PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3414
July 6, 1995

R E S O L U T I O N

RESOLUTION E-3414. SOUTHERN CALIFORNIA EDISON COMPANY PROPOSED TREATMENT OF UNSPENT DEMAND-SIDE MANAGEMENT FUNDS FROM 1994.

BY ADVICE LETTER NO. 1088-E filed on March 1, 1995.

SUMMARY

1. In its advice letter, Southern California Edison Company (Edison) submits its proposal for treatment of $41.6 million in unspent Demand-Side Management (DSM) funds from 1994. $16.4 million of these unspent funds have previously been approved for carryover. In addition, Edison intends to carry over funds to (1) meet customer commitments entered into during the 1992 General Rate Case (GRC) cycle but not completed; (2) complete activities related to customer projects initiated in the 1992 GRC cycle; (3) complete measurement studies related to 1994 activities; and (4) supplement low income programs in the 1995 GRC cycle. Edison proposes to return the remaining funds ($3.7 million) to ratepayers.

2. Protests were filed by SESCO, Inc. (SESCO), the Division of Ratepayer Advocates (DRA), and Toward Utility Rate Normalization (TURN). A protest filed by Appliance Recycling Centers of America (ARCA) was later withdrawn. The protests are denied unless otherwise indicated.

3. This resolution modifies Edison's proposed treatment of unspent DSM funds from 1994. Edison should return $4.25 million in unspent 1994 DSM funds to ratepayers.

BACKGROUND

1. The total authorized funding available for 1994 DSM programs was $204.9 million. This amount consists of $147.9 million in 1994 base rate funds, $54.0 million in carryover funds, $1.4 million attrition adjustment, and $1.6 million interest earned. Of this total, $22.5 million was available for use in either 1994 or 1995 for the ENvestSCE pilot project, leaving $182.4 million dedicated to 1994 programs. Total DSM expenditures for the 1994 program year amounted to $140.8 million, resulting in unspent DSM funds as of December 31, 1994 of $41.6 million.

2. Of the $41.6 million of unspent DSM funds from 1994, $16.4 million relates to Edison's DSM Bidding Pilot and Home Energy Loan Program (HELP). Decisions and resolutions authorizing these activities allow unspent funds for these activities to be carried over into 1995 without additional authorization. Therefore, the unspent DSM funds from 1994 at issue in this advice letter equals $25.2 million.

3. Edison requests $7.3 million of the unspent 1994 DSM funds to fund customer commitments in residential and nonresidential new construction programs entered into in the 1992 GRC cycle, but not yet paid out by year end 1994. Edison requests that these commitments be met with carryover funds from the 1992 GRC cycle.

4. Edison requests $8.1 million to fund customer commitments and performance contracts for Thermal Energy Storage (TES) programs. Under certain contracts, customers will receive payments until 1999.

5. Edison commits to refund to ratepayers any unspent carryover funds (plus interest) associated with the new construction and TES programs after commitments have been paid or expired.

6. Edison seeks approval to carry over $2.55 million of unspent 1994 funds to the 1995 Measurement, Forecasting, and Regulatory Reporting (MFRR) funding category. This allocation will allow Edison to complete projects initiated but not completed in 1994. Funds would be used to complete MFRR projects in Program Measurement, Load Metering, Saturation Surveys, Market Assessment, Long-Range Forecasting, Regulatory Compliance, and 1994 Showcase activities. Within the $2.55 million is $0.6 million associated with measurement of system impact from Edison's Electric Vehicle program.

7. Edison requests that $3.0 million be carried over into the 1995 GRC cycle to supplement the Low Income program budget proposed in the 1995 GRC Settlement. Edison proposes to allocate $1.0 million per year for 1995 through 1997 specifically for the Relamping component of its Low Income program.

8. Edison proposes to carry over $0.4 million to fund transition costs associated with the closure of Edison's toll-free Action Line. This program was not funded in the 1995 GRC Settlement.

9. Edison requests $0.15 million to complete customer showcase projects associated with 1994 emerging technologies programs.

