PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3579
DECEMBER 17, 1998

RESOLUTION

RESOLUTION E-3579. SOUTHERN CALIFORNIA EDISON COMPANY, PACIFIC GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA GAS COMPANY AND SAN DIEGO GAS & ELECTRIC COMPANY REQUEST APPROVAL OF INTERIM ADMINISTRATIVE ACTIVITIES ASSOCIATED WITH 1998 PROGRAMS AND COMMITMENTS FOR ENERGY EFFICIENCY AND DEMAND-SIDE MANAGEMENT PROGRAMS. APPROVED, AS MODIFIED.

BY ADVICE LETTERS (AL) SCE AL 1341-E; PG&E AL 1813-E/2107-G; SOCALGAS AL 2752; SDG&E AL 1128-E/1122-G FILED ON OCTOBER 15, 1998.

SUMMARY

1. By Advice Letters (AL) SCE AL 1341-E; PG&E AL 1813-E/2107-G; SoCalGas AL 2752; SDG&E AL 1128-E/1122-G, Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), Southern California Gas Company (SoCalGas), and San Diego Gas and Electric Company (SDG&E) request approval of interim administrative activities associated with 1998 programs and commitments for energy efficiency and demand-side management programs.

2. The California Board for Energy Efficiency (CBEE) filed comments to these advice letters, stating that each failed to follow its recommendations to the Commission as filed under Rulemaking (R.) 98-07-037 the Assigned Commissioner's Ruling (ACR) issued September 23, 1998.

3. This resolution adopts the CBEE's revisions to the transition plan and milestones for scheduling and planning year-end activities related to 1998 energy efficiency programs and transition tasks in 1999 as filed September 4, 1998 under R.98-07-037. The advice letters are approved, as modified.

BACKGROUND

1. On July 23, 1998 the Commission adopted Resolution E-3555 extending identified

funding for energy efficiency programs and addressed the level of interim administrator budgets through December 31, 1998. The advice letters addressed by Resolution E-3555 were submitted in compliance with Decision (D.) 98-05-018, which directed interim utility administrators to augment their nine-month authorized budgets by 25%.

2. On September 4, 1998 CBEE filed under R.98-07-037, as directed by D.98-07-036, proposed revisions to the transition plan and milestones[1] presented in 1997, for Commission consideration in 1998 to schedule and plan the year-end activities related to 1998 programs and transition tasks in 1999. In this filing, CBEE made three recommendations:

> "***First,*** the CBEE recommends that the Commission authorize the interim administrators to conduct administrative activities related to 1998 programs that are not completed by December 31, 1998 during 1999[2].....with funding from the authorized 1998 budgets."
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> "***Second,*** the CBEE recommends that the Commission authorize the interim administrators to conduct activities related to the administration of multi-year commitments for 1998 programs in 1999. The CBEE recommends that these activities be funded first with carryover of unexpended 1998 program funds, and second with 1999 funds if unexpended 1998 funds are insufficient."
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> "***Third,*** the CBEE recommends that the Commission authorize the interim administrators to conduct activities in 1999 that are associated with the transition and transfer of programs and related assets and liabilities to the new program administrators." ..... "The CBEE recommends that these activities be funded first with carryover of unexpended 1998 program funds, and second with 1999 funds if unexpended 1998 funds are insufficient."

3. An Assigned Commissioner's Ruling (ACR) in Rulemaking (R.) 98-07-037 issued September 23, 1998 ordered the utilities, acting as Interim Administrators for the Energy Efficiency and Demand-Side Management programs, to submit advice letters on October 15 with recommendations on activities and funding associated with the 1998 program year. Pursuant to the ACR, each utility filed an advice letter on October 15, 1998.

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[1] Originally established in the Administrative Law Judge's Rulings of October 27, 1997 and November 13, 1997 in R.94-04-031/I.94-04-032.

[2] Activities include: close-out accounting of 1998 programs; reporting of 1998 programs, including the preparation and submittal of the 1998 annual summary report; initial verification of administrator performance awards and submittal of an awards claim for independent verification by the CBEE and approval of the Commission; and shut down of any programs that are not to be operated in 1999.

