

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION E-3578 **
MARCH 18, 1999**

RESOLUTION

RESOLUTION E-3578. PACIFIC GAS AND ELECTRIC COMPANY, SAN DIEGO GAS & ELECTRIC COMPANY, SOUTHERN CALIFORNIA GAS COMPANY, AND SOUTHERN CALIFORNIA EDISON COMPANY REQUESTS FOR APPROVALS OF 1999 ENERGY EFFICIENCY PROGRAMS, AS RECOMMENDED BY THE CALIFORNIA BOARD OF ENERGY EFFICIENCY. PROGRAM AREA BUDGETS, PROGRAM BUDGETS, AND ALTERNATIVE PERFORMANCE AWARDS APPROVED. POLICY RULES CONDITIONALLY APPROVED AS INTERIM.

BY PG&E ADVICE LETTER (AL) 1819-E/2117-G FILED NOVEMBER 17, 1998; SDG&E AL 1132-E/1124-G FILED NOVEMBER 16, 1998; SOCALGAS AL 2760 FILED NOVEMBER 16, 1998; SCE AL 1348-E FILED NOVEMBER 16, 1998; AND CBEE AL1-E/1-G FILED OCTOBER 16, 1998.

SUMMARY

1. Current energy efficiency programs in effect using 1998 funds were extended on a month-to-month basis in 1999 under Resolution E-3589. The California Board for Energy Efficiency (CBEE) and the utilities have been working to submit a complete 1999 Energy Efficiency proposal for the Commission's consideration. To date, the utilities' advice letters provide a revised set of policy rules, program budget structure with a revised performance incentive award mechanism, and a basic, but incomplete series of program proposals. This Resolution adopts the utilities' Program Area Budget, program budgets, program budget structures, and the Alternate Performance Incentive Award Mechanisms, as revised by the utilities on January 13, 1999.
2. Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), Southern California Gas Company (SoCalGas), and San Diego Gas & Electric Company (SDG&E) shall implement the energy efficiency and Demand Side Management (DSM) programs for Program Year 1999 (PY99), as referenced by their respective program budgets.
3. Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), Southern California Gas Company (SoCalGas), and San Diego Gas & Electric Company (SDG&E) shall file supplemental advice letters containing additional program element descriptions and a program budget "map" linking program spending between PY98 and PY99 terms by March 25, 1999.
4. This Resolution conditionally adopts the general policy direction of the Energy

PG&E AL 1819-E/2117-G; SCB AL 1348-B
SoCalGas AL 2760; SDG&E AL 1132-E/1124-G;
CBEE AL 1-E/1-G/awp **

Efficiency program redesigns for 1999. Excepting protested policy issues, the CBEE's Policy Rule changes, additions and suspensions are adopted as Interim and applicable to Interim Utility Administrators.

5. The protests and comments on related issues to the original advice letters shall be addressed in a subsequent resolution.

BACKGROUND

1. As required by the Assigned Commissioner's Rulings in Rulemaking (R.)98-07-037, dated September 23, 1998 and October 1, 1998 the CBEE filed Advice Letter 1G/1E, dated October 16, 1998. On November 16 and 17, 1998, Pacific Gas and Electric Company (PG&E) filed Advice Letter (AL) 2117-G/1819-B, San Diego Gas & Electric Company (SDG&E) filed AL 1132-E/1124-G, Southern California Gas Company (SoCalGas) filed AL 2760, and Southern California Edison Company (SCE) filed AL 1348-B requesting approval of 1999 Energy Efficiency Program Plans, Budgets, and Performance Award Mechanisms. The utilities' Advice Letters were filed to be consistent with the CBEE's recommendations contained in its AL 1-E/1-G.

2. The Commission requires California's investor-owned electric and gas utilities to offer programs intended to help their customers improve the energy efficiency of their buildings and facilities. These programs have included services ranging from rebates and low-interest financing to on-site technical assistance or energy information centers, where customers and design professionals can obtain reliable information about new technologies. In response to electric restructuring, the Commission adopted a new approach to energy efficiency, which seeks to promote the development of programs and other activities that rely more on private energy efficiency providers and that transform existing markets to a higher level of demand for energy efficiency products and services. The objective is to create sustainable, vibrant markets in which private energy efficiency providers offer and customers adopt increased levels of energy efficiency products, services, and practices, with a decreasing need for public funds.

3. As a result of electric restructuring, the existing investor-owned electric utilities no longer are obligated to plan and acquire generation resources for captive customers. This change in the traditional relationship between the utility and its customers provides the utility with a greater disincentive to offer energy efficiency programs, while trying to retain generation sales customers. In Decision (D.) 97-02-014, the Commission created a public board, the California Board for Energy Efficiency (CBEE), to advise it on how to pursue these major changes to ratepayer-funded energy efficiency programs under a restructured industry. The CBEE's

responsibilities include:

- Developing proposed new policy rules to govern development and delivery of ratepayer funded energy efficiency programs under the changes to the policy environment listed above.
- Developing a competitive process to select new Program Administrators to oversee the delivery of energy efficiency programs.
- Continuing to advise the Commission on the delivery and administration of the programs once new Program Administrators have been selected.

