

Response to SB 87 for Energy Efficiency programs

July 2011

Agenda



- How it Happened: Gas Surcharge and Senate Bill 87 Flowchart
- What it Does: Consistency in Program Operations is Vital
- How We Can Fix It: Policy Timeline and Historical Basis
- Details Background: Accounting
- Solution Details: Funds to Keep Energy Efficiency Thriving
- Taking the Wrong Step: Snap Decisions Lead to Irrational Outcomes
- Two Paths Forward: Next Steps

Gas Surcharge and Senate Bill 87 Flowchart



AB 1002 signed Sept 2000 IOUs and Interstate Pipeline Customers collect surcharge to recover EE, LIEE, CARE, RD&D, and BOE admin through their rates

Collections transferred to Board of Equalization (BOE)

BOE places collections in Gas Consumption Surcharge Fund (component of General Fund) CPUC appropriates these collections to the IOUs (except for BOE admin and RD&D funds which go to CEC) to fund EE, LIEE, and CARE programs

Consistency in Program Operations is Vital



Motion's Request: Use previously-collected, unspent EE funds to continue CPUC-adopted programs per D.09-09-047, and prevent loss of momentum and program cancellation.

Abrupt Cancellation of Programs can...

- •Halt momentum of EE
- •Create mistrust and cynicism for EE programs with customers and industry
- •Remove EE from the top of California's loading order
- Stand in opposition of AB 32 and other GHG reduction efforts

Approved Accounting Background



Step 1

· Design Portfolio based on CPUC guidance, workshops and Strategic Plan

Step 2

Calculate expected net benefits of portfolio (82%/18%)

Step 3

- · Assign 18% of total portfolio cost recovery to gas surcharge
- Assign 82% to electric (electric PGC and procurement rate)

Step 4

Portfolio filed and approved (no separate gas and electric programs approved)

Step 5

- Run portfolio (all expenses are split 18% gas, 82% electric regardless of task).
- "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." D. 09-09-047





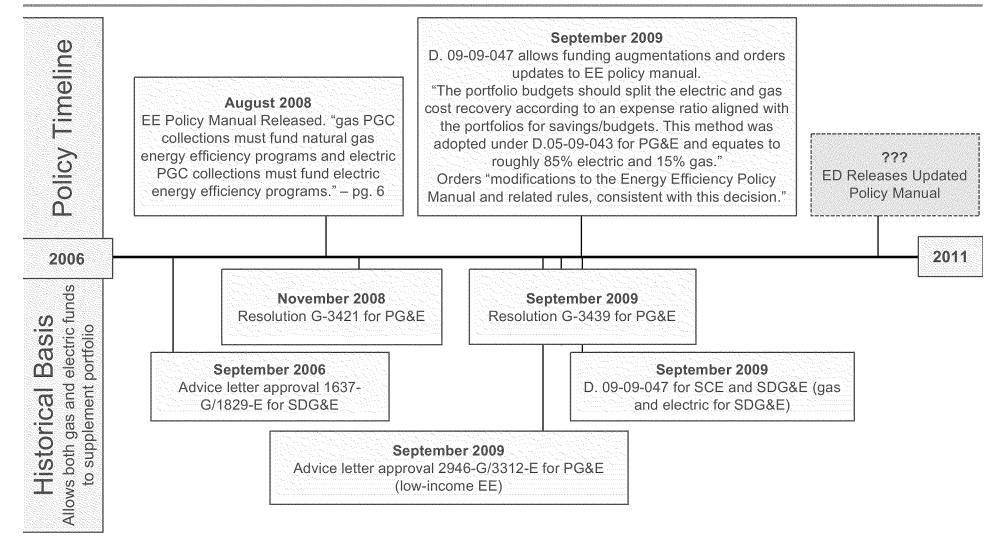






TABLE 1 from Motion – Summary of SB 87 Funds Transfer and Available Funds to Offset Transfer

	PG&E	SDG&E	SCG	IOU Total
EE Funding Reduction from SB 87 (FY 2011-12)	\$63,550,000	\$15,500,000	\$75,950,000	\$155,000,000
Pre-2010 Unspent, Uncommitted, Available Funds	\$55,138,574	\$ 8,527,749	\$36,391,734	\$100,058,077
Pre-2010 EM&V Unspent, Uncommitted, Available Funds	\$13,500,000	\$303,467	\$3,235,489	\$17,038,956
Total Available Funds (summing two lines above)	\$68,638,574	\$8,831,216	\$39,627,223	\$117,097,013

Snap Decisions on Program Priorities Lead to Irrational Outcomes



Errors Contained in Ruling:

- 1. Lack of acknowledgement that portfolio is built around customers, not gas or electric commodities.
- 2. Energy Upgrade amount for PG&E of \$18.7M is not merely for gas and is not traceable to portfolio information¹.
- 3. Already authorized funding is double counted as available to both offset the gas sweep and to meet current commitments.
- 4. Percentages of budget are incorrect. These percentages are of the expected collection rate, not the fiscal year budget.
- 5. Reduced Funding Level Calculated Incorrectly. \$176.6M \$155M = \$21.6M.
- 6. Failure to account for spending occurring while regulatory process occurs and necessary shutdown process.

1 – pg. 8, "Specifically, PG&E would have approximately \$18.7 million to continue its ARRA programs and approximately \$7.9 million to continue its TRC gas programs."

Next Steps



Next Steps for Motion:

- •July 1: Motion Filed
- •July 21: Party Responses due
- •End of July: ALJ or Assigned Commissioner issues ruling adopting Motion
 - From the CPUC's Rules of Practice and Procedure: "11.1(g) Nothing in this rule prevents the Commission or the Administrative Law Judge from ruling on a motion before responses or replies are filed."

Next Steps for Commissioner Ruling:

- July 21: Opening Comments and Reduction Proposal
- July 28: Reply Comments
- TBD Workshop
- TBD White Paper
- TBD Proposed Decision
- TBD Opening Comments
- TBD Reply Comments
- Decision... 2011... 2012...