NOTICE

1. Notices of SCE AL 1341-E; PG&E AL 1813-E/2107-G; SoCalGas AL 2752; SDG&E AL 1128-E/1122-G were made by publication in the Commission's calendar and by mailing copies of the filing to adjacent utilities and interested parties on October 15, 1998.

PROTEST

1. The California Board for Energy Efficiency (CBEE) filed a timely protest concerning each of the utilities' advice letters on November 4, 1998. However, as an Advisory Board and not a Party, the CBEE should not file protests. We will treat the CBEE protest as filed comments.

2. In these comments, CBEE requests the Commission adopt its proposed revisions to the transition plan and milestones cited above, ordering the utilities to consistently reword their advice letters to eliminate ambiguities in the treatment of accounting for year-end 1998 administrative budgets. In addition, CBEE specifically requests the Commission reject PG&E's blanket request to authorize "any other activities in 1999 related to 1998 programs not currently identified." CBEE also recommends the Commission reject SCE's proposal of a schedule and process for recovery of the performance award associated with Program Year 1998 (PY98) program activity as premature.

Utility Responses to CBEE Comments

3. Sempra Energy responded to CBEE's comments concerning SoCalGas AL 2752 and SDG&E's AL 1128-E/1122-G on November 11, 1998. SCE responded late to CBEE's comments concerning AL 1341-E on November 17, 1998. PG&E responded late to CBEE's comments concerning AL2107-G/1813-E on November 19, 1998.

Southern California Gas Company

4. On behalf of SoCalGas, Sempra responded that its proposal results in the same effect desired by the CBEE and only requested carryover 1998 funding applied to continued administration of funds for multi-year commitments (Residential Standard Performance Contracts and Third Party Initiatives) extending beyond 1998. SoCalGas states further that "[f]unding for the activities associated with close-out accounting, reporting of program accomplishments, preparation and verification of earnings claims, and shut down of programs [CBEE's first recommendation]... can be funded from the balancing account upon authorization

by the Commission."

5. SoCalGas' advice letter duplicates the language of CBEE's first recommendation verbatim. Next, SoCalGas' advice letter proposes to submit its budget proposal for 1999 program activities in another filing, but requests authorization to continue to fund labor associated with its current energy efficiency activities effective January 1, 1999 and until such time as the November 13, 1998 advice letter for 1999 programs is approved by the Commission and becomes effective. Without such permission, SoCalGas states that both program and administrative funding for labor would be disrupted. SoCalGas is requesting authorization for continued funding only for labor, and not for new customer commitments or incentives.

San Diego Gas & Electric Company

6. In response to CBEE's comments, SDG&E states that it believes its advice letter comports with the CBEE recommendations and requests that the Commission approve its advice letter as filed. The only area SDG&E can identify that CBEE is commenting on is its advice letter opening statement which discusses the carryover of unexpended 1998 program monies to fund activities and if not sufficient, fund with 1999 energy efficiency monies. SDG&E states that this sentence refers to activities related to the administration of multi-year commitments for 1998 programs in 1999.

Southern California Edison Company

7. SCE responds that its advice letter seeks authorization to continue administration of those PY98 energy efficiency activities that will not be completed by the end of 1998, such as reporting of 1998 program results and preparation of the 1999 demand-side management summary report. SCE states that it prepared to transfer the administration of the energy efficiency programs to new administrators by the end of 1998 and did not set aside program funding associated with these reporting activities for use during 1999. SCE states that "the CBEE is mistaken when it suggests that these reporting activities should be funded with PY98 funds because SCE did not set aside funding for the reporting of PY98 activities during 1999.

8. SCE proposes that the Commission allow it to "...utilize any unspent PY98 funds to complete this task [reporting of 1998 activities in 1999]." SCE states further that if PY98 funds are not sufficient to completely cover these expenditures, it proposes to use PY99 funds to fund the remainder of the 1998 reporting activities that will take place in 1999 and beyond.

9. In its advice letter, SCE also recommends a process and schedule for the recovery of performance awards associated with PY98. SCE proposes to file an advice letter on April 1,

1999 seeking recovery of any performance awards associated with PY98 program activities. CBEE believes SCE's proposal is premature and misplaced. SCE responds that it is concerned about the late timing of the CBEE's currently scheduled consideration of this issue and that the Annual Earnings Assessment Proceeding is not the appropriate vehicle to seek recovery of these performance awards because of the lengthy recovery period.

