

Application 00-05-____
Exhibit Nos.: (SoCalGas-1A, 1B, and 1C)
Witness: Pamela Brown

PREPARED DIRECT TESTIMONY
OF
SOUTHERN CALIFORNIA GAS COMPANY
For 2000 Annual Earnings Assessment Proceeding

May 1, 2000

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application 00-05-____
Exhibit No.: (SoCalGas-1A)
Witness: Pamela Brown

PREPARED DIRECT TESTIMONY
OF
SOUTHERN CALIFORNIA GAS COMPANY
For Program Years 1995-97 DSM Earnings

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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1 AEAP is for: (1) the performance of Program Year 1997 ("PY1997") DSM programs,
2 limited to the first earnings claim under the earnings distribution schedule for PY1997
3 commitments paid in calendar year 1999, (2) the second earnings claim for the
4 performance of PY1997 DSM programs under the earnings distribution schedule for
5 PY1997 commitments paid in calendar year 1998, and (3) the third earnings claim for
6 the performance of its Program Year 1995 ("PY1995") DSM programs.

7 The PY1997 first earnings claim represents the first installment of the projected
8 lifecycle shareholder earnings that may be claimed by SoCalGas for its performance of
9 1997 DSM programs. This claim is for PY1997 program commitments made in 1997,
10 which were paid out in 1999. The earnings claim is being made pursuant to
11 Commission Decisions (D.) 97-09-117 and 97-12-103.

12 "Lifecycle earnings" are the total amount of the shareholder earnings that may
13 eventually be recovered by SoCalGas following the completion and verification of all
14 required impact studies in subsequent years. The first earnings claim is based on
15 actual, verified program costs and participation levels and forecasted net impacts per
16 unit, and is equal to 25% of SoCalGas' projected lifecycle shareholder earnings for its
17 1997 DSM programs.

18 The PY1997 second earnings claim represents the second installment of the
19 updated projected lifecycle shareholder earnings that may be claimed by SoCalGas for
20 its PY1997 program commitments that were installed in 1998.

21 The PY1995 third earnings claim represents the third installment of the updated
22 projected lifecycle shareholder earnings that may be claimed by SoCalGas for its
23 PY1995 DSM programs.

24 Discussed below are SoCalGas' 1997 and 1995 DSM programs. SoCalGas' first
25 earnings claim for 1997 DSM program performance occurring in 1999 results in
26 projected lifecycle shareholder earnings of \$145,940, which provide a first earnings
27 claim in this 2000 AEAP of \$36,485 (25% of \$145,940).

1 The second earnings claim for 1997 DSM program performance occurring in
2 1998 is based on a revised lifecycle earnings of \$1,390,636, which provides a second
3 earnings claim in this AEAP of \$347,659 (50% of \$1,390,636 less the first earnings
4 claim for this program performance).

5 The third earnings claim for SoCalGas' 1995 DSM program's performance
6 results in a revised 1995 DSM program performance projected lifecycle shareholder
7 earnings for SoCalGas' energy efficiency program and Direct Assistance program. This
8 revised lifecycle shareholder earnings amount is \$3,479,000, producing a third earnings
9 claim in this 1999 AEAP of \$869,792 (75% of \$3,479,000 less the total of previous
10 earnings claims for 1995 DSM programs).

11 Therefore, in this Application, SoCalGas requests that the Commission grant
12 SoCalGas authority, effective January 1, 2001, to increase SoCalGas' authorized gas
13 revenue requirements as necessary to permit SoCalGas to recover \$36,485 for its first
14 earnings claim for PY1997, \$347,659 for its second earnings claim for PY1997, plus
15 \$869,792 for its third earnings claim from PY1995.

16 In addition, SoCalGas requests that total interest of \$267,544 be accrued on
17 these earnings claims, as stipulated in D.94-10-059, page 113. SoCalGas also
18 requests an additional sum for franchise fees and uncollectibles related to each claim,
19 totaling \$51,824. Accordingly, the year 2001 total authorized revenue requirement
20 increase requested in this 2000 AEAP for PY1994-97 program activity is \$1,573,304.

21 **B. SUMMARY OF PY1997 PROGRAMS AND PERFORMANCE FOR CALENDAR**
22 **YEAR 1999: FIRST EARNINGS CLAIM**

23 Included in Appendix B of SoCalGas' Application are PY1997 first earnings claim
24 summary Tables E-1, E-2, and E-3. These tables include first-year earnings claims for
25 PY1997 projects committed in 1997 and completed in 1999. SoCalGas' witness,
26 Pamela Brown, is sponsoring the DSM Annual Summary (Exhibit SoCalGas-2) to the
27 extent it supports those earnings claim summaries. The 1997 DSM incentive

1 mechanisms were adopted by D.94-10-059, entitled "Interim Opinion on DSM
2 Shareholder Incentives: Implementation Phase."

3 SoCalGas is claiming first-year earnings for the PY1997 Energy Edge program.
4 This program is subject to the shared savings incentive mechanism. Under this
5 incentive mechanism, shareholder earnings are calculated at 30% of a performance
6 earnings basis. The performance earnings basis for this mechanism is defined as two-
7 thirds of the Total Resource Cost net benefits plus one third of the Utility Cost net
8 benefits. The shared savings incentive mechanism is defined in detail in D.94-10-059,
9 beginning on page 18.

10 Accomplishments in this program are described in detail in the DSM Annual
11 Summary (Exhibit SoCalGas-2). In total, SoCalGas' 1997 first-year earnings claim for
12 DSM program performance completed in 1999 under the adopted incentive
13 mechanisms produces a projected lifecycle shareholder earnings claim of \$145,940; the
14 total first earnings claim under this incentive mechanism is \$36,485.

15 **C. SUMMARY OF PY1997 PROGRAMS AND PERFORMANCE FOR CALENDAR**
16 **YEAR 1998: SECOND EARNINGS CLAIM**

17 Included in Appendix C of SoCalGas' Application are PY1997 second earnings
18 claim summary Tables E-1, E-2, and E-3. These tables include second-year earnings
19 claims for PY1997 projects committed in 1997 and completed in 1998 for the Energy
20 Edge program. Ms. Brown is sponsoring the DSM Annual Summary (Exhibit
21 SoCalGas-2) to the extent it supports those earnings claim summaries. The 1997 DSM
22 incentive mechanisms were adopted by D.94-10-059, entitled "Interim Opinion on DSM
23 Shareholder Incentives: Implementation Phase."

24 In this application, SoCalGas is deferring its request for the second earnings
25 claim associated with its Residential Pilot Bidding program. Due to a delay in the
26 receipt of information from the program's contractor, a review of the information and
27 resolution of issues could not be completed in time for this AEAP filing. SoCalGas will

1 submit its respective earnings claim in the 2001 AEAP or include it in the appropriate
2 AEAP consistent with the earnings distribution schedule for third earnings claims.

3 SoCalGas' second earnings claim for its 1997 DSM programs represents the
4 second installment of the projected lifecycle shareholder earnings for those programs
5 as revised.

