

Application 02-05-

Date: May 1, 2002

Witness: Frank A. Spasaro

PREPARED DIRECT TESTIMONY
OF
FRANK A. SPASARO
ON BEHALF OF
SOUTHERN CALIFORNIA GAS COMPANY

May 1, 2002

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application 02-05-

Exhibit No.: (SoCalGas-1A)

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For Program Year 2001
Energy Efficiency Earnings

May 1, 2002

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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1 **TESTIMONY OF SOUTHERN CALIFORNIA GAS COMPANY**
2 **FOR ITS**
3 **2001 ENERGY EFFICIENCY PROGRAM EARNINGS**
4
5

6 **2002 ANNUAL EARNINGS ASSESSMENT PROCEEDING**
7 **APPLICATION A.02-05-___**

8 **I.**
9 **SOCALGAS SHAREHOLDER EARNINGS CLAIM**
10 **FOR 2001 ENERGY EFFICIENCY PROGRAMS**
11

12 **A. INTRODUCTION**

13 The purpose of this testimony is to present and support Southern California Gas
14 Company's ("SoCalGas") shareholder earnings claim for program year 2001 ("PY2001") energy
15 efficiency programs.

16 On November 15, 2000, SoCalGas filed Application (A.)00-11-044 requesting California
17 Public Utilities Commission ("Commission") approval of the company's 2001 Energy Efficiency
18 program plans, budgets, market assessment and evaluation studies, and performance incentive
19 award mechanism, consistent with Commission decisions (D.) 99-08-021 and 00-07-017. The
20 development of SoCalGas' 2001 energy efficiency application was further guided by: 1) the
21 Administrative Law Judge's Ruling Establishing Schedule and Process for PY2001 Energy
22 Efficiency Program Planning, dated August 15, 2000 (the "Schedule Ruling"); 2) the Ruling on
23 Cost Effectiveness Issues for PY2001 Programs, dated October 25, 2000; 3) the Administrative
24 Law Judge's Ruling Giving Direction for Program Year 2001 Planning, dated October 25, 2000
25 (the "ALJ Ruling"); and 4) the Assigned Commissioner's Ruling on Implementation of Public
26 Utilities Code Section 399.15(b), dated October 17, 2000 (the "Assigned Commissioner's
27 Ruling").

1 The Schedule Ruling ordered numerous public workshops and prioritized specific
2 Ordering Paragraphs from D.00-07-017. At the first of these public workshops, held on
3 September 6, 2000, Commission staff outlined the following goals for the PY2001 programs: 1)
4 programs should enhance energy efficiency and conservation with an emphasis on peak demand
5 savings, 2) programs should serve/target underserved markets for equity purposes, and 3)
6 program milestones should be fair, measurable, quantifiable, and simple to verify.

7 The Assigned Commissioner's Ruling acknowledged that SoCalGas had, or was in the
8 process of, addressing the energy efficiency activities identified in AB 970. The Cost
9 Effectiveness Ruling provided further guidance for the development of programs. The ALJ
10 Ruling also reaffirmed that the PY2001 programs and budget should continue to follow the
11 selected policy, program, and funding modifications adopted in D.99-08-021.

12 As a result of the PY2001 program framework and significant input received at the
13 numerous subsequent public workshops, SoCalGas developed its PY2001 energy efficiency
14 program portfolio, including the shareholder incentives mechanism, filed in A.00-11-044.

15 In D.01-01-060, dated January 31, 2001, the Commission approved the PY2001 energy
16 efficiency programs and budgets, performance award mechanism and energy savings targets with
17 modification.¹ In D.01-06-037, dated June 14, 2001, the Commission approved the market
18 assessment and evaluation studies and budget.
19

¹ SoCalGas' New Construction program, Energy Advantage Home, was over-subscribed throughout program year 2001. A surge in verification activity that occurred in December 2001 resulted in program overspending of \$1.3 million. SoCalGas believes that it was important to continue to support this effort because of the need for energy savings. New construction programs lock in these energy savings for an extended period of time, something that doesn't necessarily happen with other retrofit programs. Further, SoCalGas has sufficient money in its DSM balancing account to fund these additional customer incentive payments. The Commission did authorize use of balancing account moneys for continuation of existing programs into the first quarter of 2002. However, SoCalGas

