

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION
Energy BranchRESOLUTION E-3053
September 23, 1987R E S O L U T I O NSOUTHERN CALIFORNIA EDISON COMPANY (SCE), ORDER AUTHORIZING
REALLOCATION OF \$6.4 MILLION OF UNSPENT 1985 and 1986 ENERGY
MANAGEMENT FUNDS.(Advice Letter 763-E, filed July 1, 1987.)SUMMARY

By Advice Letter 763-E, filed July 1, 1987, Southern California Edison Company (SCE) requests authorization to re-allocate \$6.4 million of unspent 1985 and 1986 energy management funds. Of this amount, \$3.03 million would be used to expand SCE's Energy Management Off-Peak Cooling Program and Large Commercial Industrial Customer Analyses Project, and \$3.37 million would be returned to ratepayers through a rate decrease.

BACKGROUND

1. On February 6, 1987, SCE notified the Commission of the carry-over amount from its energy management funds as required by Commission Order in Decision (D)82-12-055, paragraph 12.

"Edison shall report no later than February 15 of each year on its conservation and load management expenditures during the prior year and its proposed budget for the current year. Any carry-over amounts, and rate base, expense, and load management incentive components shall be clearly shown."

2. On February 24, 1987, SCE filed Advice Letter Proposal 1361-E seeking to carry-over and reallocate \$6.4 million of unspent 1985 and 1986 energy management funds in accordance with paragraph 11 of D.82-12-055, which stated:

"If Edison, as of the end of 1982 or any subsequent year, has underspent base rate funds authorized for conservation or load management programs, Edison shall seek Commission approval of its proposed allocation through an advice letter filing no later than March 1, if the amount is greater than \$2.5 million or if Edison plans to reallocate funds among the three major program categories. Otherwise, Edison may allocate the money to supplement conservation expenditures in the following year as it sees fit."

3. SCE's proposed method for handling the unspent funds is as follows:

- \$3.370 million - treat as a rate decrease in combination with future rate changes taking place in the last quarter of 1987.
- \$2.200 million - increase funding in 1987 for the "Off-Peak Cooling Program" (Thermal Energy Storage or TES).
- \$.825 million - increase funding for "Large Commercial/Industrial Customer Analyses" or "LC/ICA".

\$6.395 million - Total

4. The Off-Peak Cooling Program is designed to encourage commercial and industrial customers to reduce on-peak load requirements with the installation of thermal storage systems. The \$2.2 million is primarily intended to pay for commitments made in 1986 and 1987. These commitments fall within the parameters of SCE's previous General Rate Case Decisions. In particular the Commission stated "Edison's management will have discretion to implement programs which require these incentives within the limitations we have established." (D.82-12-055, mimeo pp 125-127)

5. The Commission in D.87-05-071, ordered the elimination of the Electric Revenue Adjustment Mechanism (ERAM) balancing accounts for large light and power customers on April 1, 1988. This was the source of funding for TES that allowed for continuity from year to year through balancing account treatment. Additional funding this year will allow SCE to satisfy its outstanding obligations.

6. The Large Commercial/Industrial Customer Analyses Project, "will collect data and insight on such customer's equipment in place, replacement plans, decision making processes and usage characteristics. This data can then be used for forecasting, the California Energy Commission (CEC) state energy forecast and applications to alternative technologies. This filing would extend the project from SCE's largest 100 customers to its largest 250 customers. Since each of these unique customers represents a substantial fraction of SCE's sales, their study on an individual basis is necessary for planning purposes. At 250 customers, this group represents a majority of the unique customers and fits within SCE's current research capabilities.

PROTEST

1. Public Staff Division, by letter dated July 20, 1987, protested SCE's advice letter. PSD would dispose of the unspent funds as follows:

\$5.570 million - to be returned to ratepayers
as a decrease in fall, 1987.

\$.825 million - increase funding for LC/ICA
with conditions^{1/}

\$6.395 million - Total

- 1/A. LC/ICA is predominantly a data collection activity
B. Expenditures for this project will be reported as part of the measurement and evaluation portion of Edison's energy management budget, and
C. Results of data collection and analysis activities associated with this data base will be made available to CEC as a part of OIR 86-10-001.

2. PSD argues that the funds proposed by SCE for TES should not be spent for that purpose and instead returned to the ratepayers. PSD's reason that the major source of the differences between SCE's proposal and PSD's in the 1988 General Rate Case (D.86-12-047) is the appropriate level of funding for TES. SCE proposes \$6.5 million, while PSD is recommending \$1.3 million. The \$1.3 million level, according to PSD, is sufficient to maintain funding at the recorded 1986 level.