6 The second earnings claim for PY1997 is \$347,659. This amount represents the
7 difference between 50% of the revised projected lifecycle shareholder earnings for
8 PY1997 (50% of \$1,391,000) and the previous earnings claim for PY1997.

9 **D. SUMMARY OF PY1995 PROGRAMS AND PERFORMANCE: THIRD**
10 **EARNINGS CLAIM**

11 Included in Appendix D of SoCalGas' Application are PY1995 earnings claim
12 summary Tables E-1, E-2, and E-3 pertaining to SoCalGas' third earnings claim.
13 Ms. Brown is sponsoring the DSM Annual Summary (Exhibit SoCalGas-2) to the extent
14 it supports those earnings claim summaries. The 1995 DSM incentive mechanisms
15 were adopted by D.94-10-059, entitled "Interim Opinion on DSM Shareholder
16 Incentives: Implementation Phase."

17 SoCalGas' third earnings claim for its 1995 DSM programs represents the third
18 installment of the projected lifecycle shareholder earnings for those programs as
19 revised.

20 The third earnings claim for PY1995 is \$869,792 (which includes the following
21 programs: REMS, CEMS, IEMS, CER, and DAP^{2/}). This amount represents the
22 difference between 75% of the revised projected lifecycle shareholder earnings for
23 PY1995 (75% of \$3,479,000) and the sum of the previous earnings claims for PY1995.

24 **E. CONCLUSION**

^{2/} REMS = Residential Energy Management Services (Home Energy Fitness program), CEMS = Commercial Energy Management Services, IEMS = Industrial Energy Management Services, CER = Commercial Equipment Replacement, and DAP = Direct Assistance Program (low income)

1 In conclusion, SoCalGas respectfully requests that the Commission approve
2 SoCalGas' 2000 AEAP application within a time frame that will allow SoCalGas to
3 implement all related authorized revenue adjustments effective January 1, 2001.

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**II.
QUALIFICATIONS OF
PAMELA BROWN**

4 My name is Pamela Brown. I am employed by Southern California Gas
5 Company (SoCalGas). My business address is 555 West Fifth Street, Los Angeles,
6 California 90013-1011. I am Senior Market Consultant - DSM Transition in the
7 Customer Services and Marketing department of the Energy Transportation Services
8 (ETS) business unit of SoCalGas. My responsibilities include coordination of Demand-
9 Side Management (DSM) regulatory-related activities for SoCalGas, among other
10 things.

11 I have a Bachelor of Science degree in Engineering from the University of
12 California, Los Angeles, and an MBA degree from the University of Southern California.
13 I have been employed by SoCalGas since 1979 and have held a variety of
14 progressively responsible management positions in the Marketing and Regulatory
15 Affairs Departments prior to assumption of my current position in July 1998.

Application 00-05-____
Exhibit No.: (SoCalGas-1B)
Witness: Pamela Brown

PREPARED DIRECT TESTIMONY
OF
SOUTHERN CALIFORNIA GAS COMPANY
For Program Year 1999 Energy Efficiency Earnings

May 1, 2000

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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**TESTIMONY OF SOUTHERN CALIFORNIA GAS COMPANY
FOR ITS
1999 ENERGY EFFICIENCY PROGRAM EARNINGS

2000 ANNUAL EARNINGS ASSESSMENT PROCEEDING
APPLICATION A.00-05-____**

**I.
SOCALGAS SHAREHOLDER EARNINGS CLAIM
FROM 1999 ENERGY EFFICIENCY PROGRAMS**

A. INTRODUCTION

The purpose of this testimony is to present and support SoCalGas' shareholder earnings claim for SoCalGas' program year (PY) 1999 energy efficiency programs,

SoCalGas filed its Advice Letter ("AL") 2760-G requesting approval of its 1999 Energy Efficiency program plans, budgets, and performance incentive award mechanism on November 16, 1998 as required by the Assigned Commissioner's Ruling in Rulemaking 98-07-037 dated September 23, 1998. In order to avoid any disruption in program delivery due to the potential delay in the approval of its proposed PY1999 programs, SoCalGas filed AL 2766 -G that requested authorization to continue in 1999 the Residential New Construction program and continue program planning and design activities for the 1999 programs. Resolution E-3581, issued December 17, 1998, granted authorization to undertake these activities through the end of February 1999.

On December 17 and 21, 1998, the California Board for Energy Efficiency ("CBEE") filed preliminary and final recommendations and comments on its review of the four major California investor-owned utilities' ("Utilities") advice letters on their PY1999 Energy Efficiency program proposals. Subsequently, the utilities' submitted comments in response to the CBEE's comments and provided an alternate performance incentive award mechanism on January 13, 1999.

On February 18, 1999, the Commission issued Resolution E-3589 authorizing

month-to-month funding and program delivery, and permitted pre-implementation tasks necessary for timely deployment of the 1999 programs.

SoCalGas' AL 2760-G PY99 program area budget and revised program budget and January 13, 1999 alternative performance incentive award mechanism for PY1999 Energy Efficiency programs were authorized by Resolution E-3578 issued on March 18, 1999. In addition, the resolution adopted uncontested Policy Rule changes as Interim, and also ordered the utilities to file supplemental advice letters providing additional details on the program descriptions by March 25, 1999. Resolution E-3592, issued on April 1, 1999, adopted the final PY1999 utility programs, including plans, budgets, and incentive mechanisms. Furthermore, it adopted other changes to the Policy Rules.

Shareholder Earnings Claim

SoCalGas' 1999 Energy Efficiency (non-low-income) program performance results in shareholder earnings of \$2,805,395. SoCalGas requests that all of the earnings for PY1999 Energy Efficiency program performance be awarded in a single payment to be recovered in rates in calendar year 2001. Therefore, in this Application, SoCalGas requests that the Commission grant SoCalGas authority, effective January 1, 2001, to increase SoCalGas' authorized gas revenue requirements as necessary to permit SoCalGas to recover \$2,805,395 for its earnings claim for PY1999. SoCalGas further requests interest related to this claim of \$144,649 as stipulated in D.94-10-059, page 113. SoCalGas also requests franchise fees and uncollectibles ("FF&U") related to this claim of \$28,615. Accordingly, the year 2001 total authorized revenue requirement increase for PY1999 earnings requested in this 2000 AEAP is \$2,978,659.

B. SUMMARY OF PY1999 ENERGY EFFICIENCY PROGRAMS AND PERFORMANCE

Included in Appendix A of SoCalGas' Application are PY1999 earnings claim summary Tables E-1, E-2, E-3, and E-4. SoCalGas' witness, Pamela Brown, is

sponsoring the Energy Efficiency Programs Annual Report (Exhibit SoCalGas-2) to the extent it supports those earnings claim summaries. The 1999 Energy Efficiency incentive mechanism was adopted by Resolution 3578. The requirements of the mechanisms and the calculation of the shareholder awards pursuant to each mechanism are described in Section VIII of the Energy Efficiency Programs Annual Report. Attachment A to this testimony describes the milestone results for each program individually, while below is an overall summary of SoCalGas' performance on the milestones.

Performance awards are divided into the four categories approved by the CPUC: Base Award, Administrative and Program Processes, Market Changes/Effects, and Aggressive Implementation. Failure to achieve an award in any single category does not preclude achieving awards in other categories. The tiers are not additive. Failure to meet level 1 defaults to level 2. The maximum total award from SoCalGas efforts has been capped at \$2,991,000.

Base Award

To be eligible for the base award, the following criteria were met:

Program Definitions: For its November 16, 1998 Advice Letter, SoCalGas utilized the CBEE's new program definitions (program areas, programs, program elements, and intervention strategies). These new definitions were used to report on and track the programs throughout the year.

SoCalGas provided revised program descriptions using the CBEE's new program definitions to the Energy Division, the CBEE, and the public on March 25, 1999.

Reporting: Program activities, status reports, etc., were to be reported in the following manners: (1) Using two systems—the "old" program definitions used for 1998 programs, and the CBEE's new program definitions; and (2) Administration vs. implementation—program expenditures would be tracked using these categories, once

definitions were determined that were clear and consistent for the programs.

SoCalGas provided its PY99 quarterly status reports, which included descriptions of program progress and expenditures, to the CBEE using the CBEE's new program definitions. In addition, SoCalGas has reported its PY99 program accomplishments in its 2000 EE Annual Summary, using the program definitions for the 1998 programs consistent with SoCalGas' 1999 EE Annual Summary.

The Energy Division conducted a workshop on March 8 and 9, 1999, to address revisions to the existing Reporting Requirements Manual, including the definition of "administration vs. implementation" costs. The workshop report issued on April 2, 1999 did not include recommendations to clearly define "administration" and "implementation" costs. Therefore, SoCalGas did not track program expenditures according to these categories. SoCalGas' program costs, however, are reported according to the current program cost categories consistent with the Reporting Requirements Manual in its 2000 EE Annual Summary, which includes categories for "administration," "program incentives," and "other."

There are ten milestones in the Base Award portion of the 1999 award mechanism. Each milestone has two target dates (level 1 and level 2) for completion. The first, more aggressive date, is designated the level 1 date, while the second date is designated the level 2 date. To achieve a first tier award, eight of the ten milestones must meet the respective level 1 dates; to achieve a second tier award, seven of the ten milestones must meet the respective level 2 dates. A first tier award would earn SoCalGas \$957,000; a second tier award would earn \$670,000.

In 1999, SoCalGas achieved ten of ten first level milestones, earning the first tier award of \$957,000.

Program Processes Award

There are nine milestones in the Program Processes Award portion of the 1999 award mechanism. Each milestone has two target dates for completion. The first,

more aggressive date, is designated the level 1 date, while the second date is designated the level 2 date. To achieve a first tier award, seven of the nine milestones must meet the respective level 1 dates; to achieve a second tier award, six of the nine milestones must meet the respective level 2 dates. A first tier award would earn SoCalGas \$957,000; a second tier award would earn \$670,000.

In 1999, SoCalGas achieved eight of nine first level milestones, earning \$957,000.

Market Changes/ Effects Award

There are four milestones in the Market Changes/Effects Award portion of the 1999 award mechanism. Each milestone has a measure target for completion. To achieve a first tier award, 100% of the measure target must be met; to achieve a second tier award, 70%-99% of the measure target must be met. Each program that meets the first tier measure target will earn \$119,750 (\$479,000 if all four measure targets are met). Each program that meets the second tier measure target will earn \$83,750 (\$335,000 if all four measure targets are met). Each program and measure target are determined independently of the others.

In 1999, SoCalGas achieved two of the first tier awards (Residential Upstream – Appliance (water heater) and Statewide Residential Upstream – Appliance (clothes washer)) earning \$239,500. SoCalGas achieved no second tier awards, and failed to meet the measure target in two programs (Energy Advantage New Home and Small Nonresidential Comprehensive Efficiency Retrofit (HVAC)). Total awards under the Market Changes/Effects award are \$239,500.

Aggressive Implementation Award

The Aggressive Implementation Award is achieved only after spending/committing 70% of the budget within a program area. The award increases linearly to the maximum level set at the 90% spending/commitment target. Program area awards will be reduced by 10% for each program (within the program area) that

spent less than 50% of the authorized budget. The maximum total award is \$748,000.

In the Residential Program Area, the earnings that can be achieved range between \$179,206 and \$256,000. Spending/commitment in this area represents 72.04%, earning \$187,034. No reductions to these earnings are required as all programs within the program area achieved at least a 50% spending/commitment level.

In the Non-residential Program Area, the earnings that can be achieved range between \$256,900 and \$367,000. Spending/commitment in this area represents 85.07%, earning \$339,861. No reductions to these earnings are required as all programs within the program area achieved at least a 50% spending/commitment level.

In the New Construction Program Area, the earnings that can be achieved range between \$87,500 and \$125,000. Spending/commitment in this area represents 105.3%, earning \$125,000. No reductions to these earnings are required as all programs within the program area achieved at least a 50% spending/commitment level.

Total Earnings Claim

With the Base Award of \$957,000, Program Process Award of \$957,000, Market Changes/Effects Award of \$239,500, and Aggressive Implementation Award of \$651,894, SoCalGas is requesting PY1999 Energy Efficiency program earnings totaling \$2,805,395, which is less than the cap of \$2,991,000. With interest and FF&U, the total PY1999 Energy Efficiency revenue requirement is \$2,978,659.

1 **C. CONCLUSION**

2 In conclusion, SoCalGas respectfully requests that the Commission approve
3 SoCalGas' 2000 AEAP application within a time frame that will allow SoCalGas to
4 implement all related authorized revenue adjustments effective January 1, 2001.

**II.
QUALIFICATIONS OF
PAMELA BROWN**

4 My name is Pamela Brown. I am employed by Southern California Gas
5 Company (SoCalGas). My business address is 555 West Fifth Street, Los Angeles,
6 California 90013-1011. I am Senior Market Consultant - DSM Transition in the
7 Customers Services & Marketing department of SoCalGas. My responsibilities include
8 coordination of Demand-Side Management (DSM) regulatory-related activities for
9 SoCalGas, among other things.

10 I have a Bachelor of Science degree in Engineering from the University of
11 California, Los Angeles, and an MBA degree from the University of Southern California.
12 I have been employed by SoCalGas since 1979 and have held a variety of
13 progressively responsible management positions in the Marketing and Regulatory
14 Affairs Departments prior to assumption of my current position in July 1998.

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III.

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ATTACHMENT A – PERFORMANCE MILESTONES DETAIL

Attachment A

1999 Program Milestones for Southern California Gas Company

All milestone verification documents are filed in accordance with the following numbering protocol. All base milestones are identified with a "B" plus a number; all process milestones are identified with a "P" plus a number; all market effects milestones are identified with an "M" plus a number. The aggressive implementation milestone is presented in a table.

Base Award

1st tier award (level 1) – meet eight of ten level 1 milestones to earn \$957,000
2nd tier award (level 2) – meet seven of ten level 2 milestones to earn \$670,000

B1 Milestone

Milestone Description

This base milestone (Residential Program Area –Residential Retrofit and Renovation Program, Statewide Residential Energy Efficiency Contractor Program) was to complete a draft statewide program design based on workshop results. To achieve a first tier award, the draft was to be completed by March 15, 1999; to achieve a second tier award, the draft was to be completed by April 15, 1999.