4. Subsequent Commission decisions (D.97-04-044, D.97-05-041, D.97-09-117, D.97-12-093, D.97-12-103, and D.98-02-040) provided additional guidance and direction for the CBEE. In D.97-02-014, the Commission directed gas utilities to participate in the joint planning process and to coordinate with the CBEE, reiterating its intent to establish a surcharge to fund gas energy efficiency programs in the same manner as electric programs. Current funding for the gas utility Demand-Side Management Programs (DSM) is authorized by Commission decisions in utility rate cases. As of this date, the utilities are serving as Interim Administrators, offering programs designed to provide a smooth transition between the old and new policy frameworks and administrative structures. The CBEE is charged with overseeing a joint planning process with the utilities to develop specific programs and budgets, and with making recommendations to the Commission on these issues.

5. During 1998, the CBEE conducted six public workshops to assess the existing utility energy efficiency programs and to provide recommendations on market transformation policy objectives to the Commission for its consideration. The CBEE also held 40 public meetings where additional public input was received.

6. Resolution (Res.) E-3581 dated December 17, 1998 authorized the utilities and the CBEE to continue 1998 programs at 1998 funding levels through the end of February 1999.

7. On December 17 and on December 21, 1998 the CBEE filed Preliminary and Final Recommendations and Comments on its review of the utilities' advice letters.

8. On January 13, 1999, the utilities submitted comments in response to the CBEE's December 21, 1998 comments on their 1999 Energy Efficiency Program and Budget Advice Letter filings, providing an Alternate Performance Incentive Award Mechanism with additional program descriptions, milestones and performance incentive data. By request of the Energy

Resolution E-3578

March 18, 1999

PG&E AL 1819-E/2117-G; SCE AL 1348-E
SoCalGas AL 2760; SDG&E AL 1132-E/1124-G;
CBEE AL 1-E/1-G/awp **

Division, each utility mailed their comments to the Service List in R.98-07-037 and informed recipients they would be allowed ten working days to submit comments. No party provided comments.

9. On January 15, 1999, the CBEE provided comments on the utilities' Alternate Performance Incentive Award Mechanism.

10. On February 18, 1999, the Commission approved Resolution E-3589 authorizing month-to-month funding and program delivery, and permitted pre-implementation tasks necessary for timely deployment of 1999 programs.

NOTICE

1. Notices of PG&E AL 2117-G/1819-E, SDG&E AL 1132-E/1124-G, SoCalGas AL 2760-G, SCE AL 1348-E, and CBEE AL 1-E/1-G were made by publication in the Commission's calendar and by mailing copies of the filing to adjacent utilities and interested parties.

PROTESTS

1. Parties filing protests/comments to the CBEE's and the utilities' advice letters include: The Utility Reform Network (TURN), Residential Energy Efficiency Clearing House, Inc. (REECH), the Office of Ratepayer Advocates (ORA), the California Energy Commission (CEC), the MarketPlace Coalition (MC)¹, the Natural Resources Defense Council (NRDC), the National Association of Energy Services Companies (NAESCO), the City of San Jose (San Jose), the Association of Bay Area Governments (ABAG), and the Community Energy Services Corporation (CESC).

2. The CBEE, PG&E, SoCalGas, SDG&E and SCE responded to the protests.

DISCUSSION

1. In its advice letter, the CBEE puts forth a comprehensive set of redesigned Energy Efficiency recommendations for the Commission's consideration, encompassing: Institutional and Transition Issues, Budget Recommendations, Policy Rules Application and Modifications, General Program Recommendations, Performance Incentives, Market Assessment and Evaluation Recommendations and Program Area (Residential, Non-Residential, and New

¹ The MarketPlace Coalition (MC), includes Residential Energy Services Companies' United Effort [RESCUE], Insulation Contractors' Association, and SESCO, INC.).

PG&E AL 1819-E/2117-G; SCE AL 1348-E
SoCalGas AL 2760; SDG&E AL 1132-E/1124-G;
CBEE AL 1-E/1-G/awp **

Construction) Recommendations. The CBEE's recommendations are founded upon its efforts over the past year.

2. PG&E, SCE, SoCalGas, and SDG&E filed advice letters largely consistent with the CBEE's recommendations.

Filings Deficient

3. Protests and comments to the CBEE's and the utilities' advice letters described the utilities' filings as incomplete regarding the programs for Program Year 1999 (PY99). ORA argues that the Commission should not authorize program plans until and unless additional data is provided relative to the administrative and implementation cost split. NAESCO criticizes that the utilities did not provide adequate justification for their proposals to offer Standard Incentive Programs, stating there are no justifications described to transform programs into the market and the utilities have not met the standard. REECH states that the advice letters were hastily conceived and are premature. REECH requests the utilities submit another filing to comply. REECH also requests there should be no new program offerings by utilities unless specifically linked with market transfer steps. REECH states that the utility filings are devoid of details on market transfers.

4. The CEC protests that greater program detail is needed to assure support of the CPUC goals for market transformation. The CEC states that: "[T]he utilities need to augment their filings with design elements, program objectives and implementation descriptions. They also need to describe how market transformation will be achieved and sustained. Other descriptors needed are defining the market, its size and a percentage of the market target. In addition, descriptions are needed on how business can make the program a part of standard practice. Each program needs a privatization plan. Performance indicators are needed to measure market progress."