10. The remaining $3.7 million will be returned to ratepayers.

11. Edison submitted updated shareholder earnings forecasts associated with payments of commitments for its 1992 GRC cycle nonresidential new construction programs.

12. On March 1, 1995, Edison filed Advice Letter 1088-E regarding proposed treatment of unspent DSM funds from 1994.

NOTICE

The original Advice Letter was noticed in accordance with section III of General Order 96-A by publication in the Commission Calendar and distribution to Edison's advice filing service list.

PROTESTS

1. The Commission Advisory and Compliance Division (CACD) received protests from SESCO, DRA, and TURN. ARCA filed a protest which was later withdrawn. Edison responded to SESCO and DRA's protests on March 29, 1995. Edison responded to TURN's protest on April 10, 1995. On May 3, 1995, DRA submitted a letter to CACD withdrawing its protest on certain issues, and updating its position on remaining issues.

2. In its March 22, 1995 protest, SESCO recommends that the $3.7 million of the carryover funds to be returned to ratepayers be utilized to implement residential weatherization. SESCO also asks that the advice letter be revised to carry forward $5.1 million allocated to the joint Edison/Southern California Gas Company (SoCal) residential DSM bidding pilot because Edison has not spent these funds for residential weatherization in 1993 and 1994. SESCO also raises concerns about Edison forgoing shareholder incentives related to honoring of commitments from the 1992 GRC cycle residential new construction program.

3. DRA raised many issues in its March 20, 1995 protest. The issues generally fell into three areas: cost-effectiveness concerns for TES and Low Income carryover requests, compliance issues related to submitting earnings forecasts for residential new construction and adequate detailed information regarding the MFRR request, and miscellaneous concerns about the Residential Action Line carryover and customer showcases. On May 3, 1995, DRA submitted a letter to CACD withdrawing its protest to all the issues except the miscellaneous issues.

4. On March 28, 1995, TURN submitted a protest which primarily addressed the interaction of Edison's carryover requests with the 1995 GRC funding request. TURN's protest highlighted the fact that carry over funds are being requested to provide funding for programs which have been discontinued under the GRC Settlement. TURN asks that the Commission reject all aspects of Edison's Advice letter which implicate funds or programs which are the subject of the pending GRC. TURN also indicates its support of DRA's March 20, 1995 protest.

5. On March 29, 1995, Edison responded to the protests of DRA and SESCO. Edison's response provided additional information as requested in DRA's protest, leading to the withdrawal of DRA's protest on cost-effectiveness and compliance issues. Edison

indicated, in response to SESCO's protest, that the GRC Settlement requests $1.8 million per year for the residential bidding pilot, more than the $5.1 million requested to be carried over by SESCO. Edison also objects to not returning the remaining $3.7 million to ratepayers. Edison states that in 1995, it will not be implementing a residential new construction program, it will simply be honoring past commitments and therefore it is forgoing shareholder earnings consistent with past program performance.

6. Edison's April 10, 1995 response to TURN's protest states that all but $3.0 million of the carryover funds addressed in the Advice Letter are to honor commitments entered into in the 1992 GRC cycle. Edison indicated that only $3.0 million related to funding for 1995 programs.

DISCUSSION

1. As part of its carryover request, Edison intends to carry over $7.3 million of unspent 1994 funds to meet commitments from the 1992 GRC cycle new construction programs that will not be paid until the 1995 GRC cycle. These funds are earmarked for specific customer commitments for programs that are currently closed to new participants. $5.65 million is allocated to nonresidential new construction commitments, with the remainder for Residential commitments. Edison has indicated that it will return these funds (plus interest) if they are not spent before expiration of the commitments. Edison should also perform the necessary measurement studies for its residential new construction program even though it will forgo shareholder earnings. CACD recommends approval of the new construction carryover, subject to adoption of these two conditions.

2. With respect to SESCO's protest on the new construction issue, CACD believes that forgoing shareholder earnings for this specific program is consistent with D.94-12-041, which provides guidance on forgoing earnings. CACD recommends that SESCO's protest on this issue be denied. Edison's shareholder earnings forecasts for nonresidential new construction should also be approved.

3. CACD notes, based on the amount of outstanding commitments compared to the unspent budget in 1994 for nonresidential new construction programs, that Edison appears to have entered into commitments in excess of its authorized budget. With today's tightening utility budgets, CACD cautions Edison about relying on carryover funds outside of authorized budgets to meet past commitments.

4. A similar situation arises in the area of TES. It appears, based on Edison's response to DRA's protest, that Edison significantly underspent its 1994 TES budget, by approximately $3.9 million. However, this amount is much less than the requested $8.1 million carryover to honor TES commitments. It appears that in making these commitments, Edison expected to request future funding to meet these commitments. In fact,

prior to the 1995 GRC Settlement, Edison had requested funding to meet its customer commitments in the rate case, as well as additional funding for new TES installations. The Settlement eliminates all TES funding. CACD is again concerned about Edison's reliance on carryover funds for a program whose budget is oversubscribed. The funds should only be applied to these customer commitments and Edison should return to ratepayers any unspent funds (plus interest) from expired TES commitments. The TES projects should be tracked and reported in each DSM Annual Summary. CACD recommends approval of the carryover request for TES commitments because of its nonrecurring nature, subject to adoption of these conditions.

5. The amount of Edison's requested MFRR carryover is within the unspent 1994 budget for the MFRR category. For the most part, Edison's request to allocate $2.55 million of unspent 1994 funds to the 1995 MFRR funding category will allow Edison to complete projects initiated in 1994 and measurement related to 1994 programs. However, $150,000 in the Regulatory Compliance and Reporting area is described as supporting 1995 GRC activities required by the extended Settlement proceeding. Edison understood the potential consequences of entering into a Settlement and modifying the GRC schedule. These ongoing activities are clearly related to 1995 programs and should be absorbed within the 1995 MFRR budget. CACD recommends allowing Edison to carryover $2.4 million into the 1995 MFRR category, not including funding allocated to 1995 GRC activities.

6. Edison's next request deals with a carry over to supplement its Low Income program funding which was significantly reduced from 1994 levels in its GRC Settlement. In 1994, Edison was authorized to spend $12.9 million on its Low Income Direct Assistance Program. Edison actually spent $11.6 million in 1994. The proposed budget in the Settlement is $2.9 million for both the mandatory and non-mandatory components of Edison's Direct Assistance Program. Edison's requested $3.0 million carryover would serve to supplement funding for 1995 GRC cycle activities in the non-mandatory area. Edison states that this carryover is necessary to meet ongoing customer needs.

7. CACD finds Edison's request in the Low Income area to be problematic. Funding for DSM programs is established in general rate cases. Edison, by requesting additional funds in an Advice Letter, has not allowed the GRC parties the opportunity to balance all customers' energy efficiency needs in the same forum. CACD believes that the appropriate forum for developing funding levels to meet ongoing customer need is in the GRC, not through piecemeal requests. Based on the Advice Letter, Edison indicates that this carryover will serve a need which is not adequately provided for in its Settlement. The Commission should take this information into consideration when determining the appropriate level of Low Income funding in the GRC. CACD recommends that the Commission address, in the GRC, program funding level which fully reflects the needs of low income customers, absent this carryover, as it would have under the normal GRC schedule. CACD does not wish to disadvantage low

income customers for the 1995 program year and for this reason, CACD recommends that the $3.0 million carryover for Low Income programs be granted. If the Commission adopts a higher level of funding in the GRC for the Low Income program, the Commission should consider refunding this portion of the carryover to ratepayers. CACD recommends that this carryover be separately tracked.

8. In the 1995 GRC Settlement, no funding was recommended to continue Edison's Action Line. In this Advice Letter, Edison seeks funding associated with transition costs for this service. The Settlement recognized the closure of the Action Line, and should have provided for any necessary transition costs associated with the closure. CACD recommends that this carryover, in the amount of $0.4 million, not be authorized. Edison should absorb these costs within its 1995 budget or utilize its fund shifting flexibility to accommodate these costs. This aspect of DRA's protest should be granted.