Milestone Verification

An e-mail survey of stakeholders and other members of the public was conducted prior to the workshop held on January 14, 1999. This approach enabled those who were unable to attend the workshop to provide comments on program design. Focus groups were then held on February 8 (SDG&E), February 9 (SCE), February 10 (SoCalGas) and February 18 (PG&E). The draft statewide program design document was then completed, dated March 15, 1999, and demonstrates that SoCalGas met the first tier award eligibility requirement for this milestone.

Milestone Documentation

- A draft statewide program design document dated March 15, 1999.

B2 Milestone

Milestone Description

This base milestone (Residential Program Area –Residential Retrofit and Renovation Program, Statewide Residential Energy Efficiency Contractor Program) was to have the program "on the street." "On the street" means that the program has been advertised to customers and that systems are available to process customer/contractor requests and, in the case of incentive efforts, issue checks to customers/contractors. To achieve a first tier award, the above activities were to occur by May 1, 1999; to achieve a second tier award, these activities were to occur by June 1, 1999.

Milestone Verification

SoCalGas conducted program implementation workshops, used media advertising and put internal systems in place to process customers' vouchers/applications. The first program implementation workshop was held on April 29, 1999, at SoCalGas' Energy Resource Center, with 15 contractors in attendance at the single family session and 24 contractors in attendance at the multi-family session. Advertising the Residential Contractor Program (RCP) in several southern California newspapers began May 1, 1999, and continued throughout the month. Incentive voucher/application forms were printed and available for submission by customers in May 1999. The workshop, advertising and voucher/application forms demonstrate that SoCalGas met the first tier award eligibility requirement for this milestone.

Milestone Documentation

- Memo on RCP Newspaper Advertising, dated May 4, 1999.
- Notice of Program Implementation Workshop on April 29, 1999.
- Attendance sheets (including copies of business cards) at April 29, 1999, workshop.
- 1999 Residential Contractor Program presentation slides for both single-family and multi-family elements.
- Incentive/Voucher Application.

B3 Milestone

Milestone Description

This base milestone (Residential Program Area – Residential Appliance Program, Statewide Residential Upstream – Appliance Program) was to select a shortlist of bidders to the statewide request for proposal (RFP) for the lighting and appliance programs and then sign a contract with the winning bidder. To achieve a first tier award, the shortlist was to be selected by May 16, 1999, and a contract signed by July 30, 1999; to achieve a second tier award, the shortlist was to be selected by June 15, 1999, and a contract signed by August 29, 1999.

Milestone Verification

The four utilities selected their shortlist on April 12, 1999, with bidders notified on April 13. The contract with the winning bidder, Richard Heath and Associates, was signed on June 1, 1999. A memo signed by representatives of the four utilities regarding the shortlist selection, copies of notices to bidders, and the signed contract demonstrate that SoCalGas met the first tier award eligibility requirement.

Milestone Documentation

- Memorandum signed by 4 utilities noting selection of shortlist.
- Copies of notices to bidders, dated April 13, 1999.
- Copy of signed contract, executed May 28, 1999, and June 1, 1999.

B4 Milestone

Milestone Description

This base milestone (Nonresidential Program Area – Small Nonresidential Comprehensive Retrofit Program, Statewide Small C/I Standardized Rebates Program) was to have the program "on the street."

“On the street” means that the program has been advertised to customers and that systems are available to process customer/contractor requests and, in the case of incentive efforts, issue checks to customers/contractors. To achieve a first tier award, the program was to be available by May 1, 1999; to achieve a second tier award, the program was to be available by May 31, 1999.

Milestone Verification

SoCalGas advertised the program to customers and put in place the systems to process customer and contractor requests and issue incentive checks. The 1999 Express Efficiency brochure, postcard and bill inserts were completed in March and April 1999, and the 1999 Express Efficiency customer rebate application form was completed in March 1999. Systems were in place to handle requests and issue checks. These demonstrate that SoCalGas met the first tier award eligibility requirement for this milestone.

Milestone Documentation

- 1999 Express Efficiency Customer Rebates brochure, dated March 1999.
- 1999 Energy Efficiency Programs bill insert, dated April 1999.
- Postcard “Brilliant Ideas for Your Business.”
- 1999 Express Efficiency Gas Measures Application form, dated March 1999.

B5 Milestone

Milestone Description

This base milestone (Nonresidential Program Area – Small Nonresidential Comprehensive Efficiency Retrofit Program) was to have the program “on the street.” “On the street” means that the program has been advertised to customers and that systems are available to process customer/contractor requests and, in the case of incentive efforts, issue checks to customers/contractors. To achieve a first tier award, the program was to be available by May 1, 1999; to achieve a second tier award, the program was to be available by May 31, 1999.

Milestone Verification

SoCalGas advertised the program to customers and put in place the systems to process customer and contractor requests and issue incentive checks. Information on the program was available through bill inserts, the SoCalGas website, through 1-800-Gas2000, through account executives and service technicians, and customer workshops by May 1, 1999. Internal systems to process applications and issue incentives were also in place by May 1. These demonstrate that SoCalGas met the first tier award eligibility requirement for this milestone.

Milestone Documentation

- 1999 Energy Efficiency Financial Programs flyer.
- 1999 Energy Efficiency Programs bill insert, dated April 1999.

B6 Milestone

Milestone Description

This base milestone (Nonresidential Program Area – Nonresidential Process Overhaul Program) was to have the program “on the street.” “On the street” means that the program has been advertised to customers

and that systems are available to process customer/contractor requests and, in the case of incentive efforts, issue checks to customers/contractors. To achieve a first tier award, the program was to be available by May 1, 1999; to achieve a second tier award, the program was to be available by May 31, 1999.

Milestone Verification

SoCalGas advertised the program to customers and put in place the systems to process customer and contractor requests and issue incentive checks. Information on the program was available through bill inserts, the SoCalGas website, through 1-800-Gas2000, through account executives and service technicians, and customer workshops by May 1, 1999. Internal systems to process applications and issue incentives were also in place by May 1. These demonstrate that SoCalGas met the first tier award eligibility requirement for this milestone.

Milestone Documentation

- 1999 Energy Efficiency Financial Programs flyer.
- 1999 Energy Efficiency Programs bill insert, dated April 1999.

B7 Milestone

Milestone Description

This base milestone (New Construction Program Area – Residential New Construction Program, Energy Advantage New Home Program) was to have the program “on the street.” “On the street” means that the program has been advertised to customers and that systems are available to process customer/contractor requests and, in the case of incentive efforts, issue checks to customers/contractors. To achieve a first tier award, the program was to be available by May 1, 1999; to achieve a second tier award, the program was to be available by May 31, 1999.

Milestone Verification

Ongoing information on the program was available through newspaper advertising, various home buyer guides, and trade publications throughout the first and second quarter of 1999. Internal systems were in place by May 1. These demonstrate that SoCalGas met the first tier award eligibility requirement for this milestone.

