BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) for Approval of its 2009-2011 Energy Efficiency Program Plans and Associated Public Goods Charge (PGC) and Procurement Funding Requests.	Application 08-07-021 (Filed July 21, 2008)
And Related Matters	Application 08-07-022 Application 08-07-023 Application 08-07-031 (Filed July 21, 2008)

MOTION OF PACIFIC GAS AND ELECTRIC COMPANY, SAN DIEGO GAS & ELECTRIC COMPANY (U902M), AND SOUTHERN CALIFORNIA GAS COMPANY (U904G) TO SHIFT UNSPENT, UNCOMMITTED ENERGY EFFICIENCY FUNDS TO ENSURE ADEQUATE FUNDING FOR THE 2010-2012 ENERGY EFFICIENCY PORTFOLIO IN THE WAKE OF SENATE BILL 87

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I. INTRODUCTION AND EXECUTIVE SUMMARY

Pursuant to Rule 11.1 of the Commission's Rules of Practice and Procedure, Pacific Gas and Electric Company, San Diego Gas & Electric Company and Southern California Gas Company (collectively, the "Moving Parties" or "the IOUs") hereby submit this motion to shift unspent, uncommitted energy efficiency funds to ensure adequate funding for the 2010-2012 energy efficiency portfolio. The Moving Parties request that the Commission take expedited action to grant this request in order to provide the IOUs with the tools and certainty required to respond to California Senate Bill 87 ("SB 87") signed into law on June 30, 2011, which allows the State to transfer up to $155 million from the Gas Consumption Surcharge Fund to the General Fund. Since these funds have already been recovered from customers, this request will not result in a rate increase.

Immediate Commission approval of this motion is needed because, absent such approval, the IOUs will have to significantly and immediately curtail activities across their energy

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efficiency portfolios due to the funding shortfalls caused by SB 87.[1] Customers, vendors, third party implementers, state agencies and local governments will be turned away from efficiency programs, and energy efficiency jobs will be lost. Any significant curtailment or shutdown as a result of SB 87 would also effectively halt the current momentum of energy efficiency, would create mistrust and cynicism for energy efficiency programs with customers and the industry, and would essentially remove energy efficiency from the top of the California's loading order. In addition, savings toward California's ambitious greenhouse gas reduction goals will be lost and the market will take time to recover from such a dramatic reduction in our commitment to energy efficiency. For these reasons, the Moving Parties respectfully request immediate Commission approval to use unspent, uncommitted funds from prior program cycles for the 2010-2012 energy efficiency portfolio.

II. THE MOVING PARTIES REQUEST THAT THE COMMISSION GRANT IMMEDIATE AUTHORIZATION TO USE THE IOUS' AVAILABLE FUNDS TO AVOID A DRAMATIC REDUCTION IN THE STATE'S ENERGY EFFICIENCY PROGRAMS IN THE WAKE OF SB 87

SB 87 approves the transfer by the Controller from the Gas Consumption Surcharge Fund to the General Fund in the amount of up to $155 million. Pursuant to the bill, "At the discretion of the California Public Utilities Commission (CPUC), all program activities and requirements related to the transfer of $155,000,000 from the Gas Consumption Surcharge Fund to the General Fund may be suspended for any period impacted by this funds transfer. To the extent such program activities and requirements are suspended for a gas corporation's programs and the gas corporation has not secured a different source of funding authorized by the CPUC, that gas corporation shall be relieved of the obligation to meet and shall not be held responsible for the program goals for the period of time affected by the transfer."

The IOUs' energy efficiency programs are funded by a combination of Commission-approved energy efficiency program budgets and funds such as the Gas Consumption Surcharge and Public Goods Charge. With SB 87's transfer of moneys from the Gas Consumption Surcharge Fund, the IOUs' energy efficiency programs are at risk of underfunding. To avoid

[1] The total energy efficiency portfolio for both PG&E and SDG&E will be impacted because portfolio expenditures are recorded to the electric and gas balancing accounts consistent with the methodology adopted by the Commission to align portfolio cost recovery with projected net benefits from electric and gas measures in the portfolio. Therefore, expenses, including incentives related to electric and gas measures are not necessarily tied to an "electric program" or a "gas program." (See D.09-09-047 at pp.317-319.) SoCalGas' entire portfolio will also be impacted as that utility's share of the Gas Consumption Surcharge Fund only supports gas energy efficiency programs.

dramatic reductions in energy efficiency programs, the Commission should immediately grant the IOUs authority to utilize unspent, uncommitted funds from prior energy efficiency program cycles, including interest, to offset the impact of SB 87's funding reductions to the portfolio budgets approved in D.09-09-047. Such timely action will allow for continuation of the IOUs' Commission-approved energy efficiency portfolios for fiscal year 2011-2012. These unspent, uncommitted funds were previously collected through rates for energy efficiency programs. As discussed below, the Commission has previously approved similar requests for use of prior year funds to augment IOU gas and electric portfolio budgets.