PSD pointed to its concerns in the General Rate Case. These are:

1. Marginal cost-effectiveness
2. Load retention characteristics make the program a marketing program discouraged by a recent CPUC Decision (D.87-05-071).
3. PSD's position that with the elimination of ERAM for this customer class, ratepayer funds should not be used for any type of demand side management program.

3. By letter dated July 29, 1987, SCE¹ responded to PSD's protest. SCE points to the need for a long term commitment to TES technology as grounds for its proposal. In addition, SCE points out that workshops ordered but not yet held in accordance with D.87-05-071 represent the proper forum for any reduction in TES funding.

4. SCE also argues that, while load retention is a desirable TES attribute, it is TES's load shifting attribute that justified the program in the Commission's opinion. Finally, SCE refers to precedent in Commission Resolution E-3012, wherein Pacific Gas and Electric Company was authorized to carry over unspent funds for thermal storage and industrial load shaping programs.

POSITION OF OTHER PARTIES

1. By letter dated July 29, 1987, Transphase Systems, Inc. (TPS) supports SCE's position. TPS cites the load shifting and load retention attributes of TES, along with the need for a consistent policy, as reasons why the Commission should approve SCE's proposal.

2. The California Energy Commission, (CEC) by letter dated August 5, 1987, also supports SCE's proposal. In particular, the CEC pointed out that "With the elimination of ERAM by year's end, SCE can no longer carry forward payment of obligations made this year.If the Public Utilities Commission adopts PSD's \$1.3 million funding recommendation, SCE will have to shut down its TES program before the end of the year."

DISCUSSION & ANALYSIS

1. In D.84-12-068 the Commission authorized SCE to devote \$49.5 million for energy management programs in 1985 and \$51.9 million in 1986. SCE has been unable to achieve this goal. The size of this shortfall is \$6.4 million.

2. SCE has proposed to refund part of the unspent funds and to devote the rest to Thermal Energy Storage and Load Research.

3. PSD has protested the TES portion of SCE's Advice letter and SCE has responded. We are persuaded that SCE should be allowed to redirect funds to the 1987 program as requested in the advice letter. However, the funding limit of \$200 per kilowatt such as was required for Pacific Gas and Electric Company in Resolution E-3012 and reporting requirements that we recently adopted in D.87-08-046 for San Diego Gas and Electric Company's TES program should be made a part of SCE's program.

4. PSD has proposed conditions on the load analysis program that would define the activity, specify its budget source, and require that the results be shared with the California Energy Commission. SCE concurs with PSD's position.

5. Our staff suggests that there is a need for clearly stated objectives, timetables, and a discussion of how the "Large Commercial/Industrial Customer Analysis Project" is used in evaluating SCE's demand forecast. Monthly progress reports on the project would also enable the staff to verify SCE's progress. Accordingly, we shall require SCE to provide a statement of objectives, etc., by October 30, 1987 and monthly reports thereafter. In addition, program results for calendar year 1987 shall be addressed in specific terms in the annual "Energy Management Results" report to be filed by SCE on March 31, 1988.

6. Funds unexpended on this program by December 31, 1987 will be subject to refund with interest. Disposition of the unexpended funds, if not otherwise disposed of by Commission Order, will be addressed in a report to be filed with the Evaluation and Compliance Division on February 15, 1988 for consideration in a March 1, 1988 Advice Letter filing.

FINDINGS

1. We find that this advice letter, with the modifications outlined above, is just and reasonable and will not increase any rate or charge, cause the withdrawal of service, nor conflict with any other schedules.

THEREFORE:

1. Southern California Edison Company is authorized by Sections 454 and 490 of the Public Utilities Code to place the above Advice Letter 763-E into effect today.

2. The TES program shall be funded at not more than \$200/kW and amounts that cannot be used cost-effectively shall be returned to ratepayers.

3. Southern California Edison Company is directed to file an analysis of cost-effectiveness for each TES project funded within 60 days of the date of signing an agreement with the customer. The analysis is to be directed to our Evaluation and Compliance Division.

4. Southern California Edison Company shall perform the load analysis study under the timetable and provisions in Paragraph 5 of the Discussion.

5. The effective date of this Resolution is today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 23, 1987. The following Commissioners approved it:

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G MITCHELL WILK
JOHN B. O'HANIAN
Commissioners



Executive Director