Milestone Documentation

- “Homes for Sale” book dated December 1998.
- “Homebuyers Guide” dated December 1998.
- Full-page ad, “New Home Directory,” in L.A. Times, dated March 26, 1999.
- “Southern California Builder” dated February 1999.
- “Design/Build Business” dated May 1999.

B8 Milestone

Milestone Description

This base milestone (Residential Program Area – Residential Retrofit and Renovation Program, Home Energy Fitness Program) was to have the program “on the street.” “On the street” means that the program has been advertised to customers and that systems are available to process customer/contractor requests

and, in the case of incentive efforts, issue checks to customers/contractors. To achieve a first tier award, information and processing systems were to be in place by June 30, 1999; to achieve a second tier award, these activities were to be in place by July 30, 1999.

Milestone Verification

Home Energy Fitness survey forms were available and direct mailing to customers with higher than average annual energy consumption began on June 24, 1999. Previous year's processing systems were updated and operational by June 30, 1999. These demonstrate that SoCalGas met the first tier award eligibility requirement for this milestone.

Milestone Documentation

- Home Fitness Energy Survey, dated June 1998.
- Direct mail drop schedule and list of customers in June direct mailing dated July 7, 1999.

B9 Milestone

Milestone Description

This base milestone (New Construction Program Area – New Construction Codes & Standards Support and Local Government Initiatives Program, Local Government Initiatives Program) was to issue a Request for Proposal (RFP) soliciting energy efficiency proposals of particular interest to local governments. To achieve a first tier award, the RFP was to be issued by May 31, 1999; to achieve a second tier award, the RFP was to be issued by June 30, 1999.

Milestone Verification

Two RFPs for the California Energy Efficiency Enforcement Training Program and the Local Government and Community Energy Efficiency Program were issued on May 7, 1999, demonstrating that SoCalGas met the first tier award eligibility requirement.

Milestone Documentation

- Cover letter announcing RFPs dated May 7, 1999.
- Copy of RFP for the California Energy Efficiency Enforcement Training Program.
- Copy of RFP for the Local Government and Community Energy Efficiency Program.
- Letter extending deadline to submit proposals dated May 11, 1999.

B10 Milestone

Milestone Description

This base milestone (Residential Program Area – Residential Heating & Cooling Systems Program, Third Party Initiatives; Residential Retrofit and Renovation Program, Third Party Initiatives; and New Construction Program Area – Residential New Construction Program, Third Party Initiatives; Commercial New Construction Program, Third Party Initiatives; New Construction Codes & Standards Support and Local Government Initiatives Program, Third Party Initiatives) was to issue RFPs soliciting energy efficiency proposals for eight programs from third parties. To achieve a first tier award, the RFPs were to be issued by May 31, 1999; to achieve a second tier award, the RFPs were to be issued by June 30, 1999.

Milestone Verification

This milestone was created to ensure that SoCalGas moved money into third party efforts rapidly. The milestone was set at promoting eight individual efforts. SoCalGas actually promoted nine individual efforts, six entirely new programs run by third parties and three efforts begun in a previous program year that were deemed valuable enough to continue in PY99.

Six RFPs for new programs were issued on May 12, 1999:

- Upstream High-Efficiency Gas Water Heater Incentives Program,
- Time-of-Sale Home Inspection Energy Awareness Program,
- Duct Efficiency Program,
- California Energy Efficiency Enforcement Training Program ,
- Local Government and Community Energy Efficiency Program, and
- Energy Efficiency Renovation Services Program.

The determination was made to continue three noteworthy, ongoing third-party efforts:

- CHEERS,
- ComfortWise, and
- Leading Edge Student Design Competition

All of these efforts were completed prior to May 31, 1999, and demonstrate that SoCalGas met the first tier award eligibility requirement for this milestone.

Milestone Documentation

- E-mail message announcing revised RFP on Gas Water Heater Program dated April 29, 1999.
- Cover letter announcing RFPs dated May 12, 1999.
- Copy of RFP for the Upstream High-Efficiency Gas Water Heater Program.
- Copy of RFP for the Time-of-Sale Home Inspection Energy Awareness Program.
- Copy of RFP for the Duct Efficiency Program.
- Copy of RFP for the California Energy Efficiency Enforcement Training Program.
- Copy of RFP for the Local Government and Community Energy Efficiency Program.
- Copy of RFP for the Energy Efficiency Renovation Services Program.
- Copy of mailing list of potential respondents for the RFPs.

Program Processes Award

1st tier award (level 1) – meet seven of nine level 1 milestones to earn \$957,000

2nd tier award (level 2) – meet six of nine level 2 milestones to earn \$670,000

P1 Milestone

Milestone Description

This process milestone (Nonresidential Program Area – Small Nonresidential Comprehensive Retrofit Program, Statewide Small C/I Energy Efficiency Booklet) was to complete a statewide energy efficiency booklet targeting small commercial and industrial (C/I) customers. To achieve a first tier award, the booklet was to be completed by July 30, 1999; to achieve a second tier award, the booklet was to be completed by September 28, 1999.

Milestone Verification

The statewide booklet, dated July 1999, was delivered to SoCalGas on July 7, 1999, demonstrating that SoCalGas met the first tier award eligibility requirement for this milestone.

Milestone Documentation

- “Smarter Business Energy Use – Saving Energy & Money – a California Energy Efficiency Guide” booklet, dated July 1999.
- Two packing slips, dated July 7, 1999, and shipping document, dated July 9, 1999, document delivery of booklets to SoCalGas.

P2 Milestone

Milestone Description

This process milestone (Residential Program Area – Residential Retrofit and Renovation Program, Statewide Residential Energy Efficiency Booklet) was to complete a booklet on energy efficiency targeting residential customers. To achieve a first tier award, the booklet was to be completed by July 30, 1999; to achieve a second tier award, the booklet was to be completed by September 28, 1999.

Milestone Verification

The statewide booklet was received by SoCalGas in July 1999, demonstrating that SoCalGas met the first tier award eligibility requirement for this milestone.

Milestone Documentation

- “The Big Picture – a Step-by-step California Guide to Smarter Home Energy Use” booklet.
- An invoice for production and shipping, dated July 20, 1999.

P3 Milestone

Milestone Description

This process milestone (New Construction Program Area – Commercial New Construction Program, Statewide New Construction Builder Resource Guide) was to complete a statewide builder resource guide. To achieve a first tier award, the resource guide was to be completed by July 30, 1999; to achieve a second tier award, the resource guide was to be completed by September 28, 1999.

Milestone Verification

The Builder Resource Guide was received by SoCalGas on July 16, 1999, demonstrating that SoCalGas met the first tier award eligibility requirement for this milestone.

Milestone Documentation

- “Builder’s Resource Guide for Energy Efficiency,” dated July 16, 1999.
- FedEx tracking information, dated July 23, 1999.

P4 Milestone

Milestone Description

This process milestone (Residential Program Area –Residential Retrofit and Renovation Program, Statewide Residential Energy Efficiency Contractor Program) was to conduct 6 program workshops throughout the state; SoCalGas was responsible for one workshop. To achieve a first tier award, the workshops were to be completed by May 16, 1999; to achieve a second tier award, the workshops were to be completed by May 31, 1999.

Milestone Verification

An initial program design workshop was held on January 14, 1999, in San Francisco. Regional workshops were held by the four utilities on March 11, 1999. Pre-rollout workshops were held on April 28, 1999, in San Diego and April 29, 1999, in Los Angeles. Conducting these 7 workshops demonstrates that SoCalGas has achieved first tier award eligibility for this milestone.

Milestone Documentation

- Workshop attendance list for April 29, 1999, workshop. Other attendance lists are available from the other utilities.

P5 Milestone

Milestone Description

This process milestone (Nonresidential Program Area – Small Nonresidential Comprehensive Retrofit Program, Statewide Small C/I Standardized Rebates Program) was to conduct two workshops. To achieve a first tier award, the workshops were to be completed by May 1, 1999; to achieve a second tier award, the workshops were to be completed by May 31, 1999.

Milestone Verification

Workshops on 1999 energy efficiency programs were held on April 9 and April 16, 1999, demonstrating that SoCalGas met the first tier award eligibility requirement for this milestone.

Milestone Documentation

- Copy of April 9, 1999, customer workshop presentation slides.
- List of attendees at April 9 workshop.
- Copy of April 16, 1999, customer workshop presentation slides.
- List of attendees at April 16 workshop.

P6 Milestone

Milestone Description

This process milestone (New Construction Program Area – Residential New Construction Program, Statewide Residential Window and Duct Training Program) was to make window and duct training available statewide. To achieve a first tier award, the training was to be available by May 31, 1999; to achieve a second tier award, the training was to be completed by June 30, 1999.

Milestone Verification

Training materials were available by May 31, 1999. The first training session offered by SoCalGas was scheduled on June 16, 1999. Availability of the training materials by May 31, 1999, demonstrates that SoCalGas met the first tier award eligibility requirement for this milestone.

Milestone Documentation

- Schedule of statewide training classes.
- Spreadsheet of attendees at training classes.
- Flyers announcing availability of training classes.
- Summary Report for Contractor Training Seminars by Douglas Beaman Associates.
- Training Manual – New Compliance Options.
- Training Manual – HVAC Duct Systems Installation and Testing Guidelines.

P7 Milestone

Milestone Description

This process milestone (New Construction Program Area – New Construction Codes & Standards Support and Local Government Initiatives Program, Local Government Initiatives) was to select the winning bidders of the RFP and sign contracts. To achieve a first tier award, the contracts were to be signed by June 30, 1999; to achieve a second tier award, the contracts were to be signed by July 30, 1999.

Milestone Verification

Three bidders were selected under the local government program. A contract was signed by Building Industry Institute on June 28, 1999. Work under this contract began June 28, 1999. A contract was signed by Local Government Commission on June 23, 1999. Work under this contract began on June 25, 1999. A contract was signed by CTG Energetics on June 24, 1999. Work under this contract began on June 28, 1999. There were no qualified bidders under the enforcement training program. The execution of the three contracts and the commencement of work demonstrate that SoCalGas met the first tier award eligibility requirement.

Milestone Documentation

- Executed contract with Building Industry Institute, dated June 28, 1999.
- Letter from Building Industry Institute, dated June 28, 1999, regarding commencement of work.
- Executed contract with Local Government Commission, dated June 23, 1999.
- Letter from Local Government Commission, dated June 25, 1999, regarding commencement of work.
- Executed contract with CTG Energetics, dated June 24, 1999.
- Memo from CTG Energetics, dated June 28, 1999, regarding commencement of work.

P8 Milestone

Milestone Description

This process milestone (Residential Program Area – Residential Heating & Cooling Systems Program, Third Party Initiatives; Residential Retrofit and Renovation Program, Third Party Initiatives and New Construction Program Area – Residential New Construction Program, Third Party Initiatives; Commercial

New Construction Program, Third Party Initiatives; New Construction Codes & Standards Support and Local Government Initiatives Program, Third Party Initiatives) was to select the winning bidders of the RFPs and sign contracts. To achieve a first tier award, the contracts were to be signed by June 30, 1999; to achieve a second tier award, the contracts were to be signed by July 30, 1999.

Milestone Verification

Four bidders were selected under this program. In the Energy Efficiency Renovation Services program, a contract was signed by Inspectech Corporation on June 28, 1999. Work under this contract began June 30, 1999. In the Upstream Gas Water Heater program, a contract was signed by ADM Associates on June 25, 1999. Work under this contract began on June 25, 1999. In the Duct Efficiency program, a contract was signed by ADM Associates on June 25, 1999. Work under this contract began on June 28, 1999. In the Time-of-Sale Inspection program, a contract was signed by Inspectech Corporation on June 28, 1999. Work under this contract began on June 28, 1999.

Contractual arrangements for three other third-party initiatives were established or continued. Work under the ComfortWise program was done by Consol, as evidenced by a contract signed by Consol on June 10, 1999. SoCalGas continued its funding of the Leading Edge Student Design Competition and CHEERS.

The execution of these contracts and the commencement of work demonstrate that SoCalGas met the first tier award eligibility requirement.

Milestone Documentation

- Executed contract with Inspectech Corporation, dated June 28, 1999.
- E-mail from Inspectech regarding commencement of work.
- Executed contract with Inspectech Corporation, dated June 28, 1999.
- Memo from Inspectech regarding commencement of work.
- Executed contract with ADM Associates, dated June 25, 1999.
- Project directive from ADM, dated June 25, 1999, regarding commencement of work.
- Executed contract with ADM Associates, dated June 25, 1999.
- Project directive from ADM, dated June 28, 1999, regarding commencement of work.
- Executed agreement with Consol, dated June 1, 1999.
- Leading Edge Student Design Competition webpages.
- An invoice from California Building Industry Foundation for sponsorship of Leading Edge Student Design Competition.

P9 Milestone

Milestone Description

This process milestone (Nonresidential Program Area – Small Nonresidential Comprehensive Retrofit Program, Energy Edge) was to start projects under contract (minimum \$10,000 per contract to be counted toward the milestone goal). To achieve a first tier award, twelve contracts would be signed during the program year; to achieve a second tier award, seven contracts would be signed during the program year.

Milestone Verification

Five Energy Edge contracts qualified under the 1999 program; SoCalGas did not meet either the first or the second tier award eligibility requirement of this milestone.

Milestone Documentation

- Contract with City of Huntington Beach.
- Contract with Saint Mark Coptic Church.
- Contract with Buena Park Library.
- Contract with Orange County Fire Authority.
- Contract with General Services Administration.

Market Effects Award

1st tier award (level 1) – meet 100% of measure target to earn \$479,000 (\$119,750 per task)

2nd tier award (level 2) – meet 70% of measure target to earn \$335,000 (\$83,750 per task)

M1 Milestone

Milestone Description

This market effects milestone (Residential Program Area – Residential Retrofit and Renovation Program, Residential Upstream Appliance (water heater) Program) was to increase the stocking of .60 EF water heaters by 10% (i.e., 1.1 times the baseline share). A survey of stocking practices among water heater retailers was used to judge whether the target was met. To achieve a first tier award, 100% of the measure target (increasing the stocking of .60 EF water heaters by more than 10%) must be met, earning \$119,750. To achieve a second tier award, 70%-99% of the measure target must be met (increasing the stocking of .60 EF water heaters by 7-10%), earning \$83,750. No award would be given for meeting less than 70% of the target.

Milestone Verification

Quantum Consulting Inc. conducted the survey. Exhibit 2 of the report shows that stocking practices of targeted dealers increased from 28% to 57%, an increase of 104%. Results demonstrate that more than 100% of the measure target was met, achieving a first tier award of \$119,750.

Milestone Documentation

- Upstream High-Efficiency Gas Water Heater Program Evaluation by Quantum Consulting Inc., draft dated April 2000.

M2 Milestone

Milestone Description

This market effects milestone (New Construction Program Area – Residential New Construction Program, Energy Advantage New Home Program) was to increase the percent of new home buyers aware of energy efficiency aspects of their new home purchase by 5% (i.e., 1.05 times the baseline share). A survey of new homebuyers' awareness of energy efficiency was used to judge whether the target was met. To achieve a first tier award, 100% of the measure target (increasing homebuyers' awareness of energy efficiency by more than 5%) must be met, earning \$119,750. To achieve a second tier award, 70%-99% of the measure

target (increasing homebuyers' awareness of energy efficiency by 3.5-5%) must be met, earning \$83,750. No award would be given for meeting less than 70% of the target.

Milestone Verification

California Survey Research conducted the baseline survey during July 1999. California Survey Research conducted the final survey February 2000. Results do not demonstrate that the measure target was met. SoCalGas did not achieve either a first or second tier performance incentive award for this milestone.

Milestone Documentation

- New Sales Study – Wave 1 results by California Survey Research, dated July 1999.
- New Sales Study - Wave 2 results by California Survey Research, dated February 2000.

M3 Milestone

Milestone Description

This market effects milestone (Nonresidential Program Area – Small Nonresidential Comprehensive Retrofit Program, Small Nonresidential Comprehensive Efficiency Retrofit (HVAC) Program) was to increase the number of contractors aware of high efficiency gas-fired HVAC equipment by 10% (i.e., 1.1 times the baseline share). A survey of HVAC contractors' aware of high-efficiency gas-fired HVAC equipment options was used to judge whether the target was met. To achieve a first tier award, 100% of the measure target (increasing the number of HVAC contractors aware of high-efficiency gas-fired HVAC equipment options by more than 10%) must be met, earning \$119,750. To achieve a second tier award, 70%-99% of the measure target (increasing the number of HVAC contractors aware of high-efficiency gas-fired HVAC equipment options by 7-10%) must be met, earning \$83,750. No award would be given for meeting less than 70% of the target.

Milestone Verification

Robert Mowris & Associates conducted the baseline survey documented in a report dated July 29, 1999. Robert Mowris & Associates conducted the final survey documented in a report dated February 2000. Results do not demonstrate that the measure target was met; SoCalGas did not achieve a performance incentive award for this milestone.

Milestone Documentation

- Natural Gas Air Conditioning Market Effects Baseline Survey by Robert Mowris, dated July 29, 1999.
- Natural Gas Air Conditioning Market Effects Follow-up Survey by Robert Mowris, dated February 2000.

M4 Milestone

Milestone Description

This market effects milestone (Residential Program Area – Residential Appliance Program, Statewide Residential Upstream Appliance (clothes washer) Program) was to increase the stocking practices of high efficiency clothes washers by 10% (i.e., 1.1 times the baseline share). A survey of stocking practices among clothes washer retailers was used to judge whether the target was met. To achieve a first tier award, 100% of the measure target (increasing the stocking of high efficiency clothes washers by more than 10%)

must be met, earning \$119,750. To achieve a second tier award, 70%-99% of the measure target (increasing the stocking of high efficiency clothes washers by 7-10%) must be met, earning \$83,750. No award would be given for meeting less than 70% of the target.

Milestone Verification

Organizational Support Services conducted the survey (Southern California Edison managed the survey). Table 1 of the California Residential Lighting and Appliance Program 2000 Appliance Survey report shows that stocking practices increased from 13.2% to 14.9%, an increase of 13%. Draft results demonstrate (subject to final report results) that more than 100% of the measure target was met, achieving a first tier award of \$119,750.

Milestone Documentation

- Copy of 1999 SCE Retail Initiative Major Appliance Labeling Program In-Store Survey Results by Organizational Support Services.
- Copy of California Residential Lighting and Appliance Program (CRLAP) 2000 Appliance Survey Results, draft dated March 24, 2000.

Aggressive Implementation Award

Award is achieved only after spending/committing 70% of the budget within the program area. The award increases linearly to the maximum level set at the 90% spending/commitment target. The maximum award is equal to \$748,000.

See the aggressive implementation table on page A-14.

% of Spending/ Commitments	% of Program Area Award	Residential Program Area	Non Residential Program Area	New Construction Program Area	Total
70.0%	70.0%	\$ 179,200	\$ 256,900	\$ 87,500	\$ 523,600
71.0%	71.5%	\$ 183,040	\$ 262,405	\$ 89,375	\$ 534,820
72.0%	73.0%	\$ 186,880	\$ 267,910	\$ 91,250	\$ 546,040
73.0%	74.5%	\$ 190,720	\$ 273,415	\$ 93,125	\$ 557,260
74.0%	76.0%	\$ 194,560	\$ 278,920	\$ 95,000	\$ 568,480
75.0%	77.5%	\$ 198,400	\$ 284,425	\$ 96,875	\$ 579,700
76.0%	79.0%	\$ 202,240	\$ 289,930	\$ 98,750	\$ 590,920
77.0%	80.5%	\$ 206,080	\$ 295,435	\$ 100,625	\$ 602,140
78.0%	82.0%	\$ 209,920	\$ 300,940	\$ 102,500	\$ 613,360
79.0%	83.5%	\$ 213,760	\$ 306,445	\$ 104,375	\$ 624,580
80.0%	85.0%	\$ 217,600	\$ 311,950	\$ 106,250	\$ 635,800
81.0%	86.5%	\$ 221,440	\$ 317,455	\$ 108,125	\$ 647,020
82.0%	88.0%	\$ 225,280	\$ 322,960	\$ 110,000	\$ 658,240
83.0%	89.5%	\$ 229,120	\$ 328,465	\$ 111,875	\$ 669,460
84.0%	91.0%	\$ 232,960	\$ 333,970	\$ 113,750	\$ 680,680
85.0%	92.5%	\$ 236,800	\$ 339,475	\$ 115,625	\$ 691,900
86.0%	94.0%	\$ 240,640	\$ 344,980	\$ 117,500	\$ 703,120
87.0%	95.5%	\$ 244,480	\$ 350,485	\$ 119,375	\$ 714,340
88.0%	97.0%	\$ 248,320	\$ 355,990	\$ 121,250	\$ 725,560
89.0%	98.5%	\$ 252,160	\$ 361,495	\$ 123,125	\$ 736,780
90.0%	100.0%	\$ 256,000	\$ 367,000	\$ 125,000	\$ 748,000