A. REGULATORY BACKGROUND ON THE IOUS' COMMISSION-APPROVED ENERGY EFFICIENCY BUDGETS AND COST RECOVERY MECHANISMS

In D.09-09-047, the CPUC adopted budgets for the IOUs' energy efficiency portfolios. The portfolios were adopted as a collection of programs around market segment (residential, commercial, industrial, etc) or delivery mechanism (financing, statewide marketing, etc) and not as distinct gas or electric portfolios. The IOUs' proposed cost recovery mechanisms were not contested by any party, were explicitly adopted by the Commission in the decision in concept, and were affirmed via approval of the compliance advice letters implementing D.09-09-047. In D.09-09-047, the Commission ordered implementation of budgets and cost recovery as follows:

> OP 3. The budgets for energy efficiency portfolios for 2010 through 2012 shall be: a. $1.338 billion for Pacific Gas and Electric Company;…c. $285 million for Southern California Gas Company. Southern California Gas Company is also authorized to incorporate up to $45 million of unspent, uncommitted funds into its budget; and d. $278 million for San Diego Gas & Electric Company. San Diego Gas & Electric Company is also authorized to incorporate up to $63 million of unspent, uncommitted funds into its budget….
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> OP 42. An initial Evaluation, Measurement &Verification budget of $125 million is adopted, subject to review in the follow-up Evaluation, Measurement & Verification decision in this docket. $88 million in remaining funds shall be used for these purposes, with $37 million in additional funds approved for 2010….
>
> For the combined utilities, PG&E and SDG&E, the portfolio budgets should split the electric and gas cost recovery according to an expense ratio aligned with the portfolios for savings/budgets. This method was adopted under D.05-09-043 for PG&E and equates to roughly 85% electric and 15% gas. We extend its application under this decision for PG&E and apply it to SDG&E as well. (p.319)

B. THE IOUS WILL ALLOCATE FUNDS SWEPT PER SB 87 CONSISTENT WITH D.09-09-047 AND THEIR COMMISSION-APPROVED TARIFFS

According to their existing approved tariffs,[2] each affected IOU will record an entry to its Energy Efficiency Balancing Accounts equal to its respective portion of the statewide $155 million EE Funding Reduction per SB 87. As shown in Table 1 below, each IOU's portion of the EE funding reduction will be calculated based on each IOU's pro rata share of the total gas portion of the 2010-2012 authorized energy efficiency funds authorized in D.09-09-047. Each IOU's portion is as follows: PG&E = 41% (or maximum $63.55 million), SDG&E = 10% (or maximum $15.5 million) and SoCalGas = 49% (or maximum $75.95 million).

Table 1 summarizes each IOU's share of the EE Funding Reduction for fiscal year 2011-2012 and the funds available to offset this reduction, as discussed herein.

TABLE 1 – Summary of SB 87 Funds Transfer and Available Funds to Offset Transfer

	PG&E	**SDG&E**	**SCG**	**IOU Total**
Gas Portion of 2010-2012 EE Authorized Funding	$240,840,000	$55,600,000	$285,000,000	$581,440,000
Percent of Gas Funding	41%	10%	49%	100%
EE Funding Reduction (FY 2011-12)	**$63,550,000**	**$15,500,000**	**$75,950,000**	**$155,000,000**
Pre-2010 Unspent, Uncommitted, Available Funds[3]	$55,138,574	$ 8,527,749	$36,391,734	$100,058,057
Pre-2010 EM&V Unspent, Uncommitted, Available Funds (final subject to Energy Division confirmation)	$13,500,000	$303,467	$3,235,489	$17,038,956
Total Available Funds[4]	**$68,638,574**	**$8,831,216**	**$39,627,223**	**$117,097,013**

[2] To recognize the impact resulting from passage of SB 87 consistent with its tariffs, PG&E will record a one-time budget reduction to its energy efficiency balancing accounts based on the 18% gas, 82% electric net benefit ratio approved in PG&E's Energy Efficiency Compliance AL 3065-G-A&B//3562-E-A&B and discussed in D.09-09-047, p.319. These entries can be later reversed if the funds transfer does not materialize.

[3] For PG&E, the uncommitted funds are as of May 31, 2011. For SDG&E and SoCalGas, the uncommitted funds are as of June 30, 2011

[4] For SDG&E and SoCalGas, a portion of these funds are currently being amortized in rates. For SoCalGas, an additional $14 million will be refunded in rates by the end of 2011, resulting in only $25.6 million available to offset the reduction. For SDG&E, an additional $1.1 million will be refunded in gas rates by the end of 2011, resulting in combined $7.7 million available to offset the reduction.

C. UPON APPROVAL OF THIS MOTION, THE IOUS WILL TAKE ACTIONS TO KEEP ENERGY EFFICIENCY PROGRAMS THRIVING

Consistent with the above-referenced table, if the Commission grants this motion, PG&E will utilize the following funds to offset its share of the EE Funding Reduction:

(1) the remaining estimated $13.5 million of 2006-2009 unspent EM&V funds that were previously authorized in D.09-09-047 to amortize as a credit to PPP rates[5] (final amount subject to confirmation from Energy Division) and

(2) an additional $55,138,574 in other available prior period unspent EE program funds.