Pacific Gas and Electric Company

10. PG&E's response to CBEE's comments argues that all of the administrative activities related to 1998 programs not completed by December 31, 1998, are, in fact, interconnected and ought to be treated similarly. Specifically, PG&E requests that the Commission authorize PG&E to engage in all of the activities listed by the CBEE after 1998, first using unexpended, authorized 1998 funds, and then, only if necessary, using 1999 funds.

11. PG&E notes that it had inadvertently omitted the "1998" in the CBEE text quoted above, causing the CBEE to draw attention to the omission.

12. PG&E states that although it has budgeted funds for interim administrative reporting, subject to the CBEE's first recommendation and will not require 1999 funds for this reporting, it requests the Commission authorize PG&E to engage in all of the 1998 administrative activities listed by the CBEE, first using unexpended, authorized 1998 funds, and then, only if necessary, using 1999 funds. PG&E explains that the CBEE's recommendations are contrary to past Commission authorizations, where the administrative costs incurred, for instance, in a 1996 program for activities occurring in 1997 were paid with 1997 funding. PG&E also cites that this precise issue was raised in the 1995 Annual Earnings Assessment Proceeding where the Commission concluded "[S]ubstantial and discrete program administrative or incremental measure costs associated with a program year, but incurred in subsequent years, shall be identified by the utility in its annual report for the year in which the costs were incurred. These costs will not be treated any differently than any other costs incurred in that year ..." (D. 95-12-054, 63 CPUC 2d 479, at p. 501.)

13. PG&E also responds to CBEE's comment concerning its inclusion of the umbrella phrase "[a]ny other activities in 1999 related to 1998 programs not currently identified by PG&E." PG&E argues that inclusion of this statement is prudent since reporting requirements have not yet been fully prescribed and the future requirement recommendations of CBEE have yet to be laid out.

DISCUSSION

1. The CBEE recommendations distinguish the administration of multi-year commitments for 1998 programs in 1999 and beyond from all other administrative activities related to 1998 programs not completed by December 31, 1998. In its recommendations to the Commission, the CBEE is calling for stricter accounting controls of the interim utility administrators' budgets in order to track the program administration costs more precisely. The effect of the CBEE's recommendation is to associate the non-program related administrative costs to the PY rather than extend these costs into a future year. The goal is to achieve a straightforward accounting structure for future, non-utility administrators to use when these programs can be transferred from the utilities. We commend the CBEE in its continuing efforts to work with the utilities in identifying and separating program-related costs from other administrative costs. These policy recommendations should be incorporated into the adopted policy guidelines for energy efficiency budgets.

2. Each of the utility advice letters contain the recommended phrasing of the CBEE with slight variations. Excepting SCE, the utilities respond that they can complete the 1998 program year administration and reporting, as recommended in CBEE's first recommendation with the 1998 funds set aside for these activities, which will be conducted at the end of 1998 and into the 1999 year. SCE states that it does not have sufficient funding to complete the program close-out and reporting of 1998 activities with the available 1998 funds and proposes to use 1999 funds for this.

3. The intent of the CBEE recommendations is to "tag" budgeted funds for specific activities in order to accomplish responsible utility budgeting within a program year. This is evident from the budgets adopted under Resolution E-3555 (partially reproduced in the table below) extending the nine-month energy efficiency budgets to a full year. We find it difficult to understand why SCE claims it has no funds for reporting activities concerning 1998 programs, when its budget for these activities was extended in the fourth quarter by $2 million, for an annual budget of over $6 million for Measurement, Forecast and Regulatory Reporting activities (MFRR), and is the largest budget of all the utilities.[3]

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[3] Energy Division notes that SCE's AL 1348-E proposing 1999 Energy Efficiency Program Plans, Budget, and Performance Award Mechanism, Attachment A, Table 2, lines 23-24 identified 1998 Unexpended/ Uncommitted Utility Budget Funds and 1998 Collected, Not Authorized to Spend Funds in the amount of $2.526 million.