9. CACD recommends approval of Edison's request for $0.15 million to honor customer commitments related to emerging technologies. The carryover request is within the unspent 1994 budget allocated to the emerging technologies program. The contracts were entered into during the 1992 GRC cycle.

10. CACD recommends that the remaining unspent 1994 DSM funds, totalling $4.25 million, be returned to ratepayers and that SESCO's protest on this issue be denied.

11. With respect to the remainder of SESCO's protest, CACD has carefully considered the protest and Edison's response, and recommends that the protest be denied. Edison has allocated funds in the 1995 GRC Settlement to meet expected requirements for the DSM Bidding pilot. That pilot is designed to replace certain residential services in the overlapping Edison/SoCal service territories. Until contracts are signed which require the use of those funds, Edison is not obligated to have reserved funds for that purpose as SESCO's protest implies. Therefore, Edison should not be required to carryover $5.1 million for that purpose.

12. Although CACD does not recommend granting TURN's protest, CACD recognizes the concerns raised by TURN. In making its recommendations on the components of the carryover, CACD has attempted to balance the need to meet ongoing customer requirements and prior customer commitments with the need for a consistent forum for determining appropriate funding levels. CACD believes its recommendations strike this balance and therefore, recommends that TURN's protest be denied.

FINDINGS

1. Edison filed Advice Letters 1088-E on March 1, 1995, to request Commission authorization to carry over unspent 1994 DSM funds to 1995 as well as proposed treatment of those funds.

2. Edison's proposed carry over of DSM funds is intended to improve the utility's ability to capture demand-side resources in its service territory. The requested carry over of DSM funds, as modified herein, should be authorized.

3. The remaining unspent 1994 funds should be returned to ratepayers.

4. Edison should return unspent funds associated with the new construction and TES commitments (plus interest) if they are not spent before expiration of the commitments.

5. Edison should perform the necessary measurement studies for its residential new construction program even though it will forgo shareholder earnings.

6. The TES projects should be tracked and reported in each DSM Annual Summary.

7. The Commission should take information from this Advice Letter into consideration when determining the appropriate level of Low Income funding in the GRC.

8. If the Commission adopts a higher level of funding in the GRC for the Low Income program, the Commission should consider refunding this portion of the carryover to ratepayers.

9. Edison's MFRR request to support ongoing 1995 GRC activities should be absorbed within the 1995 MFRR budget.

10. Edison should absorb the costs associated with the Action Line within its 1995 budget or utilize its fund shifting flexibility to accommodate these costs.

11. Edison's revised shareholder earnings forecasts should be adopted by the Commission for the 1995 program year.

12. The data attached to Advice Letter 1088-E or provided in response to the protests not specifically referred to above, is acknowledged.

13. The protests by SESCO and TURN should be denied. The protest by DRA should be granted with respect to the Action Line carryover, but denied in all other respects.

THEREFORE, IT IS ORDERED that:

1. Southern California Edison Company is authorized to carry over Demand-Side Management funds as proposed in Advice Letter 1088-E and modified herein.

2. Advice Letter 1088-E shall be marked to show that it was approved by Commission Resolution E-3414 as modified herein.

3. Southern California Edison Company shall return $4.25 million in unspent 1994 DSM funds to ratepayers.

4. Southern California Edison Company shall absorb the MFRR costs to support ongoing 1995 GRC activities within the 1995 MFRR budget.

5. Southern California Edison Company shall absorb the costs associated with the Action Line within its 1995 budget or utilize its fund shifting flexibility to accommodate these costs.

6. The protests of SESCO, Inc. and Toward Utility Rate Normalization are denied. The protest of DRA is granted with respect to the Action Line carryover, but denied in all other respects.

7. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities commission at its regular meeting on July 6, 1995. The following Commissioners approved it:

Wesley Franklin

Wesley M. Franklin
Acting Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
Commissioners