Similarly, SDG&E and SoCalGas will utilize the following funds to offset their respective shares of the EE Funding Reduction in the following order:

(1) any remaining natural gas funds from the DSM Pilot Bidding programs[6]; and

(2) their natural gas EE uncommitted and unspent funds from previous EE program cycles, including any EM&V funds (final EM&V amount subject to confirmation from Energy Division), incremental to what has already been previously authorized in D.09-09-047 to be amortized as a credit to PPP rates.[7] In addition, SDG&E is requesting authority to offset any remaining gas undercollection by transferring funds from any remaining electric funds in the following order, (a) from its DSM Pilot Bidding program and (b) overcollection of electric funds in SDG&E's Post-1997 Electric EE Balancing Account.

Depending on each IOU's circumstance, the amount of available funding may not be sufficient to cover the amount of funding lost to that same IOU given the EE Funding Reduction as provided in SB 87.[8] Therefore, notwithstanding the Commission's approval for the IOUs to make use of unspent, uncommitted energy efficiency funds from prior program cycles, some IOUs may still be required to curtail some 2010-2012 Energy Efficiency portfolio activities. However, the scope and effect of these portfolio reductions would be much milder, at least in the near term, in comparison to those which would otherwise have been required should the Commission fail to grant the relief sought by this motion.

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5 D.09-09-047 at OP 42.

6 *See* D.92-09-080 and D.93-06-040.

7 D.09-09-047 OP 3 c, d and OP 42. Consistent with prior approvals, SDG&E seeks authorization to use electric unspent funds as needed to offset the EE Funding Reduction recorded in its gas balancing accounts.

8 SDG&E pre-2010 unspent, uncommitted, available electric funds is $22.2 million, as of June 30, 2011. An additional $10.3 million will be refunded in electric rates by the end of 2011, resulting in a net $11.9 million available to further offset the reduction.

D. THE MOVING PARTIES' REQUEST IS CONSISTENT WITH PREVIOUS CPUC DECISIONS

The Moving Parties hereby seek approval to utilize prior cycle unspent portfolio funds to backfill for any program funds swept by the State in order to implement the portfolio approved by the CPUC in D.09-09-047. This request is consistent with the Commission's previous decisions granting similar relief.

For example, in this docket, Southern California Edison Company (SCE) filed a "Motion to Shift Unspent, Uncommitted Funds from Past Program Cycles to Ensure Adequate Funding For Identified 2009 Energy Efficiency Transition Programs" on July 31, 2009. (See D.09-09-047, p. 324.) Similarly, SDG&E filed a "Motion to Shift Unspent, Uncommitted Funds from Previous Program Cycles to Ensure Adequate Funding For Identified 2009 Energy Efficiency Transition Programs" on August 11, 2009. (*Id.,* p. 327.) The Commission granted the requested authorization in D.09-09-047, Ordering Paragraphs 3b, 3c, and 3d.

The Commission has also granted the IOUs' request for mid-cycle funding augmentation for the current program cycle in D.09-05-037, OP 8,[9] and has authorized mid-cycle funding augmentation under slightly different terms in regard to counting energy savings toward the risk/reward incentive mechanism in D.05-09-043.

Further, consistent with this instant motion request, the CPUC has previously allowed PG&E to use prior energy efficiency portfolio cycle (combined gas and electric) unspent funds to augment its portfolio funding. Examples include Resolution G-3439 approving Advice Letter 3030-G/3487-E for 2009 and Resolution G-3421 approving Advice Letter 2938-G/3298-E for 2008. The Commission approved PG&E's request to transfer low income program funds from the electric account to the gas account to cover gas program expenses through Advice Letter 2946-G/3312-E, approved on September 17, 2008. The Commission has also previously allowed SDG&E to offset a gas undercollection by transferring funds from the electric overcollection in SDG&E's Post-1997 Electric EE Balancing Account (Advice Letter 1829-E/1637-G).

As discussed above, the Commission has a long-standing history of ensuring that energy efficiency programs thrive by ensuring appropriate funding. The Commission has also already laid the groundwork for this request by giving pre-authorization to the IOUs to request additional funding to the extent it is needed mid-cycle to ensure the portfolio's success during the 2010-2012 cycle.

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[9] The Commission also ordered that the Policy Manual be updated to reflect CPUC decisions D.09-05-037 and D.09-09-047 by Energy Division. A revised version has not yet been released.

III. CONCLUSION

In order to avoid immediate negative impacts and likely irreparable harm to customers, the industry, and the IOUs and their energy efficiency partners and implementers associated with SB 87's transfer of up to $155 million from the Gas Consumption Surcharge Funds to the General Fund, the Commission should authorize the IOUs to utilize pre-2010 unspent, uncommitted energy efficiency funds, including interest, to offset the impact of the EE Funding Reduction and to fulfill energy efficiency portfolio activities previously authorized by the CPUC in D.09-09-047.

Counsel for SDG&E and SoCalGas has authorized the undersigned to submit this Motion of their behalf.

Respectfully Submitted,

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By: /s/
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Submitted on behalf of:
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SAN DIEGO GAS AND ELECTRIC COMPANY, *and*
SOUTHERN CALIFORNIA GAS COMPANY

Dated: July 1, 2011