Energy Efficiency Budgets
PY 1998
($000s)

Funding Category	PG&E Q4 Funding	PG&E 1998 Budget	SDG&E Q4 Funding	SDG&E 1998 Budget	SCE Q4 Funding	SCE 1998 Budget	SoCalGas Q4 Funding	SoCalGas 1998 Budget
Programs Only	$15.940	$81.806	$5.905	$28.756	$14.720	$69.983	$4.070	$23.548
Administrative Performance Incentive Cap	1.594	10.615	.591	3.790	1.472	8.104	.424	1.982
CBEE Set Aside	1.483	5.933	0	1.500	0	4.000	0	0
Measurement, Forecast & Reg. Report (MFRR)	.650	5.250	.156	2.130	1.377	6.387	.170	2.119
TOTAL BUDGETS	$19.667	$103.804	$6.652	$36.176	$17.569	$88.474	$4.664	$27.649

4. The CBEE's first recommendation cited above is to spend the 1998 MFRR category budget for these activities, and not use anticipated 1999 funds. PG&E comments that past utility practice was to spend funds for these activities in the year in which they occurred, not in the year in which they were associated.

5. SCE needs to clarify in a separate, detailed report where the 1998 MFRR budgeted funds were spent (or not spent), and should revise its budgeting and accounting for 1999 to develop an appropriate estimate of expenditures. Each expenditure or future estimate should be identified by date of occurrence, activity, and associated category budget source. SCE should use what 1998 funds remain for the reporting activities and MFRR in 1999, identifying the date expenditures are incurred and the 1998 funding category. SCE is obligated to spend all 1998 funds which are not program-related, CBEE-related, or otherwise earmarked for 1998 spending, and should use such funds for MFRR and other year-end activities. Funds from the 1999 budget should only be used when the budgeted 1998 funds are depleted for these activities.

6. In its report, SCE also should identify the specific amounts it requires to meet the shortfall for the remaining activities to be conducted in 1999 associated with the CBEE's first recommendation. Each estimate should be identified by date of occurrence, activity, and associated category budget source. This report should be submitted to the Energy Division, in compliance with this resolution, to the CBEE, and as a supplement to SCE's newly-filed AL 1348-E, proposing 1999 Energy Efficiency Programs and Budgets.

Other Issues

7. Southern California Gas Company requests authorization to use 1999 funding to continue to fund labor associated with its current energy efficiency activities effective January 1, 1999 and until such time as the November 13, 1998 advice letter for 1999 programs is approved by the Commission and becomes effective. Without such permission, SoCalGas states that both program and administrative funding for labor would be disrupted. SoCalGas is requesting authorization for continued funding only for labor, and not for new customer commitments or incentives. Since this request was made, each of the other utilities, as well as SoCalGas, has filed additional advice letters addressing the need for "bridging" funds, until the November 13 advice letter filings proposing the 1998 programs can be addressed by the Commission. These "bridging" funds are the subject of another resolution. Therefore, SoCalGas' request under AL 2752 will be addressed elsewhere under AL 2766.

8. PG&E states that inclusion of its umbrella statement "[a]ny other activities in 1999 related to 1998 programs not currently identified by PG&E" is prudent since reporting requirements have not yet been fully prescribed and the future requirement recommendations of CBEE have yet to be laid out. This statement is too broad and overarching for incorporation into a policy statement dealing with the close-out of the 1998 program year, especially since the end of the year is in sight. This statement should be deleted.

9. SCE recommends a process and schedule for the recovery of performance awards associated with PY98. SCE proposes to file an advice letter on April 1, 1999 seeking recovery of any performance awards associated with PY98 program activities. SCE responds that it is concerned about the late timing of the CBEE's currently scheduled consideration of this issue and that the Annual Earnings Assessment Proceeding (AEAP) is not the appropriate vehicle to seek recovery of these performance awards because of the lengthy recovery period. CBEE believes that SCE's proposal as being premature and misplaced. We agree. Although a process and schedule for an AEAP has not been scheduled, we will address it in a future ruling. SCE's recommendation is noted, but is premature.

FINDINGS

1. Resolution E-3555 extended the utilities' nine month energy efficiency budgets through December 31, 1998.

2. CBEE filed recommendations for Commission consideration to schedule and plan the year-end activities related to 1998 programs and transition tasks in 1999. SoCalGas, SDG&E,

PG&E and SCE filed advice letters on October 15, 1998 varying the wording of the CBEE recommendations.