5. SoCalGas and SCE respond that they and the other utilities are currently supplementing this missing information, but that its absence should not impede the advice letter approval process. CBEE replies that direction on continued transfer of program implementation from administrators is adequately outlined in its AL filing. CBEE agrees with the CEC's recommendation that additional information on proposed programs is warranted and, in Attachment A of CBEE's Reply Comments to the Utilities' Advice Letters of December 21, 1998, further identified the need for additional information:

"The utilities should provide additional information on:

(1) Statewide activities and explicitly describe the role of each activity in conjunction

March 18, 1999

with other program elements or intervention strategies.

(2) Plans to continue transfer of program implementation away from administrators for each program.

(3) Plans for outsourcing program activities and the role of competitive processes in implementing these plans.

(4) A plan for and approaches to third party initiatives, including the conduct of a second solicitation later in 1999 for implementation in PY2000, a proposed treatment of intellectual property, and the use of targeted solicitations.

(5) The role of specific emerging technologies in programs and program elements.”

6. CBEE recommended the utilities submit full program descriptions that would include this information by January 22, 1999. CBEE states that the utilities should not be allowed to implement programs until this information has been provided. CBEE notes that CEC's proposed schedule may not be appropriate for program elements and intervention strategies that require redesign based on public workshop input.

7. The utilities did not provide complete program descriptions on January 22, 1999, as requested by the CBEE.

8. In its March 2, 1999 Comments, SCE clarifies: “In fact, the utilities timely provided program information to the CBEE prior to January 22, 1999, in the format recommended by the CBEE, on January 5, 1999. After reviewing the utilities' submittals, CBEE revised its reporting format and submitting schedule. SCE thereafter submitted an additional report to the CBEE on February 12, 1999 as requested.”

9. In its March 2, 1999 Comments, the CEC states: “The record for this proceeding was closed in mid-January 1999 and we believe that the CPUC now has sufficient information on the record to resolve all (not just some) of the issues. The utilities have provided all of the additional program detail previously requested by various parties and by CBEE in its letter dated December 21, 1998. Thus, there is no procedural reason to delay a decision on these issues...”

10. In its March 2, 1999 Comments, the CBEE states that it “has received complete program descriptions from each utility, and the descriptions have been distributed to the public at CBEE meetings and through the CBEE email distribution lists.” “The public has had opportunities to

PG&E AL 1819-E/2117-G; SCE AL 1348-E
SoCalGas AL 2760; SDG&E AL 1132-E/1124-G;
CBEE AL 1-E/1-G/awp **

review the complete program descriptions, and members of the public have provided comments and input at CBEE meetings. In addition, the program descriptions have been reviewed and found to be adequate by the CBEE."

11. Contrary to the CEC's belief that the Commission has a full record to resolve all the issues, the Energy Division advises the Commission that it has not received a copy of the utilities' program information submittals to the CBEE, and apparently the CEC and others. Therefore, this issue remains unresolved.

12. The Energy Division recommends that the utilities provide the Commission with the program descriptions provided to the CBEE and others to complete the record. These should be filed as compliance filings by supplemental advice letters, and should be provided to the Commission no later than March 25, 1999.

Program Budgets and Spending Flexibility

13. The CBEE expanded the program spending flexibility within 11 of the 14 energy efficiency programs in its December 21, 1998 comments. In response to protests from ORA, NAESCO, and the utilities, the CBEE revised its program spending ranges from 5% to +/-15% of the individual programs' budgets, but maintained three specific programs at +10%/-15%, +5%/-15%, and +5%/-15% respectively. The CBEE recommends that the Commission approve the utilities' program area budgets with the revised program spending flexibility to +/-15% for the 11 programs, while maintaining 3 program budget ranges at:

- +10%/-15% for Residential Retrofit and Renovation
- +5%/-15% for Large Non-Residential Comprehensive Retrofit, and
- +5%/-15% for Small Non-Residential Comprehensive Retrofit.

14. In their January 13, 1999 comments, PG&E and SDG&E remarked that they preferred the greater flexibility for program spending ranges of +/-20%, but will accept the 15% ranges for the present. All utilities request the opportunity to revisit program budget ranges in a mid-June filing. In their March 2, 1999 comments, PG&E and SDG&E argue that they would prefer full +/-15% program budget spending flexibility for all 14 programs.

15. In its March 2, 1999 Comments, ORA recommends that the Commission adopt the proposed 1999 budget levels, but only at the level of detail of the three main program categories: Residential, Non-Residential, and New Construction. ORA states that the Commission need not, and should not, adopt the more detailed program descriptions or the specific budgets for such programs because to do so would conflict with program definitions under current reporting requirements. SDG&E, PG&E, and CBEE request that the budget authorization addressed under

PG&E AL 1819-E/2117-G; SCE AL 1348-E
SoCalGas AL 2760; SDG&E AL 1132-E/1124-G;
CBEE AL 1-E/1-G'awp **

this resolution incorporate the programs' budgets and spending flexibility, not the just Program Area levels of Residential, Non-Residential, and New Construction, and that the authorization be full authorization, not interim. The utilities and the CBEE state that program area spending authorization is incomplete without clarifying that authorization incorporates the 14 "programs" listed under the three program areas of each utility.

16. The threshold issue before the Commission is what "programs" are being proposed. The CBEE and the utilities filed advice letters containing 14 "program" categories under the larger Program Areas of Residential, Non-Residential, and New Construction, which were also connected to budgets. The Energy Division advises the Commission that the CBEE/Utility PY99 "programs" are radically different from PY98, and hence, so are the "program" budgets. ORA's argument is that a common thread is needed between earlier energy efficiency/DSM reporting requirements and budgets to what is proposed under the CBEE's and the utilities' advice letter filings for PY99.

