 second earnings claim. In its August 26, 1998 report, ORA recommended PY96 earnings of $4.627.

ORA's adjustments for PY96 were based on issues related to the specific modeling methods PG&E used to perform gross savings billing analysis and net-to-gross methods used in certain studies[3] With regard to the gross savings billing analysis, the Independent Reviewers did not find error in PG&E's procedures, with the exception of an error that both ORA and PG&E agreed exists in the algorithm for interpretation of free rider survey data. On the net-to-gross issue, the Independent Reviewers expressed serious reservations about the validity of the methods used by PG&E, and recommended that the results of an alternative approach be used. Taking into account the

[3] The net-to-gross ratio is an adjustment to the gross energy savings from all applications to adjust for such factors as free riders (participants in utility DSM programs who would have installed efficiency measures even in the absence of the program) and spillover effects (savings that occur when people install efficiency measures because of the program's existence, but do not actually participate in the program.)

recommendations in the Independent Reviewers' report, PG&E and ORA agreed to a $6.134 million shared savings claim for PY96.

3.3 Remaining Disputed Earnings Claims: PG&E's Presidio Project

For PY97, PG&E requests a first earnings claim of $9.961 million and ORA recommends $9.801 million.[4] The dispute involves the DSM bidding contract with the National Park Service for energy efficiency measures installed at the Presidio of San Francisco. Before turning to the specific positions of the parties, we summarize the history and chronology of events associated with this project.

3.3.1 Project History

In 1992, the Commission approved PG&E's DSM pilot bidding program, pursuant to Public Utilities Code Section 747 and our adopted rules governing DSM[5]. The purpose of the pilot bidding program was to assist the Commission in learning more about alternative DSM delivery mechanisms, and in assessing the role of DSM bidding to provide least-cost DSM services to ratepayers. (D.92-02-075, mimeo., p. 13.)

PG&E subsequently released a request for proposals, and forty-two bidders submitted bids. PG&E evaluated the bids and on

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[4] The figures presented by ORA reflect 25 percent of the reduction on a lifecycle basis in earnings associated with the gas boiler replacement component of the Presidio project, extrapolated across all gas commercial energy efficiency earnings claims. In addition, ORA suggests that approximately $2,000 in earnings claims be disallowed for the electric savings associated with the Presidio project, but does not explicitly include that figure in its summary tables. (See Attachment 1.)

[5] See D.92-03-038, 43 CPUC 2d 423; See also, D.92-09-072 approving PG&E's compliance filing for the bidding package. For our DSM rules regarding bidding pilots, see D.92-02-075 in Rulemaking 91-08-003 and companion Investigation 91-08-002.

April 15, 1993, picked thirteen winning bidders. PG&E then proceeded with contract negotiations with the winning bidders. One of those winners was the National Park Service, Golden Gate Recreational Area (hereafter referred to as "NPS"). On December 14, 1993, PG&E successfully concluded negotiations and entered into a contract with NPS to implement energy efficiency measures at the Presidio in San Francisco.

The contract entered into by PG&E and NPS included only general guidelines to be applied to specific projects. The specific energy efficiency measures to be implemented under the contract were to be negotiated later. (Reporter's Transcript (RT) at 58, 81-82.) NPS projected that it would install lighting modifications, controls, energy management systems, motors and other comprehensive energy efficiency retrofit measures for an estimated maximum savings of 144 gWh and 12,209,378 therms over the life of the contract. PG&E's payments under the contract were projected at $4.49 million. The Commission approved the contract terms in April 1994 in D.94-04-039.

At the time the contract was signed, the Presidio used a central gas boiler plant to heat a distribution system that delivered steam heat to 15 buildings. In addition to measures to save energy on the electric side, NPS planned to replace the old central gas plant with distributed boilers and heating units. Project gas savings would primarily result from the reduction in distribution system losses.

The last year that the Presidio buildings were occupied by the U.S. Army was 1990. During the next three years, the property was turned over to the NPS and more and more of the buildings became vacant. By way of comparison, in 1990 all of the buildings at the Presidio were occupied by army facilities, including army barracks, hospital wards, administrative buildings, medical and surgical warehouse facilities, a research institute, indoor swimming pool and gymnasium. With the army moving out of the Presidio in the early 1990s, the expectation was that the two largest buildings served by the central steam plant would be rented as a research and education center to the University of California at San Francisco. However, by August, 1994, that arrangement had fallen through. (Exh. 36, 37.)

By 1993, the Presidio was occupied by only one tenant, a U.S. Department of Agriculture research lab The lab occupied approximately 55,000 of the 350,000 square feet of the former Letterman Institute of Research (or "LAIR"). Occupancy at the Presidio remained unchanged until 1996, when the Thoreau Center for Sustainability moved into four of the smaller buildings. This brought the occupancy up to approximately 125,000 out of 1,023,000 in total square footage at the Presidio. (RT at 84, 117-118.)

There has been no change in occupancy since 1996. The record indicates that the largest building served by the central boiler, the former Letterman Army Medical Center is scheduled for demolition. The Presidio Trust, which now oversees Presidio operations and acts as the building manager for NPS, has also submitted plans to demolish and replace the second largest building, the LAIR, even though it currently has a tenant in part of the building[6].

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[6] See RT at 80, 83-84; Exh. 34, p. 5; Exh. 27, Attachment p. 7-b; Exh. 8, pp. 3, 7.

In 1996, NPS proceeded with project installation under the pilot bidding contract with PG&E. On the electric side, NPS installed some lighting retrofits measures in the Thoreau Center, achieving only about 2% of original electric savings goals. (RT at 122.) On the gas side, NPS installed two distributed boilers: one to serve the LAIR and the other to serve the four building comprising the Thoreau Center. (RT at 86.) In 1996, after project installation, actual energy usage of the occupied space was 67,000 therms.

In February, 1997, PG&E approved the measurement and verification plan (M&V) submitted by NPS for the calculation of savings associated with the Presidio gas boiler replacement project. (Exh. 7, Attachment C.) Payments were initiated in March, 1997 and backdated to the date that NPS installed the new boilers. PG&E is currently making payments to NPS of approximately $32,592 per month. (Exh. 27, p. 5-a.)

3.3.2 Position of the Parties

ORA disputes both the energy savings for replacement of a central plant gas heating boiler with smaller, efficiency distributed boilers, and the appropriateness of payments under the contract as a whole. In particular, ORA argues that the energy savings calculated by PG&E for the boiler replacement are inflated and, under a range of more reasonable energy savings calculations, the Presidio project would not be cost-effective. ORA presents three calculations of energy savings, each assuming partial occupancy and a specific (50%) distribution loss factor. The results is a range of annual savings from 13,362 to 121,867 therms, with corresponding lifecycle net benefits of -$441, 061 to -$245,572. (Exhs. 27, 38.) ORA contends that PG&E failed to exercise its rights under the contract to renegotiate the estimated savings associated with the project and, in doing so, acted unreasonably.

PG&E calculates distribution savings by assuming full occupancy of the buildings and subtracting that consumption from 1990 baseline usage. (Exh. 7 pp. 1-6 to 1-7, RT at 16.) PG&E argues that this approach appropriately reflects the realities of a single loop system. PG&E's calculations yield annual project savings of 888,861 therms, and a net benefit calculation of $3,881 million. After several revisions, PG&E is now requesting recovery of $160,000 in 1999 shareholder incentives (first earnings claim) associated with this project.

PG&E asserts that ORA's calculations of gas energy savings is flawed because it assumes that the old boiler system could be broken out into separate parts with each building served by the old system responsible for a part of that system. PG&E further argues that NPS would not have changed the heating system absent the contract with PG&E, and that the contract requires the use of 1990 gas consumption as the baseline for savings calculations. In addition, PG&E contends that ORA's proposal to exclude project that are not cost-effective from earnings calculations is inconsistent with the portfolio approach to shareholder incentives adopted by the Commission.

PG&E also has a very small earnings request associated with the electric energy efficiency part of this project. ORA argues that any electric program costs and savings should not be borne by ratepayers since the Commission acted in a previous PG&E general rate case to make all costs and revenues associated with the Presidio shareholder responsibilities.

3.4 Discussion

We have reviewed the monetary recommendations in this proceeding and find that the agreements reached by ORA and the utilities regarding earnings claims represent a reasonable resolution of disputed issues. In particular, we note that the adjustments take into account the findings of the

Independent Reviewers, who serve in an advisory capacity to this Commission. The Independent Reviewers' recommendations have greatly assisted us and the parties by providing an objective evaluation of the disputed measurement issues in this proceeding.

Turning to the remaining dispute in this case, we start with the issue of what D.94-04-039 specifically approved. In that decision, we reviewed the contract terms associated with each of the agreements between PG&E and the winning DSM pilot bidders, including NPS, and determined that the contracts would protect ratepayers, *assuming that they were administered reasonably*. In D.94-04-039, we explicitly stated that we were not addressing the reasonableness of contract administration and directed that: "PG&E's administration of the contracts should be subject to future reasonableness review." (Conclusion of Law 7.) Moreover, we identified the AEAP as the appropriate forum for the examination of reasonableness issues. (Conclusion of Law 8.)

Therefore, the issue before us is whether PG&E, in implementing the contract approved by the Commission, acted reasonably. As PG&E acknowledges, the contract approved by the Commission anticipated that specific measures would be identified at a later date, subject to installation and M&V plans to be reviewed and approved by PG&E. Contrary to PG&E's assertions, however, the contract itself does not require PG&E to use 1990 gas consumption levels as a baseline for calculating savings. As Independent Reviewer Ralph Prahl points out, the contract provides considerable flexibility to adjust the 1990 consumption levels, should circumstances warrant. We agree with Mr. Prahl's assessment that the wording of the contract supports changes to the methodological framework based on changes in occupancy. (RT at 48, Exh. 32, pp. I-36 to I-38.) As acknowledged by NPS' own consultant, this flexibility was required at the time of contract signing because it was not yet clear which specific measures would be included in the scope of the contract. (Exh. 7, p. 4.333.)[7]

Therefore, we must examine whether PG&E, at the time it approved the M&V plan, was reasonable in adopting a methodology that produced 888,861 therms in annual savings. There was considerable debate in this proceeding over whether PG&E's and ORA's methodologies were sound from a conceptual standpoint. We see merit in Mr. Prahl's conclusion that both inappropriately assumed that the customer would have continued with a heating system that was losing 80-90 percent of all the energy consumed for distribution purposes when occupancy declined to such low levels. (RT at 17.) ORA attempted to get around this problem by allocating distribution losses only to those buildings that were currently occupied or expected to be occupied in the future, consistent with the language in the contract:

> "Subsequent to the implementation of the Project, GGNRA will determine if a change in the facility, its operation, or other factors will have an impact on the regression model developed for said facility. An increase or decrease in building HVAC [heating, ventilation, air conditioning] load unrelated to weather (e.g., building an addition on to or contraction of the facility space) is an example of a change that may necessitate an adjustment in the regression model." (Exh. 32, p. I-38.)

PG&E, however, made no such adjustments, or attempt to negotiate such adjustments with NPS. (RT at 114.) Nor did PG&E consider revising the baseline to assume that NPS, the Presidio Trust or tenants would have had to

[7] In fact, the only description of the Presidio project in the contract is:

> "It is anticipated that the HVAC and EMS improvements will be made to buildings served by a central plant. Further it is anticipated that one or more of the buildings served will be demolished and/or left vacant." (Exh. 32 at I-38.)

bring the buildings into compliance with Title 24 in the course of other improvements to some or all of the occupied buildings. Although federal properties such as the Presidio may not be bound by this California law, the NPS has in effect adopted Title 24 standards as part of their Tenant Guidelines at the Presidio, which state as recommended practices:

> "Replace old boilers with smaller, modular, energy-efficient models. Consider part-load efficiency in sizing and configuring new mechanical equipment. Use the Title 24 standard for minimum efficiency." (Exh. 33 at 9.)

PG&E did not consider what the baseline energy use at the Presidio would have been had the NPS, Presidio Trust, or tenants achieved Title 24 compliance at these buildings. (RT at 65.) Had this assumption been used, the only energy savings that would be generated by this contract would be the difference between energy usage assuming Title 24 compliance and the actual energy usage using more efficient distributed boilers.

Instead, PG&E accepted as the baseline the gas consumption at the Presidio in 1990, when the buildings were fully occupied by the Army. Even though PG&E compared this usage with current consumption assuming full occupancy (as opposed to actual usage with vacancies), this approach still inflates savings because it assumes a higher level of consumption on which savings are based. (RT at 39.) As a result, PG&E's projection of energy savings is several times higher than ORA's scenarios.

We agree with Mr. Prahl and ORA that the savings estimate resulting from PG&E's methodology is inflated and based on unreasonable assumptions. We cannot accept PG&E's contention that project savings are over 12 times greater than the gas usage that is actually occurring at the Presidio today. Under the more realistic range of savings scenarios generated by ORA, the savings are appreciably lower and the project is not cost-effective.

We also agree with ORA that PG&E acted unreasonably in administering the contract. First, we note that PG&E had an opportunity to exercise its rights under the contract to amend the unrealistic baseline for gas usage that was presented in NPS' M&V plan. Under Section 5(a) of the contract, NPS was required to submit an M&V plan to PG&E for each project. The contract gives PG&E 15 days to review and notify the NPS of either approval or disapproval of the project M&V plan.

PG&E obviously also understood that this provision gave it authority and opportunity to negotiate changes in the M&V plan. As PG&E's witness Birmingham testified, PG&E received a draft of the M&V plan as early as May 1, 1996, but did not approve the project plan until February 1997. (RT at 110-111.) By 1996, when PG&E was reviewing the project M&V plan, of the 15 buildings in the project, the only occupied buildings were the LAIR and the Thoreau Center, and in the case of LAIR only 16 percent of that building was occupied. Twelve buildings were empty with a low likelihood of having tenants soon. This was despite the fact that the NPS had been looking for tenants for several years. At the time the project-specific M&V plan was agreed upon, only about 12% of the floor space of the Presidio was occupied. (RT at 83-84; 117-118.) Moreover, PG&E knew, or should have known at that time, that there was a high probability that the largest building in this project, the Letterman Hospital, would be torn down soon. (Exh. 36, p. 6, Exh. 37.)

As discussed above, ORA developed a range of estimates that the Independent Reviewer agrees are more realistic numbers to reflect actual savings from the project. PG&E could have developed similar estimates, or it could have utilized a more realistic baseline usage estimate, as suggested by the Independent Reviewer. Either way, PG&E should have concluded at the time it reviewed

NPS' M&V plan that the project was not cost-effective due to dramatically declining occupancy.

The contract clearly required PG&E to approve NPS' M&V plan at least 15 days prior to the beginning of installation. PG&E was also required to approve NPS' installation plan prior to the start of construction. (Exh. 32, pp. I-33, I-55.) However, PG&E allowed NPS to proceed with project installation even before it approved the M&V plan. Moreover, NPS never did present PG&E with anything that constitutes an installation plan in the common sense that term would be used, instead providing PG&E with only a draft of the M&V plan and labeling that the "installation plan". That document, which PG&E accepted as complying with the contract, includes no description of what physically the NPS was planning to do. There is no description of the number or type of boilers that were going to be installed, or how they differed in efficiency from the standard new boilers on the market. As PG&E Witness Birmingham acknowledges, a person could not review the information provided in this document and determine whether NPS was likely to deliver the energy savings that it was forecasting. Nor did it contain a detailed description of project costs (Exh. 34, Attachment 1; RT at 87, 108-110, 112.)

In fact, PG&E did not know what the actual project costs were until the assigned Administrative Law Judge requested them at close of hearings. Instead, PG&E used estimated costs in its application to calculate its earnings claim. After close of hearings, PG&E discovered that actual project costs were double the amount estimated in its application, and had to submit revised shareholder earnings calculations.

Why PG&E did not pursue and fulfill its responsibilities under the contract is unknown to us. We note that none of PG&E's witnesses testifying in this proceeding were actually involved in the negotiations with NPS over the

M&V plan. However, as ORA observes, there is an inherent incentive within the DSM bidding program for both the utility and customer to keep the baseline usage high no matter how unrealistic that assumption becomes. This is because the baseline is used to calculate the payments the customer receives under the contract (in this case, NPS) as well as the utility's shareholder incentives. We agree with ORA that the portfolio approach to shareholder incentives was never designed to protect ratepayers from projects which the utility knew, or should have know, failed the total resource cost test *prior* to being implemented. We believe that this is such an instance, and find that PG&E was unreasonable in implementing the contract for the reasons stated above.

With regard to the electric savings claimed in this proceeding, we agree with PG&E's characterization of NPS and Presidio Trust as landlords with submetered tenants. PG&E supplies the generation, transmission and primary distribution to the Presidio, and the Presidio has historically provided its own secondary distribution. (Exh. 39; RT at 106-107.) We do not see any inconsistency in allowing NPS and Presidio Trust to participate in the electric side of the project, since NPS has always been eligible for participation in energy efficiency programs, and continue to contribute to the funding for these programs. The Commission's decision to have PG&E shareholders bear all costs of new distribution facilities for the Presidio does not appear relevant to this issue. (D.95-12-055 in A. 94-12-005.) In that case, the Commission was addressing whether or not ratepayers should cover the cost of contract obligations in a situation where PG&E was engaging in a competitive bidding process.

For the above reasons, we adopt ORA's recommendation to disallow the shareholder incentives and the program costs associated with the Presidio boiler replacement project. PG&E's shareholder incentive request for this project is denied, and the gas DSM balancing account should be reduced by all amounts expended for this project. In its reply comments, PG&E states that it has paid the National Park Service $827,258 through February, 1999. We adopt PG&E's position on the shareholder incentives associated with the electric measures installed at the Presidio.

Table 1 summarizes today's earnings authorizations, with and without interest franchise fees and uncollectibles (FF&U). Table 1 also summarizes our most current estimates of net benefits associated with each utility's PY94-PY97 DSM programs. Net benefits are defined as the resource benefits of DSM less the costs before earnings, on a life-cycle basis. Net benefits are adjusted for free riders, i.e., program participants who would have implemented the energy efficiency measure or practice even in the absence of the utility program.

As indicated in Table 1, we estimate that PG&E's 1994, 1995, 1996 and 1997 DSM programs will produce life-cycle net benefits of approximately $687 million before earnings. This translate into earnings (under the incentive mechanism that applies to pre-1998 programs) of approximately $155 million, to be recovered over 7 to 10 years. These estimates are subject to modification, based on savings verification estimates we undertake in future AEAPs.

In prior AEAPs, we have authorized approximately $49 million in earnings for PG&E's DSM programs. Today, we authorize an additional $15.934 million in earnings ($18.307 million including FF&U and interest), based on the verification of program performance and estimates of net resource benefits developed in this proceeding. This represents $16.647 million in earnings for electric DSM and $1.660 million for gas programs, including FF&U and interest. (See Table 1 and Attachment 1.)

For SDG&E, we estimate life-cycle net benefits from 1994-1997 program activities of approximately $315 million (before earnings), and corresponding earnings of $95 million. To date, we have authorized a total of approximately $32 million in earnings for these programs. We authorize an additional $14.462 million today, or $15.775 with FF&U and interest. This represents $14.162 million in earnings for electric DSM and $1.613 million for gas programs, including FF&U and interest.

The life-cycle net benefits associated with SCE's 1994-1997 programs are estimated at $339 million (before earnings). Expected earnings are estimated at $41 million, recoverable over a 7 to 10 year period. We have already authorized $7.9 million in earnings in prior AEAPs. By today's decision, we authorize an additional $7.658 million ($7.978 with FF&U and interest.)

Finally, we project that SoCal's 1994, 1995, 1996 and 1997 DSM programs will produce approximately $20 million in life-cycle net benefits, before earnings. As indicated in Table 1, life-cycle earnings are estimated at $9.6 million. We have already authorized $3.8 million in earnings in previous AEAPs. By today's decision, we authorize an additional $851,100 ($906,600 with FF&U and interest).

3.5 Consensus Modifications

As described in Exhibit 2, the CADMAC reached consensus on recommendations for the Commission to modify our adopted protocols. Two sets of recommendations were presented by CADMAC. One set addressed reporting requirement protocols for the persistence studies to support the third and fourth year earnings claims. The second set addressed changes to the Quality Assurance Guidelines for measurement issues that have been controversial in past AEAPs, or that have emerged as issues that need additional guidelines to reduce controversy in future AEAPs. CADMAC developed guidelines to address deferred load savings involving production increments, deferred free ridership, third-party influence, the use of qualitative data and reporting requirements, weighting of the net-to-gross ratios and spillover.

All parties and the Independent Reviewers support these modifications to our protocols. We believe that CADMAC's recommendations should help to reduce ambiguities regarding the third and fourth earnings claims, and thereby reduce unnecessary controversy in our proceedings. In addition, CADMAC's proposed modifications to the Quality Assurance Guidelines should help to improve the quality of studies in the remaining years of utility shareholder incentives. For these reasons, we adopt the consensus recommendations presented by CADMAC.

3.6 Ratemaking

Ordering Paragraph 1 in D.97-10-057 prevents an electric utility from recovering revenues during the rate freeze period except as authorized in Assembly Bill 1890 and implemented by the Commission. Conclusion of Law 3 prohibits the use of any regulatory account to accrue costs or revenues during the rate freeze for the purpose of affecting rates either during or after the rate freeze. Taken in combination, these principles mean that the electric DSM earnings addressed in this proceeding must come from "headroom." In D.98-03-063, we determined that the AEAP earnings tracked by the utilities should be used to adjust the distribution revenue requirement in calculating headroom. We will continue this practice for the instant proceeding. Such adjustments should be made in the next Revenue Adjustment Proceeding.

With regard to the collection of the gas portion of the earnings addressed in this proceeding, we will defer the related rate increase to the next gas rate adjustment for SoCal, SDG&E and PG&E. If a request for gas rate adjustment is currently pending, the utility should notify the assigned ALJ in writing to request inclusion of these revenues, and serve a copy of the request on all parties to the applicable proceeding.

In D.97-09-041, we established accounting procedures for the utilities to track earnings associated with the AEAP, pending a final decision on their applications. As directed in that decision, the AEAP earnings, accruing in the utilities' tracking accounts shall be adjusted to reflect today's final authorized earnings, as summarized in Table 1. Consistent with past practices, today's authorizations include FF&U and interest. Interest accrues on July 1 of the year following program expenditures at the 90-day commercial paper rate. (See D.97-09-041, Ordering Paragraph 1.)

Within 30 days from the effective date of today's decision, the utilities should file advice letters containing E-tables that reflect today's decision.

4. Response to Comments on ALJs Proposed Decision and PG&E's Petition to Reopen Proceedings

Pursuant to Pub. Util. Code Section 311 and to our governing Rules of Practice and Procedure (California Code of Regulations, Title 20, Rules 77 to 77.5), the proposed decision of ALJ Gottstein was issued before today's decision. PG&E, SDG&E, SoCal and ORA filed timely comments to the proposed decision. PG&E and ORA also filed timely reply comments.

We have carefully considered the comments and do not make any changes to the ALJ's proposed decision, except to make the ratemaking treatment of earnings for SDG&E consistent with Resolution E-3588 and to correct minor errors.

On May 25, 1999, PG&E filed a Petition to Set Aside Submission and Reopen Proceedings for the Taking of Additional Evidence (Petition), pursuant to

Rule 84 of the Commission's Rules of Practice and Procedure. PG&E alleges that the controversy over the Presidio DSM bidding contract developed quickly, and very late in the hearing process. PG&E also argues that the Park Service's participation supporting PG&E's position did not include direct testimony of the Park Service personnel "due to the rapidly changing nature of the issues being raised for the hearings and the uncertainty of the exact nature of the claims at the time." (PG&E's Petition, p. 3.) For these reasons, PG&E requests that the Commission set aside submission and reopen the proceeding to take additional testimony from the National Park Service on the reasonableness of the terms of the DSM bidding contract.

ORA filed a response in opposition to PG&E's Petition on June 3, 1999. ORA's response includes information from its consultant's report, which was distributed with ORA's direct testimony in August 1998. ORA presented other information regarding the timeline of the development of issues in this proceeding.

Pursuant to Rule 84, a party seeking to reopen a proceeding must:

> "specify the facts claimed to constitute grounds in justification thereof, including *material changes of fact or of law alleged to have occurred since the conclusion of the hearing*. It shall contain a brief statement of proposed additional evidence, and *explain why such evidence was not previously adduced.* " (Emphasis added.)

PG&E's Petition cites no laws or facts that have changed since the conclusion of hearings. Notwithstanding the clear requirement of Rule 84, PG&E also fails to present a persuasive reason why it could not have produced this testimony previously. As ORA points out, the contested issue was raised by ORA in August, 1998. Clearly, PG&E was aware of the potential that this issue would not be settled during discussions between PG&E and ORA in preparation for the Case Management Statement, because PG&E filed additional testimony on

October 20, 1998 specifically on the Presidio issue (Exhibit 7). The October 26, 1998 Case Management Plan also identified this issue as the one remaining contested issue in this proceeding. All four of the witnesses PG&E proposes to call work in the local area, and PG&E has attached no affidavits demonstrating that these witnesses were unavailable at the time of the November 12-13, 1998 hearings. Nor has PG&E presented any information as to why it did not make this request to produce these witnesses at the time of the hearing, prior to the filing of briefs, or prior to the issuance of the proposed decision. We note that two of the witnesses authored work products that appeared in PG&E's own testimony. PG&E should have realized at the time it presented its testimony that these persons might have knowledge that would be useful in the proceedings.

In sum, PG&E's Petition is denied because it fails to meet the requirements of Rule 84.

Findings of Fact

1. A utility's reliance on the opinions of its energy service representatives in estimating net-to-gross ratios presents a clear appearance of conflict of interest.

2. In performing their studies of IEEI program savings, SDG&E and PG&E used a 70% sequential sampling strategy. This approach essentially ignores sites with small predicted savings and represents a violation of the Commission's adopted measurement and evaluation protocols.

3. ORA's position that the year of participation is determined only when the rebate check is processed does not comport with the definition of program year in the measurement and evaluation protocols. However, submittal by the participant of a request for inspection of the installed measure is not proof that the measure has been installed.

4. The contract approved in D.94-04-039 between PG&E and NPS anticipated that specific energy efficiency measures would be identified at a later date, subject to installation and M&V plans to be reviewed and approved by PG&E.

5. D.94-04-039 identified this proceeding as the forum for reviewing the reasonableness of PG&E's claim for shareholder incentives under the DSM Bidding contract between PG&E and NPS. In this proceeding, we also examined the reasonableness of contract administration, pursuant to the direction in D.94-04-039 to conduct future reasonableness review of the contract.

6. The contract terms provides considerable flexibility to adjust the baseline of gas consumption to reflect changes in loads, such as decreased occupancy.

7. PG&E is scheduled to make payments to the NPA totaling $4,355,296 over the life of the DSM bidding contract.

8. PG&E's methodology for calculating shareholder incentives inappropriately assumes that the customer would have continued with a heating system that was losing 80-90 percent of all the energy consumed for distribution purposes when occupancy dramatically declined. PG&E's approach to estimating energy savings from the Presidio project yields estimates that are inflated level of consumption on which savings are based. In addition, PG&E's methodology did not consider what the baseline energy use at the Presidio would have been had the NPS, Presidio Trust or tenants achieved Title 24 compliance at these buildings, consistent with the Tenant Guidelines.

9. ORA's methodology for estimating savings from the Presidio project made adjustments to PG&E's approach that yield a more reasonable range of savings estimates, even though it made the same baseline assumption.

10. Under a reasonable range of energy savings estimates, the Presidio project is not cost-effective.

11. PG&E knew at the time it was reviewing the M&V plan that occupancy at the Presidio had declined dramatically, and that there was a high probability that the largest building in the project would be torn down soon. PG&E could have at that time developed a more reasonable range of energy savings estimates, and determined that the project was not cost-effective.

12. PG&E failed to review and approve the M&V plan prior to project installation, as required under the Presidio contract.

13. PG&E failed to obtain an installation plan that would allow it to determine whether NPS was likely to deliver the energy savings that it was forecasting, prior to the start of Presidio construction.

14. The Commission's portfolio approach to shareholder incentives is not designed to protect ratepayers from projects which the utility knew, or should have known, failed the total resource cost test of cost-effectiveness prior to being implemented.

15. PG&E supplies the generation, transmission and secondary distribution to the Presidio, and the Presidio has historically provided its own secondary distribution. NPS has always been eligible for participation in energy efficiency programs, and continues to contribute to the funding for these programs.

16. CADMAC has proposed consensus modifications to the M&E protocols in this proceeding that were endorsed by the Independent Reviewers and supported by all parties.

17. The principles adopted in D.97-10-057 dictate that the electric DSM earnings addressed in this proceeding must come from the headroom. In D.98-03-063 we determined that the DSM earnings tracked by the utilities should be used to adjust the distribution revenue requirement in calculating headroom. In resolution E-3588 we determined that SDG&E should recover its earnings through its Rewards and Penalties Balancing Account.

18. PG&E's assertion that it was unable to present its case during the normal course of this proceeding is not supported by the record.

Conclusions of Law

1. In the future, utilities should not use any approach for estimating net-to-gross ratios that uses interview's with a utility' energy service representatives to affect the results.

2. The 70% sequential sampling strategy should not be used in the future.

3. The appropriate standard for inclusion of a measure in a particular program year is the date on which a measure is actually inspected, as this is the date that the measure is known to be installed. Since not all programs feature 100% inspection of rebated measures, utilities should use this standard where applicable.

4. PG&E was unreasonable in the manner in which it administered the Presidio DSM bidding contract with regard to the gas energy efficiency measures. PG&E could and should have determined prior to project installation that the project would not be cost-effective due to dramatically declining occupancy at the Presidio. At that time, PG&E should have denied payment under the contract due to the failure of the project to pass the total resource cost test of cost-effectivness.

5. All expenses and earnings claims for the electric energy efficiency measures under the Presidio project should be disallowed for the life of the Presidio project.

6. PG&E's expenses and earnings claim for 1999 for the electric energy efficiency measures under the Presidio project should be approved.

7. With the exception of PG&E's proposed earnings for the Presidio DSM bidding contract, the utilities earnings claims for 1996 and 1997 activities are reasonable and should be adopted.

8. The consensus recommendations made by CADMAC in this proceeding, as set forth in Exhibit 2, are reasonable and should be adopted.

9. The DSM earnings authorized in this decision for PG&E and SCE should be used to adjust the distribution revenue requirement in calculating headroom. The Commission should oversee this allocation matter in our revenue allocation proceeding. The electric DSM earnings authorized in this proceeding for SDG&E should be recovered through its Rewards and Penalties Balancing Account.

10. Rate increases related to collection of gas portion of DSM earnings should be deferred the next gas rate adjustment for SoCal, SDG&E, and PG&E.

11. PG&E's Petition does not meet the requirements of Rule 84 and should therefore be denied.

12. Because there are no further issues to address in this proceeding, this docket should be closed.

13. This order should be effective today to allow any necessary rate changes to occur expeditiously.

ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E is awarded $155 million in life-cycle earnings for its program year 1994 (PY94), program year 1995 (PY95), program year 1996 (PY96) and program year 1997 (PY97) demand-side management (DSM) programs, based on life-cycle net benefits (before earnings) estimated at $687 million. These earnings are recoverable over a 10-year measurement period. They are subject to change depending on the results of additional ex post measurement studies required under our measurement and evaluation (M&E) protocols.

2. In 1999, PG&E is authorized $18.307 million in DSM earnings, including interest and franchise fees and uncollectibles (FF&U). This amount reflects the first-year claim for PY97 programs and the second-year claim for PY96 programs.

3. PG&E shall adjust the electric distribution revenue requirement in calculating headroom by $16.828 million. PG&E shall include gas revenues of $1.479 million in it next application for gas rate adjustments. If an application for gas rate adjustment is currently pending, PG&E shall notify the assigned Administrative Law Judge (ALJ) in writing to request inclusion of these revenues, and serve a copy of the request on all parties to the pending proceeding. PG&E's Petition to Set Aside Submission and Reopen Proceedings for the Taking of Additional Evidence, dated May 25, 1999, is denied.

4. San Diego Gas & Electric Company (SDG&E) is awarded $95 million in life-cycle earnings for its PY94, PY95, PY96 and PY97 DSM programs, based on life-cycle net benefits (before earnings) estimated at $315 million. These earnings are recoverable over a 10-year measurement period. They are subject to change depending on the results of additional ex post measurement studies required under our M&E protocols.

5. In 1999, SDG&E is authorized $15.775 million in DSM earnings, including interest and FF&U. This amount reflects the first-year claim for PY97 programs and the second-year claim for PY96 programs.

6. SDG&E shall recover $14.162 million in electric revenues through its Rewards and Penalties Balancing Account. SDG&E shall include gas revenues of $1.613 million in it next application for gas rate adjustments. If an application for gas rate adjustment is currently pending, SDG&E shall notify the assigned ALJ in writing to request inclusion of these revenues, and serve a copy of the request on all parties to the pending proceeding.

7. Southern California Edison Company (SCE) is awarded $41 million in life-cycle earnings for its PY94, PY95, PY96 and PY97 DSM programs, based on life-cycle net benefits (before earnings) estimated at $339 million. These earnings are recoverable over a 10-year measurement period. They are subject to change depending on the results of additional ex post measurement studies required under our M&E protocols.

8. In 1999, SCE is authorized $7.978 million in DSM earnings, including interest FF&U. This amount reflects the first-year claim for PY97 programs and the second-year claim for PY96 programs. SCE shall adjust the electric distribution revenue requirement in calculating headroom by $8.052 million.

9. Southern California Gas Company (SoCal) is awarded $9.6 million in life-cycle earnings for its PY94, PY95, PY96 and PY97 DSM programs, based on life-cycle net benefits (before earnings) estimated at $20 million. These earnings are recoverable over a 10-year measurement period. They are subject to change depending on the results of additional ex post measurement studies required under our M&E protocols.

10. In 1999, SoCal is authorized $0.907 million in DSM earnings, including interest and FF&U. This amount reflects the first-year claim for PY97 programs and the second-year claim for PY96 programs. SoCal shall include gas revenues of $0.907 million in it next application for gas rate adjustments. If a request for gas rate adjustment is currently pending, SoCal shall notify the assigned ALJ in writing to request inclusion of these revenues, and serve a copy of the request on all parties to the pending proceeding.

11. Within 30 days from the effective date of today's decision, PG&E, SoCal, SCE and SDG&E shall file advice letters containing E-tables reflecting the determinations made in this decision.

12. We adopt the protocol modifications recommended by the California DSM Measurement Advisory Committee (CADMAC) and presented in Exhibit 2. Within 120 days of the effective date of this decision, the Energy Division shall work with CADMAC to incorporate the adopted protocol modifications into the M&E protocols adopted in Decision (D.) 93-05-063, as modified by D.94-05-063, D.94-10-059, D.94-12-021, D.96-12-079 and D.98-03-063. The Energy Division shall file the revised set of protocols with the Commission's Docket Office and shall serve copies on the appearances and the state service list in this proceeding and all CADMAC members (including the independent reviewers), and shall send a Notice of Availability to the service list in this proceeding and to the service list in Rulemaking 98-07-037.

13. PG&E's Petition to Set Aside Submission and Reopen Proceedings for the Taking of Additional Evidence, dated May 25, 1999, is denied.

14. Application (A.) 98-05-001, A.98-05-005, A.98-05-013 and A.98-05-018 are closed.

15. This order is effective today.

Dated June 10, 1999, at San Francisco, California.

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
LORETTA M. LYNCH
Commissioners

I abstain.

/s/ JOEL Z. HYATT
Commissioner

APPENDIX A
Page 1

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

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A9805018

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

Robert B. Mclennan
MICHELLE L. WILSON
Attorney At Law
PACIFIC GAS AND ELECTRIC COMPANY
ROOM 3131
77 BEALE STREET
SAN FRANCISCO CA 94106
(415) 973-2069
rbm4@pge.com

David R. Clark
Attorney At Law
SAN DIEGO GAS & ELECTRIC COMPANY
PO BOX 1831
SAN DIEGO CA 92112
(619) 699-5053
dclark@sempra.com
For: San Diego Gas & Electric Company

James F. Walsh
Attorney At Law
SAN DIEGO GAS & ELECTRIC COMPANY
PO BOX 1831
SAN DIEGO CA 92112
(619) 699-5039
jwalsh@sdge.com

Laura A. Larks
Attorney At Law
SOUTHERN CALIFORNIA EDISON COMPANY
2244 WALNUT GROVE AVE. RM 353
ROSEMEAD CA 91770
(626) 302-2908
larksla@sce.com

Steven Patrick
Attorneys
SOUTHERN CALIFORNIA GAS COMPANY
633 WEST FIFTH ST., STE 5200
LOS ANGELES CA 90071-2071
(213) 895-5190
spatrick@pacent.com

James E. Scarff
Legal Division
RM. 5121
505 VAN NESS AVE
SAN FRANCISCO CA 94102
(415) 703-1440
jes@cpuc.ca.gov
For: Office of Ratepayer Advocates

*************** STATE SERVICE ***************

Bradford Wetstone
CALIFORNIA PUBLIC UTILITIES COMMISSION
ENERGY DIVISION
505 VAN NESS AVENUE
SAN FRANCISCO CA 94102
bxw@cpuc.ca.gov

Meg Gottstein
21496 NATIONAL STREET
PO BOX 210
VOLCANO CA 95689

Meg Gottstein
Administrative Law Judge Division
RM. 5044
505 VAN NESS AVE
SAN FRANCISCO CA 94102
(415) 703-4802
meg@cpuc.ca.gov

Scott Logan
Office of Ratepayer Advocates
RM. 4102
505 VAN NESS AVE
SAN FRANCISCO CA 94102
(415) 703-1418
sjl@cpuc.ca.gov

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

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

Ralph Prahl
325 ELMSIDE BOULEVARD
MADISON WI 53704
prahlr@aol.com
For: CPUC Energy Division

Jeff Schlegel
1167 SAMALAYUCA DRIVE
TUCSON AZ 85704-3224
schlegelj@aol.com
For: CPUC Energy Division

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

Jason Mihos
CALIFORNIA ENERGY MARKETS
9 ROSCOE STREET
SAN FRANCISCO CA 94110-5921
(415) 824-3222
jasonm@newsdata.com

(END OF APPENDIX A)

PACIFIC GAS AND ELECTRIC COMPANY
SUMMARY OF 1998 AEAP EARNINGS CLAIM
(1996 AND 1997 PROGRAM YEARS)

Revised
12/7/98

	(in millions of $)	PY 1996 (2nd Earnings Claim)			PY 1997 (First Earnings Claim)			1998 AEAP Total Earnings Claim			
		Electric (a)	Gas (b)	Total (c)=(a)+(b)	Electric (d)	Gas (e)	Total (f)=(d)+(e)	Electric (g)	Gas (h)	Total (i)=(g)+(h)	
1	**DSM Expenditures (SS/PA)**	$ 104.438	$ 5.915	$ 110.353	$ 93.488	$ 12.316	$ 105.804	$ 197.926	$ 18.231	$ 216.157	1
2	**1st Year Net Savings, Adjusted [1]**										2
3	• Energy (GWh)	345		345	402		402	747		747	3
4	• Capacity (MW)	64		64	85		85	149		149	4
5	• Therms (thousand)		3,834	3,834		7,138	7,138		10,972	10,972	5
6	**Net Benefits, (TRC w/o earnings)**										6
7	• Shared Savings Programs	$ 81.540	$ 3.729	$ 85.269	$ 109.693	$ 10.597	$ 120.290	$ 191.233	$ 14.326	$ 205.559	7
8	• kWh	$ 68.805		$ 68.805	$ 65.372		$ 65.372	$ 134.177		$ 134.177	8
9	• MW	$ 12.735		$ 12.735	$ 44.321		$ 44.321	$ 57.056		$ 57.056	9
10	• Therms		$ 3.729	$ 3.729		$ 10.597	$ 10.597		$ 14.326	$ 14.326	10
11	• Performance Adder	$ (18.957)	$ (1.074)	$ (20.031)	$ (10.144)	$ (1.336)	$ (11.480)	$ (29.101)	$ (2.410)	$ (31.511)	11
12	**Earnings Claims (total over period)**										12
13	• Shared Savings (total over period)	$ 25.481	$ 1.443	$ 26.924	$ 34.052	$ 4.486	$ 38.538	$ 59.533	$ 5.929	$ 65.462 [4]	13
14	• First Earnings Claim	$ 7.187	$ 0.442	$ 7.629	$ 8.513	$ 1.122	$ 9.635	$ 8.513 [2]	$ 1.122 [2]	$ 9.635 [2]	14
15	• Second Earnings Claim	$ 5.553	$ 0.280	$ 5.833			$ -	$ 5.553 [3]	$ 0.280 [3]	$ 5.833 [3]	15
16	• Performance Adder (total over period)	$ 1.140	$ 0.065	$ 1.205	$ 1.151	$ 0.152	$ 1.303	$ 2.291	$ 0.217	$ 2.508 [4]	16
17	• First Earnings Claim	$ 0.284	$ 0.017	$ 0.301	$ 0.288	$ 0.038	$ 0.326	$ 0.288 [2]	$ 0.038 [2]	$ 0.326 [2]	17
18	• Second Earnings Claim	$ 0.287	$ 0.014	$ 0.301			$ -	$ 0.287 [3]	$ 0.014 [3]	$ 0.301 [3]	18
19	**ORA Adjustments to Earnings (total over period)**	$ -	$ -	$ -	$ -	$ 0.641	$ 0.641	$ -	$ 0.641	$ 0.641 [5]	19
20	• Shared Savings (total over period)										20
21	• Comm. EEI	$ -	$ -	$ -	$ -	$ 0.641	$ 0.641	$ -	$ 0.641	$ 0.641	21
22	• Industr. EEI	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	22
23	• Agric. EEI	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	23
24	• Nonres New Construction	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	24
25	• Performance Adder (total over period)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	25
26	Amount Recovered in 1998	$ 7.471	$ 0.459	$ 7.930	NA	NA	NA	NA	NA	NA	26
27	Amount to be Recovered in 1999	$ 5.839	$ 0.295	$ 6.134	$ 8.801	$ 1.160	$ 9.960	$ 14.640	$ 1.454	$ 16.094	27
28	Flow through into what Proceeding?	see note [6]	see note [7]		see note [6]	see note [7]		see note [6]	see note [7]		28
29	Interest Calculation 1998	$ 0.829	$ 0.051	$ 0.880	NA	NA	NA	NA	NA	NA	29
30	Interest Calculation 1999	$ 1.068	$ 0.059	$ 1.127	$ 0.958	$ 0.126	$ 1.084	$ 2.026	$ 0.185	$ 2.211	30
31	Franchise Fees & Uncollectibles Calculation 1998	$ 0.081	$ 0.006	$ 0.087	NA	NA	NA	NA	NA	NA	31
32	Franchise Fees & Uncollectibles Calculation 1999	$ 0.067	$ 0.004	$ 0.072	$ 0.095	$ 0.016	$ 0.111	$ 0.162	$ 0.020	$ 0.182	32
33	Total Amount Collected in 1998	$ 8.381	$ 0.516	$ 8.897	NA	NA	NA	NA	NA	NA	33
34	Total Amount to be Collected in 1999	$ 6.974	$ 0.358	$ 7.333	$ 9.854	$ 1.301	$ 11.155	$ 16.828 [8]	$ 1.660 [8]	$ 18.488 [8]	34

Shared Savings Programs	Residential Appliance Efficiency Incentives, Residential New Construction, Nonresidential New Construction, Commercial EEI, Industrial EEI, Agricultural EEI
Performance Adder Programs	Residential New Construction, Nonresidential New Construction, Residential EMS, Nonresidential EMS, Direct Assistance (Non-Mandatory)

PACIFIC GAS AND ELECTRIC COMPANY
SUMMARY OF 1998 AEAP EARNINGS CLAIM
(1996 AND 1997 PROGRAM YEARS)

Revised
12/7/98

Notes:

1. Total PY96: DSM Expenditures, 1st Year Net Savings, Net Benefits, and Earnings Claims (lines 1-18) represent the total lifecycle amounts for Program Year 1996.
2. Includes only Program Year 1997.
3. Includes only Program Year 1996.
4. This amount equals total earnings claim over the ten year period for incremental PY96 and PY97, taken from E-1 tables.
5. The Presidio issue involves CEEI gas savings adjustment to first earnings claim. Due to the overall administration costs of all DSM Bidding projects (res and nonres) are allocated based on the percentage of the avoided costs, the overall earnings in the RAEI, CEEI, and IEEI categories are affected. For simplicity, the $0.641 million dispute is placed in the CEEI gas column.
6. If a decision for this AEAP is rendered on or before PG&E's 1999 GRC decision is rendered, PG&E requests to include the results in the 1999 consolidated revenue requirements and in the 1999 unbundled rate components when the update occurs for the 1999 GRC decision. Otherwise, PG&E proposes to consolidate the results in PG&E's next Revenue Adjustment Proceeding (RAP).
7. PG&E proposes that any gas revenue requirement changes be consolidated in the next available gas rate adjustment proceeding.
8. Lines 26 through 34 reflect the amount to be recovered based on Earnings Claims stated on lines 12 through 18, excluding ORA Adjustments to Earnings from lines 19 through 25.

SOUTHERN CALIFORNIA EDISON COMPANY
SUMMARY OF 1998 AEAP EARNINGS CLAIM
(1996 AND 1997 PROGRAM YEARS)

11/10/98

	(in millions of $)	PY 1996 (2nd Earnings Claim)			PY 1997 (First Earnings Claim)			1998 AEAP Total Earnings Claim			
		Electric (a)	Gas (b)	Total (c)=(a)+(b)	Electric (d)	Gas (e)	Total (f)=(d)+(e)	Electric (g)	Gas (h)	Total (i)=(g)+(h)	
1	DSM Expenditures (SS/PA)	$ 56.418	$ -	$ 56.418	$ 47.214	$ -	$ 47.214	$ 103.632	$ -	$ 103.632	1
2	1st Year Net Savings, Adjusted [1]										2
3	• Energy (GWh)	319		319	538		538	857		857	3
4	• Capacity (MW)	58		58	68		68	126		126	4
5	• Therms (thousand)		-	-		-	-	-	-	-	5
6	Net Benefits, (TRC w/o earnings)										6
7	• Shared Savings Programs	$ 41.711	$ -	$ 41.711	$ 65.154	$ -	$ 65.154	$ 106.865	$ -	$ 106.865	7
8	• kWh	$ 37.889		$ 37.889	$ 59.330		$ 59.330	$ 97.219		$ 97.219	8
9	• MW	$ 3.821		$ 3.821	$ 5.824		$ 5.824	$ 9.646		$ 9.646	9
10	• Therms		$ -	$ -		$ -	$ -		$ -	$ -	10
11	• Performance Adder	$ (8.213)	$ -	$ (8.213)	$ 27.820	$ -	$ 27.820	$ 19.607	$ -	$ 19.607	11
12	Earnings Claims (total over period)										12
13	• Shared Savings (total over period)	$ 12.038	$ -	$ 12.038	$ 20.856	$ -	$ 20.856	$ 32.894 [2]	$ -	$ 32.894 [2]	13
14	• First Earnings Claim	$ 4.074	$ -	$ 4.074	$ 5.214	$ -	$ 5.214	$ 5.214 [3]	$ -	$ 5.214 [3]	14
15	• Second Earnings Claim	$ 1.945	$ -	$ 1.945			$ -	$ 1.945 [4]	$ -	$ 1.945 [4]	15
16	• Performance Adder (total over period)	$ 0.956	$ -	$ 0.956	$ 1.041	$ -	$ 1.041	$ 1.997 [2]	$ -	$ 1.997 [2]	16
17	• First Earnings Claim	$ 0.239	$ -	$ 0.239	$ 0.260	$ -	$ 0.260	$ 0.260 [3]	$ -	$ 0.260 [3]	17
18	• Second Earnings Claim	$ 0.239	$ -	$ 0.239			$ -	$ 0.239 [4]	$ -	$ 0.239 [4]	18
19	ORA Adjustments to Earnings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	19
20	• Shared Savings										20
21	• Comm. EEI	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	21
22	• Industr. EEI	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	22
23	• Agric. EEI	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	23
24	• Nonres New Construction	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	24
25	• Performance Adder	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	25
26	Amount Recovered in 1998	$ 4.313	$ -	$ 4.313	NA	NA	NA	NA	NA	NA	26
27	Amount to be Recovered in 1999	$ 2.184	$ -	$ 2.184	$ 5.474	$ -	$ 5.474	$ 7.658	$ -	$ 7.658	27
28	Flow through into what Proceeding?	RAP			RAP			RAP [5]			28
29	Interest Calculation 1998	$ 0.130	$ -	$ 0.130	NA	NA	NA	NA	NA	NA	29
30	Interest Calculation 1999	$ 0.063	$ -	$ 0.063	$ 0.166	$ -	$ 0.166	$ 0.229	$ -	$ 0.229	30
31	Franchise Fees & Uncollectibles Calculation 1998	$ 0.050	$ -	$ 0.050	NA	NA	NA	NA	NA	NA	31
32	Franchise Fees & Uncollectibles Calculation 1999	$ 0.027	$ -	$ 0.027	$ 0.064	$ -	$ 0.064	$ 0.091	$ -	$ 0.091	32
33	Total Amount Collected in 1998	$ 4.494	$ -	$ 4.494	NA	NA	NA	NA	NA	NA	33
34	Total Amount to be Collected in 1999	$ 2.274	$ -	$ 2.274	$ 5.704	$ -	$ 5.704	$ 7.978	$ -	$ 7.978	34

Shared Savings Programs	Residential Appliance Efficiency Incentives, Residential New Construction, Nonresidential New Construction, Commercial EEI, Industrial EEI, Agricultural EEI
Performance Adder Programs	Residential EMS, Nonresidential EMS, Direct Assistance (Non-Mandatory)

Notes:

1. Total PY96. DSM Expenditures, 1st Year Net Savings, Net Benefits, and Earnings Claims (lines 1-18) represent the total lifecycle amounts for Program Year 1996.
2. This amount equals total earnings claim over the ten year period for incremental PY96 and PY97, taken from E-1 tables.
3. Includes only Program Year 1997.
4. Includes only Program Year 1996.
5. When the 1998 AEAP Decision is issued, SCE will reflect the shareholder incentives in the Revenue Adjustment Proceeding.

SAN DIEGO GAS AND ELECTRIC COMPANY
SUMMARY OF 1998 AEAP EARNINGS CLAIM
(1996 AND 1997 PROGRAM YEARS)

11/5/98

	(In millions of $)	PY 1996 (2nd Earnings Claim)			PY 1997 (First Earnings Claim)			1998 AEAP Total Earnings Claim		
		Electric (a)	Gas (b)	Total (c)=(a)+(b)	Electric (d)	Gas (e)	Total (f)=(d)+(e)	Electric (g)	Gas (h)	Total (i)=(g)+(h)
1	**DSM Expenditures (SS/PA)**	$ 44.123	$ 7 786	$ 51.909	$ 24.330	$ 6 982	$ 31 313	$ 68.453	$ 14 768	$ 83.222
2	**1st Year Net Savings, Adjusted [1]**									
3	• Energy (GWh)	$ 135 254		$ 135 254	$ 61.058		$ 61 058	$ 196.312		$ 196.312
4	• Capacity (MW)	$ 39.695		$ 39 695	$ 16 491		$ 16 491	$ 56.186		$ 56.186
5	• Therms (thousand)		$ 5 892	$ 5.892		$ 6 863	$ 6 863		$ 12 755	$ 12.755
6	**Net Benefits, (TRC w/o earnings)**									
7	• Shared Savings Programs	$ 92.746	$ 3.124	$ 95 869	$ 33.919	$ 3 002	$ 36 920	$ 126.664	$ 6.126	$ 132 790
8	• kWh	$ 71.702		$ 71.702	$ 26.706		$ 26 706	$ 98 408		$ 98 408
9	• MW	$ 21.044		$ 21.044	$ 7.213		$ 7 213	$ 28 256		$ 28 256
10	• Therms		$ 3 124	$ 3.124		$ 3.002	$ 3 002		$ 6 126	$ 6.126
11	• Performance Adder	$ 1.560	$ 0 275	$ 1.836	$ 5.267	$ 0 930	$ 6.197	$ 6.828	$ 1 205	$ 8 033
12	**Earnings Claims (total over period)**									
13	• Shared Savings (total over period)	$ 37.735	$ 3 104	$ 40 839	$ 13 444	$ 2 773	$ 16 217	$ 51 179	$ 5 877	$ 57.056 [4]
14	• First Earnings Claim	$ 9.333	$ 0 768	$ 10.101	$ 3.361	$ 0 693	$ 4 054	$ 3 361 [2]	$ 0 693 [2]	$ 4 054 [2]
15	• Second Earnings Claim	$ 9.534	$ 0 784	$ 10 318				$ 9 534 [3]	$ 0 784 [3]	$ 10.318 [3]
16	• Performance Adder (total over period)	$ 0.194	$ 0.016	$ 0 210	$ 0.124	$ 0 026	$ 0 150	$ 0.318	$ 0 042	$ 0.360 [4]
17	• First Earnings Claim	$ 0.049	$ 0 004	$ 0 053	$ 0.031	$ 0 006	$ 0 037	$ 0 031 [2]	$ 0 008 [2]	$ 0.037 [2]
18	• Second Earnings Claim	$ 0.049	$ 0 004	$ 0 053				$ 0.049 [3]	$ 0 004 [3]	$ 0.053 [3]
19	**ORA Adjustments to Earnings**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
20	• Shared Savings									
21	• Comm EEI	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
22	• Industr. EEI	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
23	• Agric. EEI	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
24	• Nonres New Construction	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
25	• Performance Adder	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
26	Amount Recovered in 1998	$ 9.382	$ 0 772	$ 10 154	NA	NA	NA	NA	NA	NA
27	Amount to be Recovered in 1999	$ 9.582	$ 0 788	$ 10 371	$ 3.390	$ 0 701	$ 4 092	$ 12.973	$ 1 489	$ 14.462
28	Flow through into what Proceeding?	[5]	BCAP		[5]	BCAP		[5]	BCAP	
29	Interest Calculation 1998	$ 0.261	$ 0.021	$ 0 282	NA	NA	NA	NA	NA	NA
30	Interest Calculation 1999	$ 0.785	$ 0 065	$ 0 849	$ 0.093	$ 0 019	$ 0 112	$ 0 877	$ 0 084	$ 0.961
31	Franchise Fees & Uncollectibles Calculation 1998	$ 0.215	$ 0 022	$ 0 237	NA	NA	NA	NA	NA	NA
32	Franchise Fees & Uncollectibles Calculation 1999	$ 0.234	$ 0 021	$ 0.255	$ 0.078	$ 0 018	$ 0 097	$ 0.312	$ 0 040	$ 0.352
33	Total Amount Collected in 1998	$ 9.858	$ 0 815	$ 10 673	NA	NA	NA	NA	NA	NA
34	Total Amount to be Collected in 1999	$ 10.601	$ 0 874	$ 11.475	$ 3 561	$ 0 739	$ 4.300	$ 14.162	$ 1 613	$ 15.775

Shared Savings Programs	Residential Appliance Efficiency Incentives, Residential Weatherization Retrofit Incentives, Residential New Construction, Nonresidential New Construction, Commercial EEI, Industrial EEI, Agricultural EEI
Performance Adder Programs	Residential New Construction, Nonresidential New Construction, Residential EMS, Nonresidential EMS, Direct Assistance (Non-Mandatory)

SAN DIEGO GAS AND ELECTRIC COMPANY
SUMMARY OF 1998 AEAP EARNINGS CLAIM
(1996 AND 1997 PROGRAM YEARS)

11/5/98

Notes:

1. Total PY96. DSM Expenditures, 1st Year Net Savings, Net Benefits, and Earnings Claims (lines 1-18) represent the total lifecycle amounts for Program Year 1996.
2. Includes only Program Year 1997.
3. Includes only Program Year 1996
4. This amount equals total earnings claim over the ten year period for incremental PY96 and PY97, taken from E-1 tables.
5. When the 1998 AEAP Decision is issued, SDG&E will file an advice letter to reflect the change of this shareholder incentive in the Public Purpose Program Revenue Requirement

SOUTHERN CALIFORNIA GAS COMPANY
SUMMARY OF 1998 AEAP EARNINGS CLAIM
(1996 AND 1997 PROGRAM YEARS)

11/5/98

	(In millions of $)	PY 1996 (2nd Earnings Claim)			PY 1997 (First Earnings Claim)			1998 AEAP Total Earnings Claim		
		Electric (a)	Gas (b)	Total (c)=(a)+(b)	Electric (d)	Gas (e)	Total (f)=(d)+(e)	Electric (g)	Gas (h)	Total (i)=(g)+(h)
1	**DSM Expenditures (SS/PA)**	$ -	$ 24 414	$ 24 414	$ -	$ 23 642	$ 23 642	$ -	$ 48 057	$ 48 057
2	**1st Year Net Savings, Adjusted [1]**									
3	• Energy (GWh)	-		-	-		-	-		-
4	• Capacity (MW)	-		-	-		-	-		-
5	• Therms (thousand)		13,519	13,519		14,104	14,104		27,623	27,623
6	**Net Benefits, (TRC w/o earnings)**									
7	• Shared Savings Programs	$ -	$ 2 019	$ 2 019	$ -	$ 7 917	$ 7 917	$ -	$ 9 936	$ 9 936
8	• kWh	$ -		$ -	$ -		$ -	$ -		$ -
9	• MW	$ -		$ -	$ -		$ -	$ -		$ -
10	• Therms		$ 2.019	$ 2 019		$ 7 917	$ 7 917		$ 9 936	$ 9 936
11	• Performance Adder	$ -	$ (12 844)	$ (12 844)	$ -	$ (4.492)	$ (4 492)	$ -	$ (17 336)	$ (17.336)
12	**Earnings Claims (total over period)**									
13	• Shared Savings (total over period)	$ -	$ 0 856	$ 0 856	$ -	$ 2 594	$ 2 594	$ -	$ 3 450	$ 3.450 [4]
14	• First Earnings Claim	$ -	$ 0.388	$ 0 388	$ -	$ 0.649	$ 0.649	$ - [2]	$ 0 649 [2]	$ 0 649 [2]
15	• Second Earnings Claim	$ -	$ 0.040	$ 0.040			$ -	$ - [3]	$ 0 040 [3]	$ 0 040 [3]
16	• Performance Adder (total over period)	$ -	$ 0 379	$ 0 379	$ -	$ 0 271	$ 0 271	$ -	$ 0 651	$ 0 651 [4]
17	• First Earnings Claim	$ -	$ 0.095	$ 0 095	$ -	$ 0 068	$ 0.068	$ - [2]	$ 0 068 [2]	$ 0.068 [2]
18	• Second Earnings Claim	$ -	$ 0 095	$ 0 095			$ -	$ - [3]	$ 0 095 [3]	$ 0.095 [3]
19	**ORA Adjustments to Earnings**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
20	• Shared Savings									
21	• Comm EEI	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
22	• Industr. EEI	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
23	• Agric. EEI	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
24	• Nonres New Construction	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
25	• Performance Adder	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
26	Amount Recovered in 1998	$ -	$ 0.4829	$ 0.4829	NA	NA	NA	NA	NA	NA
27	Amount to be Recovered in 1999	$ -	$ 0.1348	$ 0 1348	$ -	$ 0.7163	$ 0 7163	$ -	$ 0 8511	$ 0.8511
28	Flow through into what Proceeding?		BCAP			BCAP			BCAP [5]	
29	Interest Calculation 1998	$ -	$ 0.0075	$ 0 0075	NA	NA	NA	NA	NA	NA
30	Interest Calculation 1999	$ -	$ 0.0074	$ 0.0074	$ -	$ 0 0394	$ 0 0394	$ -	$ 0 0468	$ 0.0468
31	Franchise Fees & Uncollectibles Calculation 1998	$ -	$ 0 0014	$ 0 0014	NA	NA	NA	NA	NA	NA
32	Franchise Fees & Uncollectibles Calculation 1999	$ -	$ 0 0014	$ 0 0014	$ -	$ 0 0073	$ 0 0073	$ -	$ 0 0087	$ 0.0087
33	Total Amount Collected in 1998	$ -	$ 0.4918	$ 0 4918	NA	NA	NA	NA	NA	NA
34	Total Amount to be Collected in 1999	$ -	$ 0.1436	$ 0 1436	$ -	$ 0 7630	$ 0 7630	$ -	$ 0 9066	$ 0.9068
	Shared Savings Programs	Residential Appliance Efficiency Incentives, Residential Weatherization Retrofit Incentives, Residential New Construction, Nonresidential New Construction, Commercial EEI, Industrial EEI, Agricultural EEI								
	Performance Adder Programs	Residential New Construction, Nonresidential New Construction, Residential EMS, Nonresidential EMS, Direct Assistance (Non-Mandatory)								

SOUTHERN CALIFORNIA GAS COMPANY
SUMMARY OF 1998 AEAP EARNINGS CLAIM
(1996 AND 1997 PROGRAM YEARS)

11/5/98

Notes:

1. Total PY96. DSM Expenditures. 1st Year Net Savings. Net Benefits, and Earnings Claims (lines 1-18) represent the total lifecycle amounts for Program Year 1996
2. Includes only Program Year 1997.
3. Includes only Program Year 1996.
4. This amount equals total earnings claim over the ten year period for incremental PY96 and PY97, taken from E-1 tables.
5. When the 1998 AEAP Decision is issued, SCG will file an advice letter to reflect the change of this shareholder incentive in the Public Purpose Program Revenue Requirement.

ROADMAP TO JOINT EXHIBIT
SUMMARY OF 1998 AEAP EARNINGS CLAIM

Line 1 DSM Expenditures (SS/PA)

This line includes all expenditures on activities that form the basis for earnings claims, and is taken from the E-1 tables. This includes First Earnings Claim Recorded Administration, Recorded Program Incentives, and Recorded Measurement Costs.

All Second Earnings Claims are cumulative unless otherwise noted. Included are the Recorded First Earnings Claim Measurement Costs, Recorded Administration, Recorded Program Incentives, and the Second Year Earnings Claim Recorded Measurement Costs.

Expenditures of nonearnings 'other' DSM categories are not included in any of the above.

Lines 2 - 5 First Year Net Savings, adjusted

These lines include first year net savings, adjusted by agreements with ORA. They are an aggregation of numerous cells in the E-3 tables for shared saving programs and Table 2.2 in the Annual Summary Reports for performance adder programs.

Lines 6 - 11 Net Benefits (TRC without earnings)

For the PY97 First Year Earnings Claim: from the E-1 tables use Resource Benefits net, minus Measurement Costs, minus Administration Costs, minus Incremental Measure Costs net. The allocation between MW and kWh is based on the split of net resource benefits in E-3 tables.

$$NB = Rbn - MC - AC - IMCn$$

For the PY96 Second Earnings Claims: from the E-1 tables use Revised Resource Benefits net, minus first and Second Earnings Claim's Measurement Costs, minus Administration Costs, minus First Year Earnings Claim Incremental Measure Costs net.

$$NB = Rbn - MC \text{ (first \& second earnings claims)} - AC - IMCn$$

Lines 12 - 18 Earnings Claims

Lines 13 and 16 - Equal total earnings claim over ten year period, taken from E-1 tables.

Lines 14 and 17 - 1996 numbers equal what was approved in D.98-03-063.
1997 numbers equal to current request, as adjusted by settlements with ORA, consistent with E-tables.

Lines 15 and 18 - Equal current request, as adjusted by settlements with ORA, consistent with E-1 tables, second earnings claim (Recorded Incremental Earnings line).

Lines 19 - 25 ORA Adjustments to Earnings

These lines show the difference between PG&E's and ORA's position, not the ORA recommendations.

Line 26 - Amount Recovered in 1998

Includes the amounts authorized in D.98-03-063, the sum of lines 14 and 17 for Program Year 1996.

Line 27 - Amount to be Recovered in 1999

The sum of lines 15 and 18 for Program Year 1996, and lines 14 and 17 for Program Year 1997.

Lines 29 and 30 - Interest Calculation

Interest calculation is based on the forecasted 90-day commercial paper rate.

Line 31 - Franchise Fees and Uncollectibles Calculation 1998

Lines 26 and 29 times the FF&U percentage.

Line 32 - Franchise Fees and Uncollectibles Calculation 1999

Lines 27 and 30 times the FF&U percentage.

Line 33 - Total Amount Collected in 1998

The sum of lines 26, 29 and 31.

Line 34 - Total Amount Collected in 1999

The sum of lines 27, 30 and 32. Line 34 (column I) is the amount that utilities requested to collect for the two program years in 1999 (including interest and FF&U).

(END OF ATTACHMENT 1)

ATTACHMENT 2

LISTS OF ACRONYMS

PG&E -	Pacific Gas and Electric Company
SCE -	San Diego Gas & Electric Company
SDG&E -	San Diego Gas & Electric Company
SoCal -	Southern California Gas Company
DSM -	demand-side management
ORA -	Office of Ratepayer Advocates
AEAP -	Annual Earnings Assessment Proceeding
PY97 -	program year 1997
PY96 -	program year 1996
CADMAC -	California DSM Measurement Advisory Committee
CEC -	California Energy Commission
mWH -	megawatt-hour
IEEI -	industrial energy efficiency incentives
RT -	Reporter's Transcript
NPS -	National Park Service
LAIR -	Letterman Institute of Research
M&V -	measurement and verification plan
FF&U -	franchise fees and uncollectibles

(END OF ATTACHMENT 2)

Table 1

1998 AEAP ESTIMATED LIFECYCLE NET BENEFITS, EARNINGS, AND REVENUE AUTHORIZATIONS FOR DSM PROGRAMS[1]

	BEFORE EARNINGS						w/o FF&U and Interest				w/ FF&U and Interest
	Lifecycle Net Benefits PY94	Lifecycle Net Benefits PY95	Lifecycle Net Benefits PY96	Lifecycle Net Benefits PY97	Lifecycle Net Benefits Total PY94-PY97	Lifecycle Net Earnings Total PY94-PY97	1995 AEAP Authorization PY94 - EC #1	1996 AEAP Authorization PY94 - EC #2 PY95 - EC #1	1997 AEAP Authorization PY94 - EC#2 PY95 - EC#2 PY96 - EC#1	1998 AEAP Authorization PY96 - EC#2 PY97 - EC#1	1998 AEAP Authorization
PG&E											
Shared Savings	236.280	198.885	97.028	119.415	651.608	146.449	3.986	21.337	21.002	15.307	
Performance Adder	38.698	24.005	-16.073	-11.480	35.150	8.168	0.843	0.980	1.308	0.627	
Total	274.978	222.890	80.955	107.935	686.758	154.617	4.829	22.317	22.310	15.934	18.307
SDG&E											
Shared Savings	51.951	91.474	128.882	36.920	309.227	94.390	2.202	10.119	19.372	14.372	
Performance Adder	-0.003	-0.004	0.005	6.197	6.195	0.522	0.044	0.085	0.093	0.090	
Total	51.948	91.470	128.887	43.117	315.422	94.912	2.246	10.204	19.465	14.462	15.775
SCE											
Shared Savings	117.321	2.484	54.627	65.154	239.586	38.276	1.778	1.236	4.292	7.159	
Performance Adder	11.211	35.878	24.827	27.820	99.736	2.677	0.022	0.170	0.387	0.499	
Total	128.532	38.362	79.454	92.974	339.332	40.953	1.800	1.406	4.679	7.658	7.978
SCG											
Shared Savings	14.846	13.473	4.522	7.917	40.758	7.939	0.295	1.256	1.336	0.717	
Performance Adder	-11.199	-3.779	-1.686	-4.492	-21.156	1.659	0.261	0.355	0.347	0.135	
Total	3.647	9,694	2.836	3.425	19,602	9.598	0.556	1.611	1.683	0.852	0.907

[1] Estimated lifecycle benefits and earnings are based on ex post measurement results presented in this proceeding. Net benefits reflect resource benefits (adjusted for free riders) do not include utility administrative and incentive costs, participant out-of-pocket expenditures, and lifecycle measurement costs (see utilities "Summary of 1998 AEAP Earnings" tables).

Source: Exhibit 29, updated November 10, 1998, Exhibit 31.