% of Spending/ Commitments	% of Program Area Award	Residential Program Area	Non Residential Program Area	New Construction Program Area	Total
72.0%	73.1%	\$ 187,034			\$ 187,034
85.1%	92.6%		\$ 339,861		\$ 339,861
105.3%	100.0%			\$125,000	\$ 125,000

Application 00-05-____
Exhibit No.: (SoCalGas-1C)
Witness: Pamela Brown

PREPARED DIRECT TESTIMONY
OF
SOUTHERN CALIFORNIA GAS COMPANY
For Program Years 1999 and 1998 Low-Income Energy Efficiency Earnings

May 1, 2000

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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**TESTIMONY OF
SOUTHERN CALIFORNIA GAS COMPANY FOR
ITS 1999 AND 1998 LOW-INCOME ENERGY EFFICIENCY
PROGRAMS EARNINGS**

**2000 ANNUAL EARNINGS ASSESSMENT PROCEEDING
APPLICATION A.00-05-____**

**I.
SOCALGAS SHAREHOLDER EARNINGS CLAIM
FROM 1999 and 1998 LOW-INCOME ENERGY EFFICIENCY PROGRAMS**

A. INTRODUCTION

The purpose of this testimony is to present and support Southern California Gas Company's (SoCalGas) shareholder earnings claim for SoCalGas' program year (PY) 1999 low-income energy efficiency ("LIEE") program¹, and to request a change to the collection schedule for earnings associated with the PY1998 Direct Assistance program (DAP).

SoCalGas filed Advice No. 2631 requesting approval of its 1998 DAP program plans and budgets. The Commission approved SoCalGas' advice letter through Resolution E-3515. Subsequently, the Commission issued D.98-06-063, which modified Resolution E-3515. Advice No. 2748 sought approval of SoCalGas' 1999 DAP program plans and budgets. The Commission approved SoCalGas' program efforts through Resolutions E-3583, E-3585 and E-3586.

Shareholder Earnings Claim

The earnings associated with SoCalGas' 1999 Direct Assistance Program are \$205,031. SoCalGas requests that the earnings from the PY1999 Direct Assistance Program be awarded in two payments of \$102,515, the first of these payments to be awarded and to be recovered in rates in calendar year 2001. Therefore, in this Application, SoCalGas requests that the Commission grant

¹ The program is also referred to as the Direct Assistance Program (DAP)

SoCalGas authority, effective January 1, 2001, to increase SoCalGas' authorized gas revenue requirements as necessary to permit SoCalGas to recover \$102,515 for its earnings claim for PY1999 LIEE programs. SoCalGas further requests interest related to this claim of \$5,286, as stipulated in D.94-10-059, page 113. SoCalGas also requests franchise fees and uncollectibles ("FF&U") related to this claim of \$1,046. Accordingly, the year 2001 total authorized revenue requirement increase for PY1999 LIEE earnings requested in this AEAP is \$108,847.

In addition, SoCalGas requests collection of the second earnings claim for its PY1998 LIEE program of \$108,152 plus interest of \$10,987 and FF&U of \$7,092. Accordingly, the year 2001 total authorized revenue requirement increase for PY1998 LIEE earnings requested in this AEAP is \$126,231.

B. PY1998 LOW-INCOME ENERGY EFFICIENCY PROGRAMS

SoCalGas' PY1998 LIEE lifecycle earnings claim is \$216,304 as requested and documented in the 1999 AEAP filing, A.99-05-005. SoCalGas met the minimum performance requirement for the mandatory DAP program in order to qualify for earnings.

The 1999 AEAP Case Management Statement of the Office of Ratepayer Advocates, Pacific Gas & Electric Company ("PG&E"), San Diego Gas & Electric Company ("SDG&E"), Southern California Edison Company ("SCE"), SoCalGas, and Residential Energy Efficiency Clearing House, Inc. ("REECH") filed with the Commission on November 2, 1999, describes the agreement of the aforementioned parties regarding the collection of the PY1998 LIEE shareholder incentives. The parties agreed that the PY1998 Utility shareholder incentives would be collected in two installments: 50% to be authorized in the 1999 AEAP for collection in rates in 2000; and the remaining 50% to be authorized after the

completion of the PY1998 first year statewide load impact evaluation and submitted in the 2000 AEAP for collection in rates in 2001.

SoCalGas jointly filed with PG&E, SCE, and SDG&E the first-year load impact evaluation of the PY1998 LIEE program on April 17, 2000.

Therefore, consistent with the 1999 AEAP Case Management Statement, SoCalGas' second earnings claim for the PY1998 LIEE program is \$108,152, plus interest from July 1, 1999 through December 2000, franchise fees, and uncollectibles in the amount of \$18,079, for a total request of \$126,231.

C. PY1999 LOW-INCOME ENERGY EFFICIENCY PROGRAMS

SoCalGas' PY1999 LIEE program lifecycle earnings claim is \$205,031. The earnings are allocated on the non-mandatory component of the LIEE program including SoCalGas' low-income education program and subject to meeting the minimum performance threshold of 75% of forecasted units. SoCalGas met the minimum performance requirement for 1999 earnings by weatherizing 25,238 homes, exceeding 100% of the forecasted 25,000 homes.

SoCalGas proposes to collect the PY1999 LIEE earnings in two earnings claims: 50% to be authorized in the 2000 AEAP for collection in rates in 2001; and the remaining 50% to be authorized in the 2001 AEAP for collection in rates in 2002. This two-year collection proposal is consistent with the "Joint Recommendation On The Program Year 2000 Low-Income Energy Efficiency Shareholder Incentive Mechanism" submitted on November 10, 1999, and identified as Exhibit 66 in Phase 2 of the 1999 AEAP. Although both the PY1999 AEAP Case Management Statement and the Joint Recommendation on the PY2000 LIEE shareholder mechanism require the submission of a study on the respective program years for the second-year claim, SoCalGas does not believe that there is any meaningful information to be gained by requiring that an

additional study should be completed.

Therefore, SoCalGas' first earnings claim for the PY1999 LIEE program is 50% of the total lifecycle earnings of \$205,031, or \$102,515, plus interest from July 1, 2000 through December 2001, and FF&U, in the amount of \$6,332, for a total request of \$108,847.

D. CONCLUSION

In conclusion, SoCalGas respectfully requests that the Commission approve SoCalGas' 2000 AEAP application within a time frame that will allow SoCalGas to implement all related authorized revenue adjustments effective January 1, 2001.

II.
QUALIFICATIONS OF
PAMELA BROWN

My name is Pamela Brown. I am employed by Southern California Gas Company (SoCalGas). My business address is 555 West Fifth Street, Los Angeles, California 90013-1011. I am Senior Market Consultant - DSM Transition in the Customers Services & Marketing department of SoCalGas. My responsibilities include coordination of Demand-Side Management (DSM) regulatory-related activities for SoCalGas, among other things.

I have a Bachelor of Science degree in Engineering from the University of California, Los Angeles, and an MBA degree from the University of Southern California. I have been employed by SoCalGas since 1979 and have held a variety of progressively responsible management positions in the Marketing and Regulatory Affairs Departments prior to assumption of my current position in July 1998.