17. For ORA, this common thread is essential for reporting and verification purposes, as well as for cost effectiveness evaluation purposes. The link between the PY98 programs and budgets and those for PY99 is the Program Area identifications of Residential, Non-Residential, and New Construction. Therefore, if the Commission authorizes "program" implementation and "program" budget spending, it must do so using a PY98 and a PY99 common "map" to allow a comparison between years.

18. The Energy Division recommends Commission authorization of the utility energy efficiency Program Area Budgets of Residential, Non-Residential, and New Construction for PY99. The Energy Division also recommends Commission authorization of utility energy efficiency "program" spending for each of the 14 "programs" listed under the three Program Areas of each utility. In addition, the Energy Division recommends the Commission direct the utilities to implement the energy efficiency and DSM activities described under each utility's advice letter. The Energy Division further clarifies that "program" authorization does not change or adopt program definitions affecting the reporting requirements for DSM measurement. Instead, "program" authorization identifies budget spending in categories which can be mapped to the major Program Areas, as well as to the program categories and program definitions used in PY98.

19. The Energy Division recommends that the utilities provide the Commission with the program budget "map" to link program spending between PY99 and PY98, to complete the record. These should be filed as compliance filings in the supplemental advice letters identified above, and should be provided to the Commission no later than March 25, 1999.

March 18, 1999

Alternate Performance Incentive Award Mechanism

20. Utility program implementations are tied to milestones and performance incentive awards. In its December 21, 1998 comments, the CBEE requested the Commission provide direction on how it prefers (if at all) to receive further input from the CBEE on the additional information provided by the utilities. In providing this direction, the CBEE recommends the Commission avoid unnecessary delay in the implementation of programs. In addition, the CBEE commented that the utilities' advice letter Performance Incentive Award Mechanisms did not meet the CBEE's recommendations, because they failed to link milestones and awards consistently, and their overall award exceeded its recommended ceiling of 12.5%.

21. On January 13, 1999 each of the utilities responded to the CBEE's comments by filing sets of "revised" or alternate performance incentive award mechanisms containing a two-stage, date sensitive set of milestones for program implementation linked to the awards.

22. Upon review, the CBEE submitted a letter dated January 15, 1999 to the Energy Division confirming that the utilities' second, revised performance award mechanisms conform with its proposed structure and design principles. CBEE notes that SCE and PG&E found a few typographical errors, and CBEE recommended the utilities submit errata to the Energy Division.

23. SCE submitted errata on February 1, 1999 and PG&E submitted errata on February 4, 1999.

24. In its January 15, 1999 comments, the CBEE summarized the revised statewide alternate performance incentive award cap for all utilities as "11% of the annual program, or \$27.991 million based on a proposed PY99 annual budget of \$254.469 million". The specific award caps per utility are: PG&E \$12.584 million; SCE \$8.610 million; SDG&E \$3.806 million; and SoCalGas \$2.991 million. The CBEE adds that "the overall award cap level would be reached if the utility demonstrated achievements of superior levels of performance for all program categories. The appropriate cap was set at 11% of the annual program budget (statewide), down from 12.5% adopted by the Commission for the 1998 programs. The CBEE recommends that if the Commission authorizes these award caps, the dollar value of the performance award cap should not change later, even if the authorized budgets are revised up or down mid-year. The CBEE adds that the milestones for aggressive program implementation are difficult, and may not be achieved.

25. PG&E responded to CBEE's recommendation that the incentive awards should not be changed from the levels resubmitted by the utilities on January 13, 1999. In its March 2, 1999

PG&E AL 1819-E/2117-G; SCE AL 1348-E
SoCalGas AL 2760; SDG&E AL 1132-E/1124-G;
CBEE AL 1-E/1-G/awp **

Comments, PG&E adds that: "...award levels need to be set at absolute levels in order to focus management attention and resources on the achievement of these important public policy goals."

26. In each of their January 13, 1999 comments on the revised performance awards, the utilities expressed reservations about the "revision" process and meeting the milestones, which might need adjustment depending upon the timing of the Commission's resolution of this issue. SoCalGas states that it agrees to this mechanism in the spirit of resolving the issue for 1999, but will address future levels for the year 2000 in the 1999 AEAP.

27. No party protested the revised set of milestones and performance awards. The Energy Division has reviewed the revised milestones and incentive mechanisms. The milestones are linked to specific program implementations and are date sensitive. The incentive awards rely on achievement of specific program implementation milestones. The Energy Division recommends that the Commission approve the utilities' milestones and Alternate Performance Incentive Award Mechanisms. An approval of the PY99 incentives, in conjunction with the program area and program budgets, will provide momentum and progress towards the Commission's market transformation for the energy efficiency programs.

28. The total estimated statewide budget funding for 1999 is estimated to be \$273.4 million – Electric \$228 million and Gas \$45.4 million. Additional carryover funding from 1998 increases the total to over \$300 million. The Statewide Energy Efficiency Budget consists of program area spending, program spending, performance incentive awards, and a number of administrative line items representing 8% of the 1999 projected budget. The Energy Division has reviewed the Statewide Program Budget, with the revised program budget ranges and Alternate Performance Incentive Award Mechanisms, and recommends Commission authorization. The total estimated Program Area Budget for PY99 (including PY98 carryover funds) is \$254.5 million, with Electric programs totaling \$206.2 million and Gas programs totaling \$48.3 million. This budget is attached to this Resolution as Attachment A, including the specific utility budgets for programs and the alternate performance incentive awards.