1 **Shareholder Earnings Claim**

2 SoCalGas' 2001 Energy Efficiency (non-low-income) program performance achieved
3 shareholder earnings of \$1,330,461. As approved for PY1998 claims (see D.00-09-038),
4 SoCalGas requests that the Commission award all PY2001 Energy Efficiency program
5 performance earnings in a single payment, for rate recovery in 2003. Accordingly, this
6 Application also requests Commission authority to increase SoCalGas' authorized gas revenue
7 requirements, effective January 1, 2003, by \$1,330,461, which is the amount of the company's
8 PY2001 earnings award. SoCalGas further requests \$42,176 in interest related to this claim as
9 permitted in D.94-10-059, page 113. Finally, SoCalGas requests \$13,571 in franchise fees and
10 uncollectibles ("FF&U") related to this claim. In total, SoCalGas requests a total authorized
11 revenue requirement increase of \$1,386,207 in year 2003 to cover PY2001 non-low-income
12 energy efficiency program earnings.

13
14 **B. SUMMARY OF PY2001 ENERGY EFFICIENCY PROGRAMS AND**
15 **PERFORMANCE**

16
17 Included in Appendix A of SoCalGas' Application is a PY2001 earnings claim summary
18 table. Portions of SoCalGas' Demand-Side Management: Energy Efficiency Programs Annual
19 Report ("Annual Report") (Exhibit SoCalGas-2A) and Technical Appendix (Exhibit SoCalGas-
20 3A), support this earnings claim summary. Section V of the Annual Report describes the
21 mechanism and the authorized shareholder awards calculation associated with the mechanism's
22 three milestones.² Attachment A to this testimony describes the energy savings and milestone
23 results for each program area. Below is an overall summary of SoCalGas' PY2001 performance.

did not count any energy savings resulting from this overspending in the calculation of its performance incentive award for PY2001.

² D.01-01-060 adopted the 2001 Energy Efficiency incentive mechanism.

Performance awards are reported by milestone categories (energy savings, market effects, and performance adder for information programs). The maximum total award from SoCalGas efforts has been capped at \$2.084 million in D.01-01-060.

Energy Savings Award

D.01-01-060 set target minimum and maximum energy savings goals, summarized in the table below. The earnings award would be scaled based on the energy savings obtained, once the minimum was achieved. SoCalGas successfully exceeded the energy savings goals in some of the three program areas as shown in the table below alongside potential and achieved earnings.

Energy Savings Goals	Minimum	Maximum	Achieved	Maximum Potential Earnings	Claimed Earnings
kWh Goals	(million kWh)	(million kWh)	(million kWh)	(\$)	(\$)
Residential	4.6	5.7	1.2	100,000	-
Nonresidential	2.3	2.9	3.7	160,000	160,000
New Construction	10.4	13.0	8.2	70,000	-
<i>Total</i>				<i>330,000</i>	<i>160,000</i>
kW Goals	(megawatts)	(megawatts)	(megawatts)		
Residential	2.4	3.1	1.4	100,000	-
Nonresidential	0.5	0.7	1.0	160,000	160,000
New Construction	3.7	4.6	6.0	70,000	70,000
<i>Total</i>				<i>330,000</i>	<i>230,000</i>
Therm Goals	(million therms)	(million therms)	(million therms)		
Residential	1.8	2.2	1.7	300,000	-
Nonresidential	4.3	5.3	6.5	490,000	490,000
New Construction	0.3	0.4	0.4	210,000	210,000
<i>Total</i>				<i>1,000,000</i>	<i>700,000</i>
<i>Total Savings</i>				<i>1,660,000</i>	<i>1,090,000</i>
<i>Savings Bonus</i>				<i>104,000</i>	-
<i>Total Energy Savings Earnings</i>				<i>1,764,000</i>	<i>1,090,000</i>

In 2001, SoCalGas achieved energy savings totaling 13.1 million kilowatt hours, 8.4

1 megawatts, and 8.6 million therms, and is entitled to an energy savings award of \$1,090,000.

2
3 **Market Effects Award**

4 D.01-01-060 approved three market effects milestones. These milestones represent
5 quantifiable changes in the market in the following program elements: Residential Contractor
6 Program, Residential Appliance and Local Government Initiatives. Each milestone had two
7 earnings levels, depending on the achievement of specific targets. Details of these milestones are
8 discussed in Attachment A. SoCalGas achieved the milestone in two of the three programs, as
9 summarized in the table below.

10

Milestone Code	Program Element	Level 1 Award	Level 2 Award	Award Achieved
SCGR-1	Residential Contractor Program	\$100,000	\$70,000	\$100,000
SCGR-2	Residential Appliance	\$54,087	\$37,862	-
SCGNC-1	Local Government Initiatives	\$54,086	\$37,861	\$37,861
<i>Total Market Effects Award</i>		<i>\$208,173</i>	<i>\$145,723</i>	<i>\$137,861</i>

11
12
13
14

15 In 2001, SoCalGas achieved two of the three market effects milestones, and is entitled to
16 a market effects award of \$137,861.

17
18 **Performance Adder Award**

19 The performance adder milestone is a scalable milestone based on budget levels of
20 SoCalGas' information programs. The performance adder incentive is 5 percent of all program
21 expenditures, not to exceed \$110,000. In A.00-11-044, SoCalGas' proposed budget for
22 information programs was \$10.761 million. As a result of program modifications required by
23 D.01-01-060, this budget was revised to \$9.604 million in the First Quarter 2001 Report. Actual

1 expenditures on information programs during 2001 totaled \$8.510 million. Details are included
2 in Attachment A.

3	PY2001 Modified Budget	\$9,604,000
4	PY2001 Budget Expenditure	\$8,510,000
5	Scaled Earnings ³	\$102,600
6		

7 In 2001, SoCalGas is entitled to a performance adder award of \$102,600.

8
9 **Total PY2001 Earnings Claim**

10 With the Energy Savings Award of \$1,090,000, Market Effects Award of \$137,861, and
11 Performance Adder Award of \$102,600, SoCalGas is requesting PY2001 Energy Efficiency
12 program earnings totaling \$1,330,461. This amount is less than the cap of \$2.084 million. With
13 interest and FF&U, SoCalGas' total PY2001 Energy Efficiency revenue requirement should be
14 increased by \$1,386,207.

15
16 **C. CONCLUSION**

17 SoCalGas respectfully requests that the Commission approve SoCalGas' PY2001 EE
18 earnings claim of \$1,386,207 within a time frame that will allow SoCalGas to implement all
19 related authorized revenue adjustments, effective January 1, 2003.

³ Earnings are scaled such that \$110,000 is earned at 95% (\$9,123,800) of the modified budget being expended. Earnings would not be provided for expenditures that were less than 60% (\$5,762,400) of the modified budget.

II.

ATTACHMENT A – PY2001 SHAREHOLDER INCENTIVES MECHANISM DETAIL

2001 Shareholder Incentive Mechanism for Southern California Gas Company

In total, SoCalGas' proposed earnings claim for PY2001 energy efficiency programs is \$1,330,461. The total maximum award level for SoCalGas' efforts was capped at \$2.084 million. The following provides a summary of the incentive mechanism and program results on which the request for the PY2001 earnings is based.

Energy Savings Award

D.01-01-060 set the minimum and maximum energy savings targets for SoCalGas. Incentives are earned on a program area basis, with provision for a five-percent incentive bonus if all energy savings targets are achieved in all program areas. For SoCalGas, the maximum potential incentive award for energy savings was \$1,660,000 and a bonus of \$104,000. The table below summarizes the energy savings achieved and earnings claimed.

Energy Savings Goals	Minimum	Maximum	Achieved	Maximum Potential Earnings	Claimed Earnings
kWh Goals	(million kWh)	(million kWh)	(million kWh)	(\$)	(\$)
Residential	4.6	5.7	1.2	100,000	-
Nonresidential	2.3	2.9	3.7	160,000	160,000
New Construction	10.4	13.0	8.2	70,000	-
<i>Total</i>				<i>330,000</i>	<i>160,000</i>
kW Goals	(megawatts)	(megawatts)	(megawatts)		
Residential	2.4	3.1	1.4	100,000	-
Nonresidential	0.5	0.7	1.0	160,000	160,000
New Construction	3.7	4.6	6.0	70,000	70,000
<i>Total</i>				<i>330,000</i>	<i>230,000</i>
Therm Goals	(million therms)	(million therms)	(million therms)		
Residential	1.8	2.2	1.7	300,000	-
Nonresidential	4.3	5.3	6.2	490,000	490,000
New Construction	0.3	0.4	0.4	210,000	210,000
<i>Total</i>				<i>1,000,000</i>	<i>700,000</i>
<i>Total Savings</i>				<i>1,660,000</i>	<i>1,090,000</i>
<i>Savings Bonus</i>				<i>104,000</i>	-
<i>Total Energy Savings Earnings</i>				<i>1,764,000</i>	<i>1,090,000</i>

SoCalGas achieved energy savings that warrant the award of \$1,090,000. SoCalGas did not achieve all of the energy savings targets in all program areas and is not claiming the five-percent bonus.

Market Effects Award

D.01-01-060 adopted the market effects milestones as proposed. A summary table of the earnings claim is reiterated below followed by specific information on each of the three Commission-approved milestones.

Milestone Code	Program Element	Level 1 Award	Level 2 Award	Award Achieved
SCGR-1	Residential Contractor Program	\$100,000	\$70,000	\$100,000
SCGR-2	Residential Appliance	\$54,087	\$37,862	-
SCGNC-1	Local Government Initiatives	\$54,086	\$37,861	\$37,861
<i>Total Market Effects Award</i>		<i>\$208,173</i>	<i>\$145,723</i>	<i>\$137,861</i>

Milestone SCGR-1

Program:	Residential Retrofit and Renovation
Program Element:	Residential Contract Program (RCP)
Performance Award Milestone:	Achieve the specified increase in the number of single-family RCP contractors who are actively participating in the program over 2000 levels. Actively participating in the program was defined as installing one or more measure(s) or service(s) for at least 5 customers. (Level 1 performance: 25%, Level 2 performance: 18%)
Baseline:	Number of active RCP contractors as of December 31, 2000.
Program Performance Indicator:	Number of contractors trained and certified in the program and actively providing energy efficiency services to customers through the RCP program.
Verification plan:	Identify the number of active contractors in RCP during 2000. Identify the number of active contractors in RCP during 2001.
Achievement:	Southern California Edison consultant evaluation of RCP program efforts states that the required contractor participation levels have been met. Therefore, SoCalGas is claiming the Level 1 award of \$100,000.

Milestone SCGR-2

Program:	Residential Appliances
Program Element:	Residential Appliances
Performance Award Milestone:	Of the 6 major appliance manufacturers that produce ENERGY STAR® qualified products (clothes washers, dishwashers, and refrigerators), sign up 2 of these major manufacturers to the 2001 co-op program. (Level 1 performance: 2, Level 2 performance: 1)
Baseline:	In 2000, there is no co-op program with the Residential Appliance program element. Therefore, the baseline is 0.

Program Performance Indicator: Number of eligible major appliance manufacturers participating in the co-op program.

Verification plan: Signed agreements with the manufacturers will be the form of verification.

Achievement: Due to program modifications required by D.01-01-060, the residential appliance program was not implemented as a co-op program as originally proposed. Therefore, SoCalGas is not claiming any award for this market effects milestone.

Milestone SCGNC-1

Program: Codes & Standards and Local Government Initiatives

Program Element: Local Government Initiatives (Energy Efficiency Education for Schools)

Performance Award Milestone: Induce 2,000 student household requests for additional energy efficiency information. (Level 1 performance: 2,000; Level 2 performance: 1,400)

Baseline: In 2000, 7,500 student households were addressed by the program. 24% (1,800) of the student households responded to program materials. 20% (1,500) of the student households requested further information.

Program Performance Indicator: Number of student households requesting additional energy efficiency information due to the Energy Efficiency Education for Schools efforts.

Verification plan: Request cards received from student households addressed by the program.

Achievement: Household response increased by 40% to 28% of the 6,098 program participants, or 1,697 requests for additional energy efficiency program information. The baseