

Decision 99-12-053 December 16, 1999

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

Application of SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) for Approval of Program Year 2000 and 2001 Energy Efficiency Program Plans, Budgets, and Performance Award Mechanism.

~~Application 99-09-049~~  
(Filed September 27, 1999)

Application of Pacific Gas and Electric Company for Approval of Program Years 2000 and 2001 Energy Efficiency Programs (U 39 M).

Application 99-09-050  
(Filed September 27, 1999)

Compliance Application of San Diego Gas & Electric Company (U 902-M) for Approval of 2000 and 2001 Energy Efficiency Programs, Budgets, Performance Incentive Structure.

Application 99-09-057  
(Filed September 27, 1999)

Compliance Application of Southern California Gas Company (U 904-G) for Approval of 2000 and 2001 Energy Efficiency Programs, Budgets, Performance Incentive Mechanism.

Application 99-09-058  
(Filed September 27, 1999)

**INTERIM OPINION**

**Summary**

In this Interim Opinion, we consider the appropriate procedural mechanism for reviewing the utilities' applications for approval of Program Year (PY) 2000 energy efficiency programs, budgets, and performance award mechanisms. We preliminarily grant, in part, the utilities' applications, and provide for mid-year adjustment, if necessary, after further proceedings.

We authorize Southern California Edison Company (Edison), Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas) (collectively, the utilities) to implement their proposed PY 2000 energy efficiency programs, as designed and budgeted, and their proposed market assessment and evaluation (MA&E) studies and budgets, effective January 1, 2000. We further provide for the prospective modification of those programs, studies, and budgets, as necessary, in the final decision. Finally, we decline to authorize the utilities' proposed program-specific performance award mechanisms, including milestones and award levels, at this time. We defer a determination regarding the utilities' program-specific performance award mechanisms to the final decision, after further proceedings on these applications and after the decision is issued in the annual earning assessment proceeding (AEAP) establishing appropriate shareholder incentive caps.

### **Background**

On September 27, 1999, the utilities filed these Compliance Applications for approval of Program Year 2000 and 2001 Energy Efficiency Programs, Budgets, Performance Incentive Mechanisms, and Market Assessment and Evaluation (MA&E) studies as required by Decision (D.) 99-08-021 which was filed in Rulemaking (R.) 98-07-037. (Ordering Paragraph 5.)<sup>1</sup> Current energy efficiency program funding is authorized as a separate component of utility rates and is administered by the utilities under the Commission's direction. Pursuant to Pub. Util. Code §§ 365(b) and 381(a), D.97-02-014 established that funding for

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<sup>1</sup> The due date for filing the applications was extended by letter dated August 17, 1999 from the Commission's Executive Director.

electric utility public purpose programs should be accomplished through a non-bypassable rate component of the local distribution service. Separate annual funding is provided by gas demand side management (DSM) funds. The utilities now seek approval of a statewide estimated budget of \$333.4 million for PY 2000 and a preliminary budget of \$272.5 million for PY 2001. The PY 2000 estimate includes a projected carryover of \$47.6 million from previous years and the PY 2001 estimate includes a projected carryover of \$16.1 million.

Protests have been filed by the Office of Ratepayer Advocates (ORA), The Utility Reform Network (TURN), Residential Energy Efficiency Clearing House, Inc. (REECH), and, jointly, the Residential Energy Service Companies' United Effort (RESCUE) and SESCO, Inc. Comments have been filed by the California Energy Commission (CEC), the National Association of Energy Service Companies (NAESCO), the California Association of Lighting Efficiency Professionals (CALEP), Latino Issues Forum/Greenlining Institute, and the California Board for Energy Efficiency (CBEE).<sup>2</sup>

Prehearing conferences (PHC) were held on October 13, 1999 and November 3, 1999. At the October 13, 1999 PHC, the cases were consolidated for further proceedings. At that time, the PHC participants expressed their concerns with two important, competing policies. Some participants expressed the opinion that these applications must be approved by the end of 1999 so that the programs would not lapse as they did at the end of 1998, causing havoc in the administration of the energy efficiency programs, problems with customers, and monetary losses to participants. On the other hand, noting that the utilities' proposals were voluminous, complex, and involved a substantial expenditure of

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<sup>2</sup> The Natural Resources Defense Council (NDRC) did not file comments on the applications but has participated in the proceedings.

funds, other participants expressed the need to fully examine the utilities' proposals, to conduct discovery, and, if necessary, to hold evidentiary hearings. Given the varied interests, the parties were asked to meet and confer in an attempt to reach agreement on the appropriate procedural mechanism for reviewing the utilities' applications, including the timing and scope of future proceedings.

Many of the parties participated in the meet-and-confer session on November 2, 1999. Pursuant to our request, the parties reported back on the results of the meet-and-confer session at the second PHC on November 3, 1999. The parties reported that they were unable to reach agreement on the nature and timing of further proceedings. The parties summarized the issues they believed needed to be addressed in this proceeding if a decision on the applications was not issued by December 31, 1999 and discussed various options for proceeding.

By Ruling (Scoping Memo) dated November 16, 1999, Assigned Commissioner Neeper designated Administrative Law Judge (ALJ) Bytof as the principal hearing officer for this proceeding, affirmed the categorization of the case as ratesetting, deferred the determination whether hearings are necessary to a further PHC to be held after utility responses have been filed, discovery conducted, and further testimony filed, and set forth the scope of the proceeding.

## **Discussion**

### ***Limited Review of the Compliance Applications***

These applications are *compliance applications*. They were filed pursuant to our explicit direction in D.99-08-021. In D.99-08-021, we adopted selected policy, program, and funding modifications to the utilities' energy efficiency programs for PY 2000 and directed the utilities to file compliance applications consistent with that decision. (Ordering Paragraph 5.)

The proceedings culminating in the issuance of D.99-08-021 provided the forum for raising, considering, and modifying the policies, goals, and objectives of the utilities' energy efficiency programs, as well as program and funding modifications. Thus, upon resolution of those policy issues, we ordered the utilities to file their compliance applications and set forth, in the ordering paragraphs, the specific programmatic, budgetary, and other changes the utilities were expected to make in their PY 2000 and 2001 compliance applications.

These changes include, generally, (1) the consideration of modifications to the non-residential Standard Performance Contract (SPC) intervention strategy and the residential contractor intervention strategies; (2) program modifications that limit participation of certain market segments (generally larger non-residential customers) and increase targeting to others (generally smaller non-residential customers and under-served residential and non-residential customers), pricing changes or design features in response to a changing need for ratepayer funding to support market transformation for specific technologies, and increased emphasis on other program elements and intervention strategies for which the SPC strategy is not well suited (e.g., Commercial Remodeling and Renovation; Heating, Ventilation and Air Conditioning (HVAC) Turnover, and Motor Turnover programs); (3) program offerings that place increased emphasis on other program elements and intervention strategies that are available to under-served communities, can take advantage of unique expertise and customer relationships generated by local governments, and can explore innovative designs in the residential contractor program (RCP) that cannot be implemented on a statewide basis; (4) revised program budget ranges, funding caps, and funding floors resulting from these modifications; and (5) program-specific adjustments in award mechanisms that shift the priority or weights among program incentive design elements to emphasize effective and efficient program

administration, place greater emphasis on market transformation, reduce the degree of reliance on milestones associated with new program roll-out, and address problems with current milestones described by CBEE in its reports. (Ordering Paragraphs 8-12.)<sup>3</sup>

The adopted policy, programmatic and budget changes set forth in this decision were the culmination of many months of a public planning process that began with the public process that preceded the issuance of D.99-03-056 on March 18, 1999. In D.99-03-056, we set forth several principles for the interim utility administrators to follow in developing their program plans for PY 2000 and 2001. Also, because of the issues that had arisen from the delayed approval and implementation of the utilities' PY 1999 programs, we authorized the continuation of programs and funding adopted for 1999 energy efficiency activities through December 31, 2001 "unless and until subsequent program and budget changes are approved by the Commission." (*Mimeo.* pp. 20 and 28; Conclusion of Law 7; Ordering Paragraph 9.)

Subsequently, the Assigned Commissioner and ALJ held a workshop, heard oral argument, and received comments on how to proceed with PY 2000 and 2001 planning. By Ruling dated March 26, 1999, the Assigned Commissioner set forth the procedure to be followed for PY 2000 and 2001 program planning. This Ruling directed CBEE, which was serving us in an advisory capacity, to initiate a public input process and then develop recommendations for specific,

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<sup>3</sup> In the Scoping Memo and Ruling in the 1999 Annual Earning Assessment Proceeding (AEAP), the Assigned Commissioner also ruled that program specific adjustments in award mechanisms, such as milestones and award levels for specific milestones, will be addressed in the program planning process initiated by the utilities' compliance applications. See, also, ALJ Ruling dated April 23, 1999 in R.98-07-037.

selective changes to current policy rules, guidelines on programs, budgets, and program administrative issues.

The CBEE was directed to consider: (1) changes needed to clarify aspects of our policy rules that were not addressed during the PY 1999 program planning process; (2) program initiatives that may have been neglected because of the compressed time schedule in 1999; and (3) program design modifications needed to fix an observed problem during implementation. The selected changes were to be limited in number and focused on the highest priority modifications. The ruling also affirmed that issues debated and addressed during the PY 1999 Advice Letter planning process would not be relitigated.

On April 1, 1999, we issued Resolution (Res.) E-3592 which approved CBEE's recommendations regarding PY 1999 energy efficiency policy rules, utility performance incentives, market assessment and evaluation plans, budgets, and program area descriptions. In this Resolution, we also directed the utilities to incorporate the following eight program design and implementation principles into their programs:

1. Continue movement toward uniform statewide program designs and implementation.
2. Continue transfer of program implementation away from administrators.
3. Rely on competitive processes when outsourcing activities.
4. Continue third party initiatives (TPI) and use targeted solicitations.
5. Coordinate program activities with regional and national entities, where appropriate.
6. Support commercialization of emerging technologies.
7. Seek broad input from customers on the design of programs.
8. Ensure program offerings are available to under-served communities and customer groups.

It was only after further CBEE-sponsored public workshops and receipt of additional comments that D.99-08-021 was issued.

In addition to adopting selected policy, program, and funding modifications to the energy efficiency programs, and ordering that the utilities file the compliance applications we review today, D.99-08-021 adopted selected modifications to the Adopted Policy Rules For Energy Efficiency Activities, which also govern this proceeding (Ordering Paragraph 2; Attachment 2), ordered that carryover funds be allocated to PY 2000 and 2001 programs (Ordering Paragraph 4), required the utilities to track, account, and report program activities on a program year basis (Ordering Paragraph 3), and directed that the public purpose test (PPT) be used in evaluating the cost effectiveness of the utilities' program portfolios. We also determined that the compliance applications should be consistent with the program design and implementation principles set forth in Res. E-3592 and the principles set forth in the Assigned Commissioner's March 26, 1999 Ruling Regarding Program Year 2000/2001 Planning.

This procedural history demonstrates that review of the utilities' PY 2000 and 2001 programs is limited to consistency with the requirements of D.99-09-021 and with the adopted policy rules for energy efficiency activities. As the Assigned Commissioner stated in the Scoping Memo, policy issues that were or could have been raised in prior policy-making proceedings will not be revisited in this proceeding. Further, the procedural history demonstrates that the planning process for PY 2000 and 2001 has been a lengthy and extensive process, directed by the Commission and conducted in large part by the CBEE. Further, since the vast majority of the utilities' PY 2000 energy efficiency programs are on going programs, many of these programs have been subjected to substantial review prior to this proceeding.



### ***Issues Raised by the Applications***

The utilities, the CBEE, and the parties, for the most part, urge the Commission to authorize the programs and budgets for PY 2000 and 2001. The bulk of the utilities' proposed programs for PY 2000 and 2001 are ongoing programs, which were in effect in 1999, with limited new offerings. In its comments, CBEE acknowledges that the utilities, for the most part, complied with the Commission's direction in D.99-08-021. Thus, with one exception—the possible cost-effectiveness issue raised with respect to SoCalGas' program portfolio—the applications do not appear to have any fatal flaws.<sup>4</sup> On the contrary, Intervenors and Protestants and other interested parties simply seek specified, limited changes or modifications to specific program designs, budget allocations, and performance award incentives and milestones, in the new construction, residential, and non-residential program areas.

Nevertheless, the protests and comments raise serious issues regarding the utilities' proposed programs—their design and budgets and the appropriateness of proposed performance award milestones and incentive levels. Many of the design and budget issues relate to the non-residential SPC program and the residential RCP program. The issue with the greatest potential consequence is ORA's contention that SoCalGas' programs may not be cost-effective.

Several Intervenors and Protestants, including ORA, TURN, and REECH, contend that the public interest requires that they examine the utilities' applications in detail and that they have the opportunity to engage in discovery to flesh out the applications. These Intervenors and Protestants believe that hearings are necessary to examine the efficacy and appropriateness of the

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<sup>4</sup> By this statement, we do not imply that SoCalGas' application contains a fatal flaw.

utilities' proposed programs. Conceding that they cannot definitely determine until discovery is completed whether hearings are required, they point out that there are potential disputed facts with respect to such issues as the cost-effectiveness of SoCalGas' programs, design and budgets associated with the SPC program, and the appropriateness of the proposed performance award milestones and the corresponding award levels.

Intervenors and Protestants recognize that following such an approach would delay implementation of the programs well into 2000. However, they believe that this is a better solution than approving the programs without such a review.

The utilities, NAESCO, NRDC, and CBEE see no need for hearings. They point out that these compliance applications do not raise issues that require hearing since there has been extensive review and comments on both program design and budgets and performance award milestones over the past year. Thus, they believe that the issues raised constitute relitigation of issues previously decided. The utilities, NAESCO, and CBEE also would like to see the Commission issue a final decision approving these applications quickly so that they can be implemented on January 1, 2000. The potential need for hearings raises a serious issue with respect to timing in this case.

#### ***Procedural Review of the Applications***

As we stated earlier, we recognize that there are two substantial competing interests at stake in these proceedings and that there are potentially serious consequences attendant to any procedure we undertake. On the one hand, there is a substantial interest, as voiced by NAESCO, CBEE, and others, that the utilities be permitted to go forward with their energy efficiency programs immediately on January 1, 2000. As NAESCO has pointed out, the program hiatus in PY 1999 caused many difficulties, including customer problems and

losses to participants. The utilities, energy service companies (ESCOs) and others point out that certainty is necessary to avoid these problems. The extensive input process preceding the filing of these applications, together with the limited nature of our review, mitigates in favor of approving the applications for implementation effective January 1, 2000.

On the other hand, substantial issues regarding program design, budgets, and cost-effectiveness have been raised by the protests and comments. These issues may require discovery and, if necessary, hearings. If the programs are not consistent with the direction set forth in D.99-08-021, or if the programs are not cost-effective, then, as Intervenors argue, it would not be in the ratepayers' interest—or in the public interest—to approve these programs.

We asked the parties to meet and confer in an attempt to reach an agreement on the procedural review of the PY 2000 and 2001 applications, including level of review required and timing of further proceedings. The parties were unable to reach agreement but identified several options, including a limited paper review, a deferred decision on the need for hearings, and a full regulatory review of all issues, with an estimated final decision issued somewhere between May and August of 2000.

A limited paper review, where the Commission would allow, at most, one additional round of comments and replies before issuing a decision does not address several Intervenors' and Protestants' need for discovery and possibly hearings. Further, despite its relatively expeditious procedure, this method of review would not result in a decision early enough to permit the utilities to implement their programs by January 1, 2000.

A full regulatory review of all issues, involving testimony, discovery, and hearings, is not necessary insofar as many concerns raised with respect to program design and budget are likely to raise only policy issues, which do not

require evidentiary hearings. Thus, in the Scoping Memo, the Assigned Commissioner determined that the most appropriate procedure to follow was to allow the parties to engage in some discovery and to defer a decision on the necessity of hearings pending submission of testimony or detailed comments.

With respect to the deferred decision approach, the parties indicated that the issues could be bifurcated. It was suggested that issues relating to program design and budgets might be addressed without hearings while issues related to the performance incentives and milestones may require hearings. Thus, it was suggested that we may be able to proceed on an expedited schedule to consider program design, budget, and cost-effectiveness issues on the basis of the parties' comments and responses and later conduct hearings on the program milestones.

Edison and SDG&E opposed bifurcation on this basis, contending that program design and milestones are inextricably intertwined. However, they provided no support for this contention. Some Intervenors, including ORA and REECH, also had concerns regarding a bifurcation on this basis, since they raised issues of program design, budget, and cost-effectiveness that they believe may require an evidentiary hearing. ORA also makes a persuasive case that some issues relating to program design, budget, and cost-effectiveness may require hearings. Thus, the Assigned Commissioner, in the Scoping Memo, determined that we cannot know whether hearings will be required until discovery is completed, and deferred the issue to another PHC.

At the October 13, 1999 PHC, the Assigned Commissioner and ALJ also suggested to the parties that they consider whether certain program elements, e.g., program elements that are not controversial, could go forward effective January 1, 2000 while other program elements would be subject to further proceedings. The parties were unable to identify or agree upon program elements that could go forward effective January 1, 2000.

Another suggestion raised was the continuation of PY 1999 programs into PY 2000 until a final decision can be rendered on the PY 2000 applications.

Indeed, D.99-03-056 specifically provides for this action:

We agree that it is necessary to avoid program interruptions from year to year. Therefore, we will authorize continuation of programs and funding adopted for 1999 energy efficiency and low income assistance activities through 12/31/01 unless and until subsequent program and budget changes are approved by the Commission. (*Mimeo.* at p. 20; Conclusion of Law 7 and Ordering Paragraph 9.)

However, continuation of PY 1999 programs into PY 2000 poses substantial concerns. For example, the parties disagree over the meaning of this provision with respect to the amount and sequencing of funds available for the PY 1999 extension. Some parties believe that only unspent funds under the PY 1999 authorization would be available while others believe that new funds would be available to fund PY 1999 programs at the same level as the PY 1999 authorization. Use of this option also requires a determination as to whether expenditure of all funds would be authorized or whether authorization should be limited to a monthly or quarterly prorated amount. Perhaps the most troubling result of this approach is that the PY 2000 programs would not be implemented until a later time, fostering uncertainty and confusion, and once again, placing barriers to full expenditure of funds for PY 2000.

In addition, if PY 1999 programs were continued into PY 2000, a determination would have to be made as to how to treat performance incentives for the PY 1999 extension, which would be a somewhat disjointed and artificial process. Further, the performance incentives for PY 2000 would have to be modified. The parties at the meet-and-confer session were unable to agree to a procedural means for the Commission to address this issue. Again, we are concerned with the delay that would be caused if we do not authorize the PY

2000 programs to begin on January 1, 2000. We note that the utilities did not expend substantial amounts of authorized funds in PY 1998 or in PY 1999. The problem was exacerbated in PY 1999 because of the delay in approving the programs. It is in both the ratepayers and the public interest to encourage the prompt implementation of these programs and the corresponding expenditure of authorized funds.

Finally, at the PHC, NAESCO argued that the Assigned Commissioner has the authority to issue a ruling approving the utilities' applications. NAESCO based its argument on the following language in D.99-03-056 regarding the authorization of the program continuation through December 31, 2001 unless and until subsequent program and budget changes are approved by the Commission:

We delegate to the assigned Commissioner the task of considering options for future budget and program change proposals, and issuing a ruling setting forth procedures and schedules that accommodate the availability of resources to address these (stet.), as well as other public purpose program priorities." (*Mimeo* at p. 28; Ordering Paragraph 9.)

We do not read this language so broadly. While we believe that the Assigned Commissioner has the authority to set forth procedures and schedules, as stated in the Scoping Memo, we believe that the authority over final program authorization rests with the Commission.

### ***Interim Approval of Programs and Budgets***

Having considered the arguments of the parties and the various options presented at the PHCs, we believe that the following procedure will best satisfy both our goals and the goals of the Legislature with respect to energy efficiency programs. We will allow the utilities to implement their PY 2000 programs and budgets, as designed, effective January 1, 2000. We will also allow the utilities to implement their PY 2000 market assessment and evaluation (MA&E) studies

and budgets, effective January 1, 2000. MA&E activities support the underlying programs, designs, and policies by developing baseline and market data, crucial to monitoring and improving the programs.<sup>5</sup> The approved budgets for PY 2000 are attached as Appendix A to this Interim Decision.<sup>6</sup>

Because we recognize that important issues regarding program design, budgets, and cost-effectiveness have been raised which may require discovery and potentially hearing, we authorize the utilities' programs and budgets and MA&E and budgets only on an interim basis. After further proceedings, we may modify the utilities' programs and budgets and MA&E studies and budgets, as appropriate. These modifications will be included in our final decision at the conclusion of this proceeding.

Further, mid-year modifications, if any are made, will be effective on a prospective basis, which will enable the utilities to foster an orderly and measured transition and reduce the potential for confusion.

Concurrently, as set forth in the Scoping Memo, we will order parties to proceed, on an expedited schedule, with utility responses, discovery, submission of limited testimony and comments, and issue-oriented workshops. The Scoping Memo requires parties to reconvene for a third PHC to determine whether

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<sup>5</sup> No party raised substantial issues regarding the MA&E budgets. In its comments submitted October 27, 1999, the CBEE recommends that the Commission authorize the MA&E activities and budgets as submitted. The CBEE further notes that study delays have occurred and the lack of timely information continues to impede the quality of the studies, and thus program improvements. The CEC too is concerned about the pace of the studies and recommends full funding of the proposed budgets to ensure the studies go forward expeditiously. The CBEE's issues regarding the MA&E activities are appropriately resolved after further proceedings.

<sup>6</sup> Performance award incentives for PY 2000 and preliminary budgets for PY 2001 are not approved.

hearings are necessary on any part of the utilities' PY 2000 and PY 2001 programs or whether the proceedings may be resolved without hearing. If it is determined that any issues can be resolved without hearing, including issues related to program design, budgets, and cost-effectiveness, the principal hearing officer can consider bifurcating the proceedings and further expediting the schedule.

While we permit the implementation of the utilities' proposed PY 2000 programs and budgets and the MA&E studies and budgets effective January 1, 2000, we do not adopt the utilities' proposed program-specific performance award milestones and associated incentive levels for PY 2000. Program-specific performance award milestones and incentive levels for PY 2000 programs will be adopted when we issue our final decision at the conclusion of this proceeding. Further, we note that Phase I of the AEAP is considering modifications to the overall level of performance incentives and will set the performance incentive cap for energy efficiency programs for PY 2000 and 2001. Accordingly, a final decision on program-specific award levels cannot be finalized until after the AEAP Phase I decision is issued, which is expected to be by the end of the year.

While no program-specific performance award milestones will be in effect during this interim period, we expect the utilities to proceed to implement the authorized programs, and expend the authorized funds, as directed. As we stated earlier, our review of these compliance applications is fairly limited. The use of program-specific performance milestones and awards has been previously approved; accordingly, we proceed upon the assumption that some milestones and awards will be ultimately approved although they may vary in form and amount.

Under our approach, the utilities will be able to begin their PY 2000 programs on January 1, 2000 and the ratepayers will be protected by the opportunity for review and modification of the programs on a prospective basis.



The issues raised in the protests and comments are limited in nature and can be remedied on a prospective basis with little program disruption, if necessary. The performance award milestones will be applied to PY 2000 programs only, although they may need to be adjusted because they will not be effective until approved in a final decision which will issue several months into the PY 2000.

We find that there is no downside to the procedural approach we have adopted. Under the worst case scenario, a few programs which may be operating at a less than optimal level may be allowed to continue for a few months before they are improved.<sup>7</sup> And, while the utilities may be faced with some program design modifications in the future, our approach minimizes the uncertainty that can be caused by a program hiatus or transition.

We believe that the procedure adopted in this Interim Opinion and the schedule set forth in the Scoping Memo will best resolve the competing interests raised by the parties and will allow the expeditious implementation of the PY 2000 programs while ensuring that the serious issues raised by the protests and comments are given full consideration. Our adopted procedure thus furthers the purposes of the energy efficiency programs.

### **Comments on Draft Decision**

The draft decision of the ALJ in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(g) and Rule 77.1 of the Rules of Practice

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<sup>7</sup> This includes the possibility that SoCalGas' portfolio ultimately may not be found to be cost-effective. We note, again, that this is a compliance application and that SoCalGas' programs are essentially a continuation of the programs and budgets approved for 1999, with a similar computed cost-effectiveness ratio. Under these circumstances, there would be no advantage to continuing PY 1999 programs into PY 2000, as ORA has suggested. On the balance, it makes more sense to allow SoCalGas to implement its PY 2000 programs and to consider ways to enhance their cost effectiveness, if necessary.

and Procedure. Timely comments were filed by Edison on December 3, 1999, and by PG&E, SDG&E and SoCalGas (jointly), NRDC, NAESCO, and ORA on December 6, 1999. Reply comments were filed by CBEE, PG&E, and SDG&E and SoCalGas (jointly) on December 13, 1999.

We have reviewed the parties' comments and, except as set forth below, decline to make any substantive changes. Minor changes have been incorporated as appropriate.

ORA's comments do not reflect factual, legal, or technical errors in the proposed decision but reflect arguments and positions carefully considered and rejected in reaching the proposed decision. NAESCO's comments suggest that unspent PY 1999 program funds be specifically allocated to the same programs for PY 2000. The utilities' proposed budgets include an allocation for carry-over funding, consistent with the practice followed in prior years. We see no reason to alter this practice at this time.

In this decision, we decline to adopt the utilities' proposed program-specific performance award milestones and award levels for PY 2000. We do not, however, discuss the status of the utilities' PY 2000 program achievements during the interim period before the PY 2000 programs are finally approved and performance award milestones are adopted. Edison, PG&E, SDG&E and SoCalGas (jointly), and NRDC thus ask that we clarify whether program accomplishments achieved during the interim period may be counted toward milestones ultimately approved by the Commission. These comments are well taken. While the utilities' proposed program-specific performance award milestones have not been adopted at this time, it is not our intent to preclude the utilities from counting the program accomplishments achieved during the interim period toward the performance milestones that are ultimately adopted.

As proposed by the utilities and NRDC, we modify Ordering Paragraph No. 5 accordingly.

SDG&E also points out that the utilities' PY 2000 programs and budgets incorporate certain spending flexibility, program design flexibility, and contract pay-out dates. To ensure that there is no future misunderstanding, SDG&E requests that we specifically approve these proposals. It suggests that we may wish to adopt language covering all the utilities. NAESCO also supports the utilities' proposals for the flexibility to shift funds among programs. While not supporting SDG&E's program-specific findings, CBEE recommends that we clarify the fund shifting and spending flexibility rules in this decision. CBEE notes that the utilities agreed to include these rules in their applications during the public program planning process.

We agree that the fund shifting and spending flexibility rules should be made explicit in the Decision. Tables 12 and 14 in the utilities' applications set forth, respectively, the 2000 and 2001 Statewide Program Area and Program Budgets. These tables are the same in each utility's application. All of the tables, except for PG&E's tables (which were the tables comprising Appendix A to the Proposed Decision), contain a note 6 that sets forth the fund shifting and flexibility rules. It appears that Note 6 was inadvertently left off PG&E's Tables 12 and 14. Accordingly, we modify Tables 12 and 14, pages 7-8 of Appendix A, to include note 6 and the rules on fundshifting and flexibility.

SDG&E's comments also point out that its application proposes that it have the flexibility to make program design changes in the SPC program instead of submitting them to the Commission for approval, as it was required to do in PY 1998 and 1999. In its comments, CBEE recommends that we reject SDG&E's request for program design flexibility and that we decline to authorize any of the utilities to modify their design criteria prior to full program authorization. CBEE

further recommends that we direct SDG&E and the other utilities to use the Large and Small SPC program design criteria in place for PY 1999 except that they should also adopt the changes set forth in pages H-33 through H-35 of Edison's application and specific changes to PY 1999 design criteria set forth in the utilities' applications.

We have allowed the utilities to implement their PY 2000 programs as proposed in their applications and thus see no need to direct them to adopt a different program design for SPC programs on an interim basis. We recognize that there is a workshop process addressing the improvement of SPC terms and conditions and methods to increase end user and energy service provider program participation. Nevertheless, such changes, if adopted, may be made prospectively, when a final decision issues. On the other hand, we do not believe that it is appropriate, on an interim basis, to allow SDG&E to unilaterally make unspecified program design changes in the SPC programs. Accordingly, we reject that portion of SDG&E's application that provides for program design flexibility for the Large and Small SPC programs, as set forth on page 17 of its application.

### **Findings of Fact**

1. The review of the utilities' compliance applications is limited to review of PY 2000 and 2001 program design and budgets, MA&E studies and budgets, and performance award milestones and award levels, for consistency with the directives set forth in D.99-08-021.
2. A program and funding lapse could cause havoc in the administration of the energy efficiency programs, problems with customers, and monetary losses to participants.

3. The parties were unable to agree upon an appropriate procedural mechanism for reviewing the utilities' PY 2000 and 2001 energy efficiency program, budget, and performance award mechanism applications.

### **Conclusions of Law**

1. It is in ratepayer and public interest to authorize the utilities to implement their proposed PY 2000 energy efficiency programs and budgets on an interim basis, effective January 1, 2000, so that the programs and budgets can proceed without delay, while concurrently proceeding to review the programs and budgets to ensure compliance with D.99-08-021.

2. The adopted approach will promote certainty and will cause no harm to any party, ratepayer, or the public. Ratepayers will be protected because we will fully examine the utilities' proposals, allowing discovery and, if necessary, hold evidentiary hearings on these voluminous and complex applications proposing to expend substantial funds.

3. It is reasonable to allow the utilities to implement their PY 2000 energy efficiency programs and budgets effective January 1, 2000, on an interim basis, subject to potential mid-year modification on a prospective basis.

4. It is reasonable to allow the utilities to implement their PY 2000 MA&E studies and budgets effective January 1, 2000, on an interim basis, subject to potential mid-year modification on a prospective basis.

5. It is reasonable to defer approval of the utilities' proposed PY 2000 performance award milestones and award levels to the final decision in this proceeding.

## I N T E R I M   O R D E R

### IT IS ORDERED that:

1. The Compliance Applications of Southern California Edison Company (Edison), Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas) (collectively the utilities) for approval of Program Year 2000 and Efficiency Programs, Budgets, Performance Incentive Mechanisms, and Market Assessment and Evaluation (MA&E) studies are preliminarily approved as to PY 2000 only, in part, on an interim basis.

2. The utilities are authorized to implement their Program Year 2000 programs as designed on an interim basis, subject to mid-year modifications to the programs, if necessary, after further proceedings, with one exception: SDG&E is not authorized to unilaterally make unspecified program design changes in the Large and Small SPC programs, as proposed on page 17 of its application. Any program design modifications will be effective on a prospective basis.

3. The utilities' budgets for PY 2000 programs, including carryover funds available for PY 2000 are authorized, on an interim basis, subject to mid-year modifications to the program budgets, if necessary, after further proceedings. Any budget modifications will be effective on a prospective basis. The approved budgets for PY 2000 are set forth in Appendix A, except that performance award incentives and preliminary budgets for PY 2001 are not approved at this time.

4. The utilities' proposed market analysis and evaluation (MA&E) studies and budgets for PY 2000 are authorized, on an interim basis, subject to mid-year modifications, if necessary, after further proceedings. Any modifications will be effective on a prospective basis. The approved MA&E budgets for PY 2000 are set forth in Appendix A.

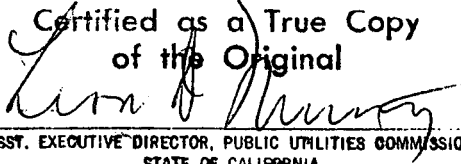
5. The utilities' proposed program-specific performance award milestones and award levels for PY 2000, as set forth in the utilities' applications, are not adopted at this time. Program-specific performance milestones and award levels for PY 2000 and 2001 programs will be determined after appropriate proceedings, in the final decision. This decision does not preclude the utilities from counting program achievements that may be realized during the interim period towards performance milestones that may ultimately be adopted for PY 2000.

6. These proceedings remain open for final consideration of the utilities' Compliance Applications as detailed in prior ordering paragraphs.

This order is effective today.

Dated December 16, 1999, at San Francisco, California.

RICHARD A. BILAS  
President  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
JOEL Z. HYATT  
CARL W. WOOD  
Commissioners

Certified as a True Copy  
of the Original  
  
ASST. EXECUTIVE DIRECTOR, PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA

APPENDIX A

(Page 1)

(\$ in millions)

TABLE 2-1: 2000 Statewide Energy Efficiency Budgets

Estimated Budget for 2000 PROGRAM AREAS	(\$ Millions)																			
	Combined Electric & Gas				Statewide				PG&E				SCE		SoCalGas		SDG&E			
	%	Budget	Budget	Low	High	Electric Budget	% Electric Budget	Gas Budget	% Gas Budget	% Total Budget	Budget	Electric Budget	Gas Budget	% Total Budget	Budget	% Total Budget	Budget	% Total Budget	Electric Budget	Gas Budget
<b>RESIDENTIAL</b>				85%	120%															
Heating & Cooling Systems	13%	13,796	11,726	16,555	11,516	13%	2,277	13%	17%	9,875	8,880	0,995	8%	2,094	9%	0,805	8%	1,021	0,544	0,477
Lighting	15%	16,172	13,746	19,406	16,172	18%	-	0%	16%	9,078	9,078	-	16%	4,326	0%	-	22%	2,767	2,767	-
Appliances	32%	34,551	29,368	41,461	31,358	35%	3,193	18%	26%	15,102	12,916	2,186	58%	15,900	9%	0,794	22%	2,754	2,541	0,213
Retrofit & Renovation	40%	42,827	36,403	51,393	30,557	34%	12,270	69%	42%	24,293	20,623	3,670	19%	5,218	82%	7,339	48%	5,977	4,716	1,261
Subtotal Residential Programs	100%	107,345			89,605		17,740		100%	58,348	51,497	6,851	100%	27,538	100%	8,938	100%	12,520	10,569	1,951
	37%				38%		34%		40%				35%		30%		35%			
<b>NONRESIDENTIAL</b>				85%	115%															
Small Comprehensive Retrofit	29%	40,610	34,518	46,701	29,689	26%	10,921	44%	27%	18,069	15,982	2,087	22%	8,756	59%	8,548	29%	5,236	4,950	0,286
Large Comprehensive Retrofit	30%	41,953	35,660	48,246	39,285	35%	2,669	11%	30%	19,900	18,861	1,039	39%	15,337	0%	-	37%	6,716	5,086	1,630
HVAC Equipment Turnover	10%	13,409	11,397	15,420	11,763	10%	1,646	7%	4%	2,600	2,600	-	18%	7,027	7%	1,051	15%	2,731	2,136	0,595
Motor Turnover	3%	4,027	3,423	4,631	4,027	4%	-	0%	2%	1,300	1,300	-	5%	1,944	0%	-	4%	782	782	-
Process	20%	27,302	23,207	31,398	17,952	16%	9,350	38%	26%	17,200	12,919	4,281	10%	3,861	33%	4,784	8%	1,457	1,172	0,285
Commercial Remodeling/Renovation	8%	10,916	9,278	12,553	10,692	9%	0,224	1%	11%	7,070	6,847	0,224	7%	2,787	0%	-	6%	1,058	1,058	-
Subtotal Nonresidential Programs	100%	138,217			113,407		24,810		100%	66,140	58,509	7,631	100%	39,713	100%	14,383	100%	17,981	15,185	2,796
	48%				48%		48%		45%				50%		48%		51%			
<b>NEW CONSTRUCTION</b>				80%	120%															
Residential	44%	19,578	15,663	23,494	13,307	38%	6,271	66%	47%	9,951	7,966	1,985	28%	3,405	62%	3,975	46%	2,247	1,936	0,311
Commercial	38%	17,060	13,648	20,472	15,236	43%	1,824	19%	40%	8,567	8,466	0,101	42%	5,033	22%	1,424	41%	2,036	1,738	0,299
Industrial & Agricultural	8%	3,720	2,976	4,464	3,580	10%	0,140	1%	6%	1,349	1,299	0,050	18%	2,191	0%	-	4%	0,180	0,090	0,090
Codes & Standards Support, Local Government Initiatives	10%	4,303	3,442	5,164	3,036	9%	1,267	13%	7%	1,515	1,334	0,181	11%	1,320	16%	1,019	9%	0,449	0,382	0,067
Subtotal New Construction Programs	100%	44,662			35,160		9,502		100%	21,382	19,065	2,317	100%	11,949	100%	6,418	100%	4,913	4,146	0,767
	15%				15%		18%		15%				15%		22%		14%			
<b>PROGRAM AREA TOTAL</b>		290,223			238,171		52,052			145,870	129,071	16,799		79,200		29,739		35,415	29,900	5,514
Performance Award Cap		28,654			26,199		2,455			16,046	14,198	1,848		8,712		-		3,896	3,289	0,607
Subtotal		318,877			264,370		54,507			161,916	143,269	18,647		87,912		29,739		39,310	33,189	6,121
<b>OTHER BUDGET LINE ITEMS</b>																				
CBEE 2000 Operating Budget		1,636			1,636					0,761	0,761			0,646		-		0,230	0,230	
2000 State Staff Support		0,400			0,400					0,186	0,186			0,158		-		0,056	0,056	
Subtotal		2,036			2,036					0,947	0,947			0,804		-		0,286	0,286	
MA&E: Utility-Administered		9,611			8,298		1,313			4,155	3,635	0,520		3,672		0,618		1,166	0,991	0,175
Utility-Managed State Level MA&E		5,852			5,435		0,417			3,155	2,760	0,395		2,547		-		0,150	0,128	0,023
Utility-Managed Utility Level MA&E		3,759			2,864		0,895			1,000	0,875	0,125		1,125		0,618		1,016	0,884	0,152
Other State Level MA&E, TBD		-			-		-			-	-	-		-		-		-	-	-
MA&E: CEC-Administered		2,900			2,465		0,435			1,301	1,139	0,162		0,934		0,204		0,461	0,392	0,069
DEER and CEC Data Collection		2,100			1,753		0,347			0,047	0,029	0,118		0,680		0,188		0,287	0,244	0,043
CEC-Managed State Level MA&E		0,800			0,712		0,088			0,354	0,310	0,044		0,254		0,018		0,174	0,148	0,026
Subtotal		14,547			12,799		1,748			6,403	5,721	0,682		5,410		0,822		1,913	1,669	0,244
<b>Total Energy Efficiency Budget</b>		<b>333,424</b>			<b>277,169</b>		<b>56,255</b>			<b>188,319</b>	<b>148,990</b>	<b>19,329</b>		<b>93,322</b>		<b>30,561</b>		<b>41,223</b>	<b>34,858</b>	<b>6,365</b>



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(\$ in millions)

Table 2-6: Statewide Carryover Funds Available For 2000/01

Ln.		Total Funding			PG&E			SDG&E			SCE	SoCalGas
		Total	Electric	Gas	Total	Electric	Gas	Total	Electric	Gas	Total	Total
1	1998 Unexpended/uncommitted Program Budget	32.058	27.102	4.956	21.473	20.093	1.380	0.846	0.846	-	6.163	3.576
2	1998 Unexpended/uncommitted CBEE Operating Budget	5.621	5.621	-	5.621	5.621	-	-	-	-	-	-
3	1998 Unexpended/uncommitted MA&E Budget	1.939	1.873	0.066	0.730	0.664	0.066	-	-	-	1.209	-
4	1999 Unexpended/uncommitted Program Budget (Est.)	40.589	32.820	7.769	28.592	24.912	3.680	3.421	2.908	0.513	5.000	3.576
5	1999 Unallocated Program Budget	4.412	3.879	0.533	3.489	2.959	0.530	0.923	0.920	0.003	-	-
6	1999 Unallocated Start-up Budget	7.556	7.556	-	3.562	3.562	-	1.033	1.033	-	2.961	-
7	1999 Unallocated CBEE Budget	0.014	0.014	-	0.006	0.006	-	0.002	0.002	-	0.006	-
8	1999 Unallocated State Reserve	0.403	0.403	-	0.190	0.190	-	0.055	0.055	-	0.158	-
9	Total Energy Efficiency Funding Available For 2000/01	\$ 92.592	\$ 79.268	\$ 13.324	\$ 63.663	\$ 58.007	\$ 5.656	\$ 6.280	\$ 5.764	\$ 0.516	\$ 15.497	\$ 7.152

notes:

- 1 Unexpended and uncommitted program budget from PY1998, D.99-08-021, OP 4. 1998 collected, but not authorized to spend gas funds.
- 2 Unexpended and uncommitted CBEE budget from PY1998.
- 3 Unexpended and uncommitted MA&E budget from PY1998.
- 4 Unexpended and uncommitted program budget from PY1999.
- 5 Unallocated program budget from PY1999, D.99-08-021, OP 4.
- 6 Unallocated Start-up budget from PY1999. Resolution E-3592, OP 6.a.
- 7 Unallocated CBEE budget from PY1999. Resolution E3592, OP 6.b. \$12,000.
- 8 Unallocated State Reserve budget from PY1999, Resolution E-3592, OP 6.d.
- 9 Interest on various unallocated/unexpended/uncommitted amounts is not included.

Interest on these amounts and PY2000 unspent funds will be included in a future filing in support of PY2001 program plans and budget.  
 Current estimates of interest through 12/31/99 for PG&E on balancing account fund balances are between \$5.000 million and \$10.000 million.  
 Current estimates for SCE of various carryover amounts and unauthorized amounts are between \$2.000 million and \$3.000 million.  
 Current estimates for SDG&E of various carryover amounts and unauthorized amounts are approximately \$.300 to \$1.400.

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(\$ in millions)

**Table 2-4: Statewide Funding Available For 2000**

Ln.		PG&E			SDG&E			SCE	SoCalGas
		Total	Electric	Gas	Total	Electric	Gas	Total	Total
1	2000 Electric Public Goods Charge (PGC)	\$ 106.000	\$ 106.000	\$ -	\$ 32.000	\$ 32.000	\$ -	\$ 90.000	\$ -
2	2000 Gas DSM	12.888	-	12.888	5.500	-	5.500	-	26.995
3	2000 Gas Rates (Performance Incentives)	1.848	-	1.848	-	-	-	-	3.271
4	2000 Carryover Allocation	47.583	42.990	4.593	3.140	2.882	0.258	5.000	3.576
5	<b>Total Energy Efficiency Funding Available For 2000</b>	<b>168.319</b>	<b>148.990</b>	<b>19.329</b>	<b>40.640</b>	<b>34.882</b>	<b>5.758</b>	<b>95.000</b>	<b>33.842</b>

- 1 Electric Public Goods Charge funds authorized in D.97-02-014, OP 2, as set forth in AB1890, Section 381(c)(1).
- 2 Gas DSM funds authorized in rate cases, PG&E Gas DSM funds for Low Income Energy Efficiency are not included (\$15.032 million).
- 3 Performance incentives assoc. with gas EE activities to be recovered through changes in rates, D.97-12-103, OP 10.  
Funds for gas performance incentives may be used only for that purpose, and may not be transferred for any other purpose.
- 4 Allocation of Carryover funds from prior years. See, Table 6.

**Table 2-5: Statewide Funding Available For 2001**

Ln.		PG&E			SDG&E			SCE	SoCalGas
		Total	Electric	Gas	Total	Electric	Gas	Total	Total
1	2001 Electric Public Goods Charge (PGC)	\$ 106.000	\$ 106.000	\$ -	\$ 32.000	\$ 32.000	\$ -	\$ 50.000	\$ -
2	2001 Gas DSM	12.888	-	12.888	5.500	-	5.500	-	26.995
3	2001 Gas Rates (Performance Incentives)	1.423	-	1.423	-	-	-	-	3.271
4	2001 Carryover Allocation	16.080	15.017	1.063	3.140	2.882	0.258	10.497	3.576
5	<b>Total Energy Efficiency Funding Available For 2001</b>	<b>136.391</b>	<b>121.017</b>	<b>15.374</b>	<b>40.640</b>	<b>34.882</b>	<b>5.758</b>	<b>60.497</b>	<b>33.842</b>

- 1 Electric Public Goods Charge funds authorized in D.97-02-014, OP 2, as set forth in AB1890, Section 381(c)(1). SCE's 2001 minimum level is \$50 million.
- 2 Gas DSM funds authorized in rate cases, PG&E Gas DSM funds for Low Income Energy Efficiency are not included (\$15.032 million).
- 3 Performance incentives assoc. with gas EE activities to be recovered through changes in rates, D.97-12-103, OP 10.  
Funds for gas performance incentives may be used only for that purpose, and may not be transferred for any other purpose.
- 4 Allocation of Carryover funds from prior years. See, Table 6.

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(\$ in millions)

**Table 2-7: 2000 Statewide Energy Efficiency Budget**

Ln.		Total Funding			PG&E			SDG&E			SCE	SoCalGas
		Total	Electric	Gas	Total	Electric	Gas	Total	Electric	Gas	Total	Total
1	Total 2000 Energy Efficiency Program Budget	\$ 290.223	\$ 238.171	\$ 52.052	\$ 145.870	\$ 129.071	\$ 16.799	\$ 35.415	\$ 29.900	\$ 5.514	\$ 79.200	\$ 29.739
2	2000 MA&E - Utility Administrated Budget	9.611	8.298	1.313	4.155	3.635	0.520	1.166	0.991	0.175	3.672	0.618
3	2000 Performance Awards	28.654	26.199	2.455	16.046	14.198	1.848	3.896	3.289	0.607	8.712	-
4	Subtotal	\$ 328.488	272.669	55.820	166.071	146.904	19.167	40.476	34.180	6.296	91.584	30.357
5	Non-utility Administrated Budgets:											
6	2000 CBEE Operating Budget	1.636	1.636	-	0.761	0.761	-	0.230	0.230	-	0.646	-
7	2000 State Staff Support	0.400	0.400	-	0.186	0.186	-	0.056	0.056	-	0.158	-
8	2000 MA&E - CEC Budget	2.900	2.465	0.435	1.301	1.139	0.162	0.461	0.392	0.069	0.934	0.204
9	Total 2000 EE Budgets	\$ 333.424	\$ 277.170	\$ 58.255	\$ 168.319	\$ 148.990	\$ 19.329	\$ 41.223	\$ 34.858	\$ 6.365	\$ 93.322	\$ 30.561

**Table 2-8: 2001 Statewide Energy Efficiency Budget (Preliminary)**

Ln.		Total Funding			PG&E			SDG&E			SCE	SoCalGas
		Total	Electric	Gas	Total	Electric	Gas	Total	Electric	Gas	Total	Total
1	Total 2001 Energy Efficiency Program Budget	\$ 238.142	\$ 189.948	\$ 48.193	\$ 117.109	\$ 104.169	\$ 12.940	\$ 35.415	\$ 29.900	\$ 5.514	\$ 55.879	\$ 29.739
2	2001 MA&E - Utility Administrated Budget	9.410	8.097	1.313	4.155	3.635	0.520	1.166	0.991	0.175	3.471	0.618
3	2001 Performance Awards	22.943	20.914	2.030	12.881	11.458	1.423	3.896	3.289	0.607	6.167	-
4	Subtotal	\$ 270.495	218.959	51.536	134.145	119.262	14.883	40.476	34.180	6.296	65.517	30.357
5	Non-utility Administrated Budgets:											
6	2001 CBEE Operating Budget	1.636	1.636	-	0.761	0.761	-	0.230	0.230	-	0.646	-
7	2001 State Staff Support	0.400	0.400	-	0.186	0.186	-	0.056	0.056	-	0.158	-
8	2001 MA&E - CEC Budget*	-	-	-	-	-	-	-	-	-	-	-
9	Total 2001 EE Budgets	\$ 272.531	\$ 220.995	\$ 51.536	\$ 135.092	\$ 120.209	\$ 14.883	\$ 40.762	\$ 34.466	\$ 6.296	\$ 66.321	\$ 30.357

\* CEC Managed MA&E budgets for PY2001 will be decided in future processes.

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(\$ in millions)

Table 2-9: 2000 - Statewide Allocation Of Program Funds To Three Program Administrative Areas (Statewide Allocation)

Ln.		Total	Residential	Nonresidential	New Construction
1	<b>Electric PGC -</b>				
2	Allocation To Program Administrative Areas (%)	100%	38%	48%	15%
3	Electric Funds By Program Areas (\$, millions)	\$ 238.171	\$ 89.605	\$ 113.407	\$ 35.160
4	<b>Gas DSM -</b>				
5	Allocation To Program Administrative Areas (%)	100%	34%	48%	18%
6	Gas Funds By Program Areas (\$, millions)	\$ 52.052	\$ 17.740	\$ 24.810	\$ 9.502
7	<b>Electric And Gas Funds -</b>				
8	Allocation To Program Administrative Areas (%)	100%	37%	48%	15%
9	Electric & Gas Funds By Program Areas (\$, millions)	\$ 290.223	\$ 107.345	\$ 138.217	\$ 44.662

notes:

See, Tables 2-16.1-3 for estimates of relative customer contributions to electric and gas energy efficiency funding.

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(\$ in millions)

**Table 2-10: 2000 Statewide Market Assessment And Evaluation (MA&E) Budget**

Ln.		Total	PG&E			SDG&E			SCE	SoCalGas	CEC
			Total	Electric	Gas	Total	Electric	Gas			
1	2000 MA&E - Utility Managed, State Level	\$ 5.852	\$ 3.155	\$ 2.760	\$ 0.395	\$ 0.150	\$ 0.128	\$ 0.023	\$ 2.547	\$ -	
2	2000 MA&E - Utility Managed, Utility Level	3.759	1.000	0.875	0.125	1.016	0.864	0.152	1.125	0.618	
3	2000 MA&E - CEC Managed, DEER and Data Collection	2.100	0.947	0.829	0.118	0.287	0.244	0.043	0.680	0.186	
4	2000 MA&E - CEC Managed, State Level MA&E	0.800	0.354	0.310	0.044	0.174	0.148	0.026	0.254	0.018	
5	<b>Total 2000 MA&amp;E Budget</b>	<b>\$ 12.511</b>	<b>\$ 5.456</b>	<b>\$ 4.774</b>	<b>\$ 0.682</b>	<b>\$ 1.627</b>	<b>\$ 1.383</b>	<b>\$ 0.244</b>	<b>\$ 4.606</b>	<b>\$ 0.822</b>	<b>\$ -</b>

**Table 2-11: 2001 Statewide Market Assessment And Evaluation (MA&E) Budget - Preliminary**

Ln.		Total	PG&E			SDG&E			SCE	SoCalGas	CEC
			Total	Electric	Gas	Total	Electric	Gas			
1	2001 MA&E - Utility Managed, State Level	\$ 5.651	\$ 3.155	\$ 2.760	\$ 0.395	\$ 0.150	\$ 0.128	\$ 0.023	\$ 2.346	\$ -	
2	2001 MA&E - Utility Managed, Utility Level	3.759	1.000	0.875	0.125	1.016	0.864	0.152	1.125	0.618	
3	2001 MA&E - CEC Managed, DEER and Data Collection*	-									
4	2001 MA&E - CEC Managed, State Level MA&E*	-									
5	<b>Total 2001 MA&amp;E Budget</b>	<b>\$ 9.410</b>	<b>\$ 4.155</b>	<b>\$ 3.635</b>	<b>\$ 0.520</b>	<b>\$ 1.166</b>	<b>\$ 0.991</b>	<b>\$ 0.175</b>	<b>\$ 3.471</b>	<b>\$ 0.618</b>	<b>\$ -</b>

\* CEC Managed MA&E budgets for PY2001 will be decided in future processes.

Note: In PY1999 SCG budgeted \$618,000 for MA&E of which \$450,000 was "utility managed, utility level." The remaining \$168,000 is to go to the CEC and utility managed state level efforts.

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(\$ in millions)

Table 2-12: 2000 Statewide Program Area And Program Budgets

Ln.	PROGRAM AREAS Programs	GAS				Electric				TOTAL				Increase (Decrease) from 1999 Authorized Budget		
		BUDGET %	BUDGET (\$ 000)	LOW (\$ 000)	HIGH (\$ 000)	BUDGET %	BUDGET (\$ 000)	LOW (\$ 000)	HIGH (\$ 000)	BUDGET %	BUDGET (\$ 000)	LOW (\$ 000)	HIGH (\$ 000)	GAS (\$ 000)	ELECTRIC (\$ 000)	TOTAL (\$ 000)
1	<b>RESIDENTIAL (105% Of Program Area Budget)</b>			85%	120%			85%	120%			85%	120%			
2	Residential Heating & Cooling Systems	13%	\$ 2,277	\$ 1,838	\$ 2,733	13%	\$ 11,618	\$ 8,791	\$ 13,822	13%	\$ 13,798	\$ 11,728	\$ 16,655	\$ .012	\$ 3,592	\$ 3,605
3	Residential Lighting	0%				18%	18,172	13,748	19,406	15%	18,172	13,748	19,406		3,527	3,527
4	Residential Appliances	18%	3,193	2,714	3,831	35%	31,358	26,654	37,629	32%	34,651	29,368	41,481	1,368	1,694	3,062
5	Residential Retrofit & Renovation	69%	12,270	10,430	14,724	34%	30,657	25,973	38,668	40%	42,827	36,403	51,393	(\$ .010)	\$ 8,468	\$ 8,458
7	<b>Residential Total</b>	<b>100%</b>	<b>\$ 17,740</b>			<b>100%</b>	<b>\$ 89,605</b>			<b>100%</b>	<b>\$ 107,345</b>			<b>\$ 1,370</b>	<b>\$ 17,281</b>	<b>\$ 18,651</b>
8	<b>Residential %</b>		<b>34.1%</b>				<b>37.6%</b>				<b>37.0%</b>					
10	<b>NONRESIDENTIAL (100% Of Program Area Budget)</b>			85%	115%			85%	115%			85%	115%			
11	Small Nonresidential Comprehensive Retrofit	44%	10,921	9,283	12,559	26%	29,689	25,235	34,142	29%	40,810	34,518	48,701	(\$ 2,406)	\$ 1,842	(\$ 764)
12	Large Nonresidential Comprehensive Retrofit	11%	2,669	2,269	3,069	35%	39,285	33,392	45,177	30%	41,953	35,660	48,248	.358	3,954	4,309
13	Nonresidential HVAC Equipment Turnover	7%	1,648	1,399	1,893	10%	11,783	9,898	13,627	10%	13,409	11,397	15,420	.712	( 4,321)	( 3,609)
14	Nonresidential Motor Turnover	0%				4%	4,027	3,423	4,631	3%	4,027	3,423	4,631		( .972)	( .972)
15	Nonresidential Process	38%	9,350	7,847	10,752	18%	17,952	15,260	20,845	20%	27,302	23,207	31,398	2,148	10,365	12,513
16	Commercial Remodeling/Renovation	1%	0,224	0,190	0,257	9%	10,692	9,088	12,296	8%	10,916	9,278	12,553	( .278)	( 1,601)	( 1,879)
18	<b>Nonresidential Total</b>	<b>100%</b>	<b>\$ 24,810</b>			<b>100%</b>	<b>\$ 113,407</b>			<b>100%</b>	<b>\$ 138,217</b>			<b>\$ 532</b>	<b>\$ 9,068</b>	<b>\$ 9,598</b>
19	<b>Nonresidential %</b>		<b>47.7%</b>				<b>47.6%</b>				<b>47.6%</b>					
21	<b>NEW CONSTRUCTION (%110 Of Program Area Budget)</b>			80%	120%			80%	120%			80%	120%			
22	Residential New Construction	66%	8,271	5,017	7,625	38%	13,307	10,848	15,969	44%	19,578	15,663	23,494	\$ 522	\$ 4,270	\$ 4,792
23	Commercial New Construction	19%	1,824	1,459	2,189	43%	15,238	12,189	18,283	38%	17,060	13,648	20,472	1,065	.324	1,389
24	Industrial & Agricultural New Construction	1%	0,140	0,112	0,168	10%	3,580	2,884	4,296	8%	3,720	2,876	4,484	( .003)	.242	.239
25	Codes & Standards Support, Local Gov't. Initiatives	13%	1,287	1,014	1,520	9%	3,038	2,429	3,643	10%	4,303	3,442	5,164	.263	.820	1,083
27	<b>New Construction Total</b>	<b>100%</b>	<b>\$ 9,502</b>			<b>100%</b>	<b>\$ 35,160</b>			<b>100%</b>	<b>\$ 44,682</b>			<b>\$ 1,847</b>	<b>\$ 5,657</b>	<b>\$ 7,504</b>
28	<b>New Construction %</b>		<b>18.3%</b>				<b>14.8%</b>				<b>15.4%</b>					
30	<b>Total</b>		<b>\$ 52,052</b>				<b>\$ 238,171</b>				<b>\$ 290,223</b>			<b>\$ 3,749</b>	<b>\$ 32,003</b>	<b>\$ 35,752</b>

Statewide Funding Caps, Funding Floors, and Limits (CBEE Recommended)

1 - Nonresidential SPC Intervention Strategy.

\$80 million funding cap overall

\$68 million funding cap for large customers

\$12 million funding floor for small customers

SPC can be provided across all six programs in the nonresidential program area

2 - Energy Management Services (EMS) Intervention Strategy.

Audit services for large customers to be provided through the nonresidential SPC intervention strategy.

Zero funding for EMS for large customers, except for those services provided through the SPC intervention strategy and other services justified in the September compliance applications.

3 - Customized Rebates:

No customized rebates for end use customers, except for those justified in the September compliance applications.

4 - Standard financial incentives in Large Nonresidential Comprehensive Retrofit

Please see, specific utility administrator funding tables.

5 - Renewable Self-Generation Residential New Construction Pilot

Funding cap of 2% of the Residential New Construction program budget.

6 - Fundshifting Modifications:

Increase Residential Program Area Budget up to 105% of authorized.

Nonresidential program area cap maintained at 100%.

Increase New Construction Program Area Budget up to 110% of authorized.

Increase fundshifting range for Residential programs to 85-120%.

Modify fundshifting range for Nonresidential programs to 85-115%.

Increase fundshifting range for New Construction programs to 80-120%.

APPENDIX A

(Page 8)

(\$ in millions)

Table 2-14: 2001 Statewide Program Area And Program Budgets

Ln.	PROGRAM AREAS Programs	GAS				Electric				TOTAL				Increase (Decrease) from 1999 Authorized Budget		
		BUDGET %	BUDGET (\$ 000)	LOW (\$ 000)	HIGH (\$ 000)	BUDGET %	BUDGET (\$ 000)	LOW (\$ 000)	HIGH (\$ 000)	BUDGET %	BUDGET (\$ 000)	LOW (\$ 000)	HIGH (\$ 000)	GAS (\$ 000)	ELECTRIC (\$ 000)	TOTAL (\$ 000)
1	<b>RESIDENTIAL (105% Of Program Area Budget)</b>			85%	120%			85%	120%			85%	120%			
2	Residential Heating & Cooling Systems	13%	\$ 2,034	\$ 1,728	\$ 2,441	13%	\$ 9,207	\$ 7,828	\$ 11,048	13%	\$ 11,241	\$ 9,555	\$ 13,489	(\$ .231)	\$ 1,281	\$ 1,050
3	Residential Lighting	0%	-	-	-	18%	13,165	11,190	15,788	15%	13,165	11,190	15,788	-	.520	.520
4	Residential Appliances	17%	2,658	2,260	3,190	34%	24,211	20,579	29,053	31%	28,869	22,839	32,243	.833	( 5,453)	( 4,620)
5	Residential Retrofit & Renovation	71%	11,373	9,667	13,847	35%	25,084	21,322	30,101	42%	38,457	30,988	43,748	(\$ .907)	\$ 2,995	\$ 2,088
6																
7	<b>Residential Total</b>	<b>100%</b>	<b>\$ 18,065</b>			<b>100%</b>	<b>\$ 71,688</b>			<b>100%</b>	<b>\$ 87,732</b>					
8	<b>Residential %</b>		<b>33.3%</b>				<b>37.7%</b>				<b>38.8%</b>			<b>(\$ .305)</b>	<b>(\$ .658)</b>	<b>(\$ .962)</b>
9																
10	<b>NONRESIDENTIAL (100% Of Program Area Budget)</b>			85%	115%			85%	115%			85%	115%			
11	Small Nonresidential Comprehensive Retrofit	42%	8,819	8,178	11,061	29%	28,391	22,432	30,349	32%	38,009	30,608	41,411	(\$ 3,708)	(\$ 1,656)	(\$ 5,365)
12	Large Nonresidential Comprehensive Retrofit	14%	3,207	2,726	3,688	32%	28,840	24,514	33,168	28%	32,047	27,240	38,854	.894	( 8,491)	( 5,597)
13	Nonresidential HVAC Equipment Turnover	7%	1,648	1,399	1,893	10%	9,187	7,818	10,577	10%	10,844	9,217	12,470	.712	( 6,887)	( 6,174)
14	Nonresidential Motor Turnover	0%	-	-	-	4%	3,208	2,726	3,687	3%	3,208	2,725	3,687	-	( 1,793)	( 1,793)
15	Nonresidential Process	36%	8,303	7,058	9,548	16%	14,350	12,198	18,503	20%	22,653	19,265	28,051	1,101	8,783	7,884
16	Commercial Remodeling/Renovation	1%	0,169	0,144	0,184	9%	8,565	7,280	9,850	8%	8,734	7,424	10,044	( .333)	( 3,728)	( 4,061)
17																
18	<b>Nonresidential Total</b>	<b>100%</b>	<b>\$ 22,844</b>			<b>100%</b>	<b>\$ 80,549</b>			<b>100%</b>	<b>\$ 113,493</b>			<b>(\$ 1,334)</b>	<b>(\$ 13,782)</b>	<b>(\$ 15,126)</b>
19	<b>Nonresidential %</b>		<b>47.6%</b>				<b>47.7%</b>				<b>47.7%</b>					
20																
21	<b>NEW CONSTRUCTION (%110 Of Program Area Budget)</b>			80%	120%			80%	120%			80%	120%			
22	Residential New Construction	65%	5,999	4,799	7,199	38%	10,871	8,537	12,808	45%	18,670	13,338	20,005	\$ .250	\$ 1,634	\$ 1,884
23	Commercial New Construction	20%	1,810	1,448	2,172	43%	12,019	9,815	14,422	37%	13,829	11,063	16,594	1,051	( 2,893)	( 1,842)
24	Industrial & Agricultural New Construction	1%	0,133	0,108	0,160	10%	2,669	2,135	3,203	8%	2,802	2,241	3,362	( .010)	( .669)	( .679)
25	Codes & Standards Support, Local Gov't. Initiatives	14%	1,242	0,994	1,491	9%	2,974	1,899	2,849	10%	3,618	2,693	4,339	.238	.158	.396
26																
27	<b>New Construction Total</b>	<b>100%</b>	<b>\$ 8,184</b>			<b>100%</b>	<b>\$ 27,733</b>			<b>100%</b>	<b>\$ 38,917</b>			<b>\$ 1,529</b>	<b>(\$ 1,770)</b>	<b>(\$ .241)</b>
28	<b>New Construction %</b>		<b>18.1%</b>				<b>14.8%</b>				<b>15.8%</b>					
29																
30	<b>Total</b>		<b>\$ 48,193</b>				<b>\$ 189,948</b>				<b>\$ 238,142</b>			<b>(\$ .116)</b>	<b>(\$ 16,220)</b>	<b>(\$ 16,329)</b>

Statewide Funding Caps, Funding Floors, and Limits (CBEI Recommended)

1 - Nonresidential SPC Intervention Strategy:

\$80 million funding cap overall

\$88 million funding cap for large customers

\$12 million funding floor for small customers

SPC can be provided across all six programs in the nonresidential program area

2 - Energy Management Services (EMS) Intervention Strategy:

Audit services for large customers to be provided through the nonresidential SPC intervention strategy.

Zero funding for EMS for large customers, except for those services provided through the SPC intervention strategy and other services justified in the September compliance applications.

3 - Customized Rebates:

No customized rebates for end use customers, except for those justified in the September compliance applications.

4 - Standard financial incentives in Lg. Nonres. Comp. Retrofit

Please see, specific utility administrator funding tables.

5 - Renewable Self-Generation Residential New Construction Pilot

Funding cap of 2% of the Residential New Construction program budget.

6 - Fundshifting Modifications:

Increase Residential Program Area Budget up to 105% of authorized.

Nonresidential program area cap maintained at 100%.

Increase New Construction Program Area Budget up to 110% of authorized.

Increase fundshifting range for Residential programs to 85-120%.

Modify fundshifting range for Nonresidential programs to 85-115%.

Increase fundshifting range for New Construction programs to 80-120%.

APPENDIX A

(Page 9)

Statewide Estimates Of Annual Customer Contributions To Electric PGC And Gas DSM Funding

Table 2-16.1: Electric PGC Revenues by Customer Class And Sub-class (% of Total, \$ Millions)

Ln.	% of Total	PG&E	SDG&E	SCE	SCG	Total	\$ Millions	PG&E	SDG&E	SCE	SCG	Total
1	Residential	46.4%	38.3%	38.5%		42.1%	Residential	\$ 49.2	\$ 12.3	\$ 34.7		\$ 96.1
2	Nonresidential	53.6%	61.7%	61.5%		57.9%	Nonresidential	56.8	19.7	55.4		131.9
3	Small/Med C&I (<500 kW)	32.0%	38.3%	36.6%		34.7%	Small/Med C&I (<500 kW)	33.9	12.3	32.9		79.1
4	Large C&I (>=500 kW)	16.2%	21.4%	20.1%		18.5%	Large C&I (>=500 kW)	17.2	6.8	18.1		42.1
5	Agr	4.5%	1.4%	3.3%		3.6%	Agr	4.7	0.4	3.0		8.2
6	Misc	1.0%	0.5%	1.5%		1.1%	Misc	1.0	0.2	1.4		2.5
7												
8	Total	100.0%	100.0%	100.0%	0.0%	100.0%	Total	\$ 106.0	\$ 32.0	\$ 90.0		\$ 228.0

Table 2-16.2: Gas DSM Revenues by Customer Class (% of Total, \$ Millions)

Ln.	% of Total	PG&E	SDG&E	SCE	SCG	Total	\$ Millions	PG&E	SDG&E	SCE	SCG	Total
1	Residential	53.3%	76.0%		44.6%	50.9%	Residential	\$ 6.9	\$ 4.2		\$ 12.0	\$ 23.1
2	Nonresidential	46.7%	24.0%		55.4%	49.1%	Nonresidential	6.0	1.3		15.0	22.3
3	Small C&I	23.9%	21.3%		54.3%	41.7%	Small/Med C&I	3.1	1.2		14.7	18.9
4	Large C&I	22.9%	0.0%		0.7%	6.9%	Large C&I	2.9	-		0.2	3.1
5	Agr	0.0%	0.0%		0.0%	0.0%	Agr	-	-		-	-
6	Misc	0.0%	1.9%		0.4%	0.5%	Misc	-	0.1		0.1	0.2
7												
8	Total	100.0%	100.0%	0.0%	100.0%	100.0%	Total	\$ 12.9	\$ 5.5		\$ 27.0	\$ 45.4

Table 2-16.3: Sum of Electric PGC and Gas DSM Revenues by Customer Class (% of Total, \$ Millions)

Ln.	% of Total	PG&E	SDG&E	SCE	SCG	TOTAL	\$ Millions	PG&E	SDG&E	SCE	SCG	TOTAL
1	Residential	47.1%	43.8%	38.5%	44.6%	43.6%	Residential	\$ 56.0	\$ 16.4	\$ 34.7	\$ 12.0	\$ 119.2
2	Nonresidential	52.9%	56.2%	61.5%	55.4%	56.4%	Nonresidential	62.9	21.1	55.4	15.0	154.2
3	Sm/Med C&I	31.1%	35.8%	36.6%	54.3%	35.8%	Sm/Med C&I	37.0	13.4	32.9	14.7	98.0
4	Large C&I	16.9%	18.3%	20.1%	0.7%	16.6%	Large C&I	20.1	6.8	18.1	0.2	45.3
5	Agr	4.0%	1.2%	3.3%	0.0%	3.0%	Agr	4.7	0.4	3.0	-	8.2
6	Misc	0.9%	0.7%	1.5%	0.4%	1.0%	Misc	1.0	0.3	1.4	0.1	2.8
7												
8	TOTAL					100.0%	TOTAL	\$ 118.9	\$ 37.5	\$ 90.0	\$ 27.0	\$ 273.4

(END OF APPENDIX A)



## APPENDIX B

Administrative Law Judge	ALJ
Annual Earnings Assessment Proceeding	AEAP
Assigned Commissioner	AC
California Association of Lighting Efficiency Professionals	CALEP
California Board For Energy Efficiency	CBEE
California Energy Commission	CEC
Conclusion of Law	CL
Decision	D.
Demand-Side Management	DSM
Energy Service Companies	ESCOs
Market Assessment and Evaluation	MA&E
National Association of Energy Service Companies	NAESCO
Natural Resources Defense Council	NRDC
Office of Ratepayer Advocates	ORA
Pacific Gas and Electric Company	PG&E
Prehearing Conference	PHC
Program Year	PY
Public Purpose Test	PPT
Residential Contractor Program	RCP
Resolution	Res.
Rulemaking	R.
San Diego Gas & Electric Company	SDG&E
Southern California Edison Company	SCE
Southern California Gas Company	SoCalGas
Standard Performance Contract	SPC
The Residential Energy Efficiency Clearing House, Inc.	REECH
The Residential Energy Service Companies' United Effort	RESCUE
Third Party Initiative	TPI

PROOF OF SERVICE BY MAIL

I, L. Escandor, declare:

I am over the age of 18 years, not a party to this proceeding, and am employed by the California Public Utilities Commission at 505 Van Ness Avenue, San Francisco, California.

On 12/17/99, I deposited in the mail at San Francisco, California, a copy of:

DL 99-12-053

(DECISION NUMBER OR TYPE OF HEARING)

12-16-99

(DATE OF HEARING)

A 99-09-049 et al.

(APPLICATION/CASE/OII/OIR NUMBER)

in a sealed envelope, with postage prepaid, addressed to the last know address of each of the addressees in the attached list.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on

12/17/99, at San Francisco, California.

\*Signature  
9/92

Lpd

Item 6  
12/16/99

**A 99-09-049**  
A 99-09-050  
A 99-09-057  
A 99-09-058

DECISION: 99-12-053

MAIL DATE: 12/17/99

Copy of "INTERIM OPINION" and interim order mailed to the following.

**SEE ATTACHED LIST FOR APPEARANCES, STATE SERVICE**

Count 45

12/16/99  
lil

\*\*\*\*\* SERVICE LIST \*\*\*\*\*

Last updated on 14-DEC-1999 by: LIL  
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A9909050/A9909057/A99090  
58

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