Other Budget Items

29. The Energy Division advises the Commission that specific administrative line items in the remainder of the CBEE's Statewide Budget Proposal had protests and recommends that the Commission not approve these line items until a subsequent resolution can properly address the protests. (See shaded areas of Attachment A) These items include: monies for the start up of a new program administrator, Measurement, Assessment and Evaluation (MA&E) activities, the CBEE Budget, and set-asides for state government data collection and staff funding.

30. In their comments of March 2, 1999, the utilities, the CBEE, and the CEC request

Resolution E-3578
PG&E AL 1819-E/2117-G; SCE AL 1348-E
SoCalGas AL 2760; SDG&E AL 1132-E/1124-G;
CBEE AL 1-E/1-G/awp **

March 18, 1999

authorization to initiate spending for MA&E activities. SDG&E states that some authorization for these activities exists under Resolution E-3589 approved February 18, 1999, but requests specific authority to spend the monies budgeted for these activities under this resolution.

31. The Energy Division advises the Commission that MA&E activities are budgeted under each utility budget, but no information has been provided to the Commission under the advice letter filings. MA&E budgeted activities need to be supported with information specifying what studies will be performed, how much of the budgeted funding will be devoted to which studies, what entities will be performing the studies, and how these activities relate to measurement of "market transformation".

Policy Rules

32. The Energy Division advises the Commission that certain CBEE proposals for Policy Rule changes are the subject of protests. The protests include issues on energy efficiency reporting and verification, Measurement Assessment and Evaluation, Logo/Co-Branding, and definitions of Administrative versus Implementation costs for budget reporting purposes. Excepting these issues, the Energy Division recommends the Commission adopt as Interim, the remainder of the CBEE's Policy Rules, applicable to Interim Utility Administrators, with the CBEE's changes, additions and suspensions, until a subsequent resolution can address the protests properly.

33. The Energy Division has sufficient information to recommend that the Commission generally accept the program area direction of the CBEE's recommendations as contributing to its statewide market transformation goals. The revised, program budgets can provide spending guidance sufficiently until greater experience has been achieved. The revised performance incentives are not contested and should be approved without change for PY99. The utilities' program area budgets, program budgets, and the alternative performance incentive award mechanisms should be approved for program implementation, so as not to delay momentum and progress for the 1999 energy efficiency program year.

COMMENTS

1. The draft Resolution of the Energy Division in this matter was mailed to the protesting parties in accordance with Public Utilities Code Section 311(g). Comments were filed on March 2, 1999 by PG&E, SCE, Sempra for SoCalGas and SDG&E, ORA, the CEC, and CBEE.
2. Most of the parties' comments are incorporated within the text of this resolution. The

PG&E AL 1819-E/2117-G; SCE AL 1348-E
SoCalGas AL 2760; SDG&E AL 1132-E/1124-G;
CBEE AL 1-E/1-G/awp **

Parties' primary concern was the wording used to enable the budgeted spending for programs. This has been addressed by adding that both Program Area and "programs", as identified under the Attachment A Budget tables, are adopted. Additional language states that:

- The utilities will implement the "programs";
- Adoption of the "programs" does not also adopt "program" definitions;
- For reporting purposes, a "map" will be provided by the utilities to connect PY98 programs with PY99 programs; and
- The Interim Policy Rules apply to the Interim Utility Administrators.

FINDINGS

1. In its advice letter, the CBEE puts forth a comprehensive set of redesigned Energy Efficiency recommendations for the Commission's consideration, encompassing policies, budgets and programs founded upon its efforts over the past year.
2. PG&E, SCE, SoCalGas, and SDG&E filed advice letters largely consistent with the CBEE's recommendations.
3. The advice letters were protested by The Utility Reform Network (TURN), Residential Energy Efficiency Clearing House, Inc. (REECH), the Office of Ratepayer Advocates (ORA), the California Energy Commission (CEC), the MarketPlace Coalition (MC), the Natural Resources Defense Council (NRDC), the National Association of Energy Services Companies (NAESCO), the City of San Jose (San Jose), the Association of Bay Area Governments (ABAG), and the Community Energy Services Corporation (CESC).
4. The utilities' November advice letter filings lacked sufficient detail on the energy efficiency programs planned for Program Year 1999 (PY99).
5. The utilities state and the CBEE confirms that the utilities have provided the CBEE with the requested program information.
6. The utilities should provide the Commission with the program descriptions provided to the CBEE to complete the record. These should be filed as compliance filings in supplemental advice letters, and provided to the Commission no later than March 25, 1999.
7. The CBEE revised 11 of the 14 individual program spending ranges from 5% to +/-15% of each individual program, to provide greater budget flexibility, capping three other programs at +10%/-15%, +5%/-15% and +5%/-15% respectively.

PG&E AL 1819-E/2117-G; SCE AL 1348-E
SoCalGas AL 2760; SDG&E AL 1132-E/1124-G;
CBEE AL 1-E/1-G'awp**

8. The Commission should authorize the utilities' energy efficiency budgets under the Program Areas of Residential, Non-Residential, and New Construction for PY99.
9. The Commission should authorize utility energy efficiency "program" spending for each of the 14 "programs" listed under the three Program Areas of each utility.
10. The Commission should direct the utilities to implement the energy efficiency and DSM activities described in their advice letters.
11. Authorization for utility program spending and implementation does not change or adopt "program" definitions affecting PY98 DSM measures or reporting requirements.
12. "Program" authorization identifies budget spending in categories which can be mapped to the major Program Areas, as well as to the program categories and program definitions used in PY98.
13. The utilities should provide the Commission with the program budget "map" to link program spending between PY98 and PY99 terms, to complete the record. These should be filed as compliance filings in the supplemental advice letters identified above, and should be provided to the Commission no later than March 25, 1999.
14. Utility program implementations are tied to milestones and performance incentive awards.
15. The utilities' November advice letter filings contained performance incentive award mechanisms and milestones which did not meet the CBEE's recommendations contained in its advice letter.
16. The CBEE recommended and the utilities adopted a revised set of milestones linked to a revised performance incentive award mechanism, which was submitted to the Commission and all parties to R.98-07-037 on January 13, 1999. No protests were received.
17. The Alternate Performance Incentive Award Mechanism submitted by the utilities provides for a maximum statewide incentive award of 11%.
18. The Alternate Performance Incentive Award Mechanism links awards to a two stage, date sensitive set of milestones, which are difficult to achieve.

PG&E AL 1819-E/2117-G; SCE AL 1348-E
SoCalGas AL 2760; SDG&E AL 1132-E/1124-G;
CBEE AL 1-E/1-G/awp **

19. The specific Alternate Performance Incentive Award Mechanism caps per utility are: PG&E \$12.584 million; SCE \$8.610 million; SDG&E \$3.806 million; and SoCalGas \$2.991 million.
20. The CBEE's recommended Alternate Performance Incentive Award Mechanism and the utilities' January 13, 1999 submittals for PY99 should be adopted without change.
21. The CBEE's revised Statewide Program Area Budget of \$254.5 million and the utilities' revised Alternate Performance Incentive Award Mechanism for PY99 totaling a maximum of \$27.991 million should be approved.
22. Specific budgeted administrative line items for the start up of a new program administrator, Measurement, Assessment and Evaluation activities, the CBEE Budget, and set-asides for state government data collection and staff funding were the subject of protests. The Commission should not approve these line items in the CBEE's Statewide Budget Proposal until a subsequent resolution can address the protests properly.
23. Excepting energy efficiency reporting and verification, Measurement Assessment and Evaluation, Logo/Co-Branding, and definitions of Administrative versus Implementation costs for budget reporting purposes, the Commission should adopt the CBEE's Policy Rule changes as Interim and applicable to Interim Utility Administrators, until a subsequent resolution addressing the protests can be issued.

THEREFORE, IT IS ORDERED THAT:

1. Pacific Gas and Electric Company Advice Letter 1819-E/2117-G's Program Area Budget, revised program budget and the alternate performance incentive award mechanism for PY99 Energy Efficiency Programs, submitted January 13, 1999 and corrected February 4, 1999, is approved.
2. Southern California Edison Advice Letter 1348-E's Program Area Budget, revised program budget and alternate performance incentive award mechanism for PY99 Energy

Resolution E-3578

March 18, 1999

PG&E AL 1819-E/2117-G; SCB AL 1348-E

SoCalGas AL 2760; SDG&E AL 1132-E/1124-G;

CBEE AL 1-E/1-G/awp **

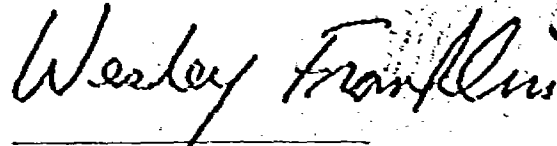
Efficiency Programs, submitted January 13, 1999 and corrected February 1, 1999, is approved.

3. Southern California Gas Company Advice Letter 2760's Program Area Budget, revised program budget and alternate performance incentive award mechanism for PY99 Demand-Side Management Energy Efficiency Programs, submitted January 13, 1999 is approved.
4. San Diego Gas & Electric Company Advice Letter 1132-E/1124-G's Program Area Budget, revised program budget and alternate performance incentive award mechanism for PY99 Energy Efficiency Programs, submitted January 13, 1999 is approved.
5. Pacific Gas and Electric, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall submit compliance filings by supplemental advice letters, containing full program descriptions and a program budget "map" linking program spending between PY98 and PY99 terms, no later than March 25, 1999.
6. Pacific Gas and Electric, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall implement the energy efficiency and DSM activities under their respective program budgets, identified under Attachment A.
7. Excepting protested policy issues, the CBEE's Policy Rule changes, additions and suspensions are adopted as Interim and applicable to Interim Utility Administrators.
8. The protests are denied without prejudice.
9. This Resolution is effective today.

Resolution E-3578
PG&E AL 1819-E/2117-G; SCE AL 1348-E
SoCalGas AL 2760; SDG&E AL 1132-E/1124-G;
CBEE AL 1-E/1-G/awp **

March 18, 1999

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on March 18, 1999. The following Commissioners voting favorably thereon:



WESLEY M. FRANKLIN
Executive Director

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

Estimated Budget for 1999 PROGRAM AREAS Programs		(\$ Millions)																		
		Combined Electric & Gas				Statewide		PG&E		PG&E PG&E		SCE		SoCalGas		SDG&E		SDG&E		SDG&E
Budget		% Budget	Budget	Low	High	Electric Budget	Gas Budget	% Total Budget	Budget	Electric Budget	Gas Budget	% Total Budget	Budget	% Total Budget	Budget	% Total Budget	Budget	Electric Budget	Gas Budget	
RESIDENTIAL																				
Heating & Cooling Systems		11%	10,191	8,662	11,720	7,926	2,265	16%	6,200	5,118	1,082	8%	2,284	9%	0,864	7%	0,443	0,524	0,319	
Lighting		14%	12,645	10,745	14,542	12,645	0,000	15%	6,955	6,955	0,000	11%	3,054	0%	0	21%	2,603	2,603	0	
Appliances		36%	31,459	26,766	36,212	29,664	1,825	29%	11,735	11,180	0,555	57%	15,669	11%	1,042	25%	3,043	2,815	0,228	
Retrofit & Renovation		39%	34,369	29,214	37,806	22,089	12,280	37%	14,940	11,177	3,763	23%	6,377	79%	7,359	47%	5,663	4,535	1,128	
SubTotals Residential Programs		100%	83,694			72,324	16,370	100%	39,863	34,453	5,400	100%	27,334	100%	9,295	100%	12,152	10,477	1,675	
		35%						35%				35%		34%		35%				
NON-RESIDENTIAL																				
Large Comprehensive Retrofit		29%	37,644	31,967	39,526	35,331	2,313	28%	16,147	15,499	0,648	39%	15,127	0%	0	36%	6,370	4,705	1,665	
Small Comprehensive Retrofit		32%	41,374	35,163	43,443	28,047	13,327	33%	19,455	15,526	3,939	20%	7,856	64%	8,533	31%	5,470	4,665	0,805	
HVAC Equipment Turnover		13%	17,018	14,455	19,571	16,054	0,934	14%	8,219	8,181	0,038	15%	6,017	1%	0,162	15%	2,620	1,856	0,734	
Motor Turnover		4%	4,999	4,249	5,749	4,999	0,000	4%	2,506	2,506	0,000	4%	1,573	0%	0	5%	0,920	0,920	0,000	
Process		11%	14,789	12,571	17,007	7,537	7,202	8%	4,795	2,603	2,195	10%	4,034	34%	4,537	8%	1,370	0,950	0,420	
Commercial Remodeling/Renovation		10%	12,795	10,876	14,714	12,293	0,502	13%	7,355	7,018	0,367	12%	4,510	0%	0	5%	0,900	0,765	0,135	
SubTotals Non-Residential Programs		100%	128,619			104,341	24,278	100%	53,520	51,333	7,187	100%	39,117	100%	13,332	100%	17,650	13,891	3,759	
		51%						51%				50%		49%		51%				
NEW CONSTRUCTION																				
Residential		40%	14,766	12,568	17,004	9,037	5,749	44%	7,015	5,241	1,774	18%	2,171	81%	3,7	40%	1,900	1,625	0,275	
Commercial		42%	15,671	13,320	18,022	14,912	0,759	44%	7,030	6,667	0,163	52%	6,125	5%	0,216	43%	2,300	1,920	0,380	
Industrial & Agricultural		9%	3,431	2,959	4,003	3,338	0,143	5%	0,772	0,729	0,043	21%	2,509	0%	0	4%	0,200	0,100	0,100	
Codes & Standards Support, Local Government Initiatives		9%	3,220	2,737	3,703	2,216	1,004	7%	1,201	1,045	0,156	8%	0,971	14%	0,648	8%	0,400	0,200	0,200	
SubTotals New Construction Programs		100%	37,158			29,503	7,655	100%	16,018	13,852	2,136	100%	11,776	100%	4,564	100%	4,800	3,845	0,955	
		15%						14%				15%		17%		14%				
PROGRAM AREA TOTAL			254,471			206,168	43,303		114,401	99,678	14,723		78,277		27,191		34,602	28,213	6,389	
Performance Award Cap			27,991						12,584				8,610		2,991		3,806			
Subtotal			282,462																	
ADMINISTRATIVE LINE ITEMS (Subject to Protests, Excluded from Resolution)																				
New Administrator Start-Up			1,500																	
CBEE Budget			2,058																	
M&E Administration			6,000																	
M&E Other Activities			3,900																	
State Staff			0,400																	
CEC Data Collection			2,100																	
Subtotal			21,958																	

Estimated Budget for 1999 PROGRAM AREAS Programs	(\$ Millions)											
	PG&E % Total Budget	Budget	PG&E Electric Budget	Low	High	PG&E Gas Budget	Low	High	SCE % Total Budget	Budget	Low	High
RESIDENTIAL												
Heating & Cooling Systems	15%	6,200	5,118	4,350	5,856	1,082	0,920	1,244	8%	2,284	1,941	2,627
Lighting	18%	6,988	6,988	5,949	8,036	0,000	0,000	0,000	11%	3,054	2,596	3,512
Appliances	29%	11,735	11,180	9,503	12,857	0,555	0,472	0,638	57%	15,669	13,319	18,019
Retrofit & Renovation	37%	14,940	11,177	9,500	12,295	3,763	3,199	4,139	23%	6,377	5,420	7,015
SubTotals	100%	39,863	34,453			5,400			100%	27,354		
Residential Programs	35%								35%			
NON-RESIDENTIAL												
Large Comprehensive Retrofit	28%	16,147	15,499	13,174	16,274	0,645	0,551	0,680	39%	15,127	12,858	15,883
Small Comprehensive Retrofit	33%	19,465	15,526	13,197	16,302	3,939	3,348	4,136	20%	7,856	6,677	8,243
HVAC Equipment Turnover	14%	8,219	8,181	6,954	9,408	0,000	0,032	0,044	15%	6,017	5,115	6,920
Motor Turnover	4%	2,506	2,506	2,130	2,882	0,000	0,000	0,000	4%	1,573	1,337	1,803
Process	8%	4,798	2,603	2,213	2,993	2,195	1,866	2,524	10%	4,034	3,429	4,639
Commercial Remodeling Renovation	13%	7,385	7,018	5,965	8,071	0,367	0,312	0,422	12%	4,510	3,834	5,187
SubTotals	100%	58,520	51,333			7,187			100%	39,117		
Non-Residential Programs	51%								50%			
NEW CONSTRUCTION												
Residential	44%	7,015	5,241	4,455	6,027	1,774	1,508	2,040	18%	2,171	1,845	2,497
Commercial	41%	7,030	6,867	5,837	7,897	0,163	0,139	0,187	52%	6,125	5,206	7,044
Industrial & Agricultural	5%	0,772	0,729	0,620	0,838	0,043	0,037	0,049	21%	2,509	2,133	2,855
Codes & Standards Support, Local Government Initiatives	7%	1,201	1,045	0,888	1,202	0,156	0,133	0,179	8%	0,974	0,825	1,117
SubTotals	100%	16,018	13,882			2,136			100%	11,776		
New Construction Programs	14%								15%			
PROGRAM AREA TOTAL												
Performance Award Cap		114,401	99,678			14,723				78,277		
Subtotal		12,584								8,610		
ADMINISTRATIVE LINE ITEMS (Subject to Protests, Excluded from Resolution)												
New Administrator Start-Up		3,562								2,905		
CBEE Budget		0,977								0,737		
M&E, Administration		2,653								1,903		
M&E, Other Activities		1,852								1,511		
State Staff		0,199								0,155		
CEC Data Collection		0,947								0,630		
Subtotal												

PROGRAM AREAS Programs	(\$ Millions)											
	SoCalGas		SoCalGas		SDG&E		SDG&E		SDG&E		SDG&E	
	% Total Budget	Budget	Low	High	% Total Budget	Budget	Electric Budget	Low	High	Gas Budget	Low	High
RESIDENTIAL												
Heating & Cooling Systems	9%	0.864	0.734	0.994	7%	0.843	0.524	0.419	0.629	0.319	0.255	0.382
Lighting	0%	0.000	0.000	0.000	21%	2.603	2.603	2.082	3.123	0.000	0.000	0.000
Appliances	11%	1.042	0.866	1.198	25%	3.043	2.815	2.252	3.378	0.228	0.182	0.273
Retrofit & Renovation	79%	7.389	6.281	8.128	47%	5.663	4.535	3.628	5.442	1.128	0.902	1.353
SubTotals Residential Programs	100%	9.295			100%	12.152	10.477			1.675		
NON-RESIDENTIAL												
Large Comprehensive Retrofit	0%	0.000	0.000	0.000	36%	6.370	4.705	3.764	5.645	1.665	1.332	1.995
Small Comprehensive Retrofit	64%	8.583	7.295	9.012	31%	5.470	4.655	3.732	5.598	0.805	0.644	0.965
HVAC Equipment Turnover	1%	0.162	0.135	0.185	15%	2.620	1.885	1.509	2.263	0.734	0.537	0.831
Motor Turnover	0%	0.000	0.000	0.000	5%	0.920	0.920	0.736	1.104	0.000	0.000	0.000
Process	34%	4.537	3.899	5.275	8%	1.370	0.950	0.760	1.140	0.420	0.336	0.504
Commercial Remodeling/Renovation	0%	0.000	0.000	0.000	5%	0.900	0.765	0.612	0.918	0.135	0.108	0.162
SubTotals Non-Residential Programs	100%	13.332			100%	17.650	13.891			3.759		
NEW CONSTRUCTION												
Residential	81%	3.700	3.145	4.255	40%	1.900	1.625	1.300	1.950	0.275	0.220	0.330
Commercial	5%	0.216	0.184	0.245	45%	2.300	1.920	1.536	2.304	0.380	0.304	0.456
Industrial & Agricultural	0%	0.000	0.000	0.000	4%	0.200	0.100	0.080	0.120	0.100	0.080	0.120
Codes & Standards Support, Local Government Initiatives	14%	0.648	0.551	0.745	8%	0.400	0.200	0.160	0.240	0.200	0.160	0.240
SubTotals New Construction Programs	100%	4.564			100%	4.800	3.845			0.955		
PROGRAM AREA TOTAL												
Performance Award Cap		2.791				3.806						
Subtotal		27.191				34.602	28.213			6.359		
ADMINISTRATIVE LINE ITEMS (Subject to Protests, Excluded from Resolution)												
New Administrator Start-Up		0.000				1.033						
CBE Budget		0.000				0.284						
M&E, Administration		0.636				1.195						
M&E, Other Activities		0.000				0.145						
State Staff		0.000				0.063						
CEC Data Collection		0.168				0.287						
Subtotal												