3. CBEE recommends reporting, close-out accounting of programs ending in 1998, and similar activities which will be conducted in 1999 be funded with the 1998 budget category identified for these activities.

4. CBEE recommends authorizing the interim utility administrators to conduct activities related to the administration of multi-year commitments for 1998 programs in 1999, first using carryover of unexpended 1998 program funds and second, with 1999 funds if 1998 funds are insufficient.

5. CBEE recommends authorizing the interim utility administrators to conduct activities in 1999 associated with the transition and transfer of programs and related assets and liabilities to the new program administrators. CBEE further recommends that these activities be funded first with carryover of unexpended 1998 program funds, and second with 1999 funds if unexpended 1998 funds are insufficient.

6. CBEE filed comments on the advice letter filings of SoCalGas, SDG&E, PG&E, and SCE on November 4, 1998 to eliminate ambiguities in the accounting treatments for year-end 1998 administrative budgets.

7. All utilities but SCE have 1998 funds available to use for reporting and year-end close out activities. SCE states that it has no 1998 funds available associated with year-end activities and reporting to use for this purpose in 1999.

8. SCE should provide a detailed accounting of its 1998 MFRR budget, identifying how these funds were spent in a report to the Energy Division, the CBEE, and as a supplement to its 1999 Energy Efficiency Program, AL 1348-E. This report will track fund expenditures from its 1998 budget occurring in 1998 and separately, fund expenditures from its 1998 budget occurring in 1999. Further, SCE will track fund expenditures from its 1999 budgets for these activities and will report quarterly to the Energy Division and to the CBEE.

9. SCE should use what 1998 funds remain for MFRR and reporting activities occurring in 1999. Funds from the 1999 budget should only be used when the budgeted funds from the 1998 budget have been depleted.

10. SoCalGas' request for "bridging" funds to continue energy efficiency activities into January and February 1999 without disruption shall be addressed in another resolution.

11. PG&E's request to include an umbrella policy statement to carryover 1998 funds into 1999 for unidentified activities is over broad.

12. SCE's process and schedule proposal for the recovery of performance awards associated with PY98 is premature. The Commission should address this schedule in a future ruling.

13. CBEE's suggestions should be adopted in whole. SoCalGas, PG&E, SDG&E and SCE should supplement their respective advice letters with changes identified by this resolution.

THEREFORE IT IS ORDERED THAT:

1. The CBEE's three recommendations modifying the transition plan and milestones presented in 1997 are adopted. Each utility shall revise their advice letters to incorporate these recommendations verbatim.

2. Southern California Gas Company, San Diego Gas & Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company are authorized to conduct MFRR reporting activities as identified above with funding from their respective authorized 1998 budgets. Funding associated with the administration of multi-year commitments for 1998 programs in 1999 shall be funded first with carryover of unexpended 1998 program funds, and second with 1999 funds if 1998 program funds are insufficient.

3. Southern California Gas Company, San Diego Gas & Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company are authorized to conduct activities associated with the transition and transfer of programs and related assets and liabilities to the new program administrators, funded first with carryover of unexpended 1998 program funds, and second with 1999 funds if 1998 program funds are insufficient.

4. Southern California Edison Company shall report to the Energy Division, the CBEE, and as a supplement to its AL 1348-E, a full accounting of its 1998 MFRR budget, as outlined above. SCE shall use what 1998 funds remain for MFRR and reporting activities occurring in 1999 by January 29, 1999. Funds from the 1999 budget may only be used when the budgeted funds from the 1998 budget have been depleted.

5. Pacific Gas and Electric Company's request to include a phrase stating that 1998 funds shall be used for unspecified 1999 activities is rejected.

6. Southern California Edison Company AL 1341-E, Pacific Gas and Electric Company AL 1813-E/2107-G, Southern California Gas Company AL 2752, and San Diego Gas & Electric Company AL 1128-E/1122-G shall be marked approved, as modified by Resolution E-3579.

7. This Resolution is effective today.

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 December 17, 1998, the following Commissioners voting favorably thereon:

Wesley Franklin

WESLEY M. FRANKLIN
Executive Director

RICHARD A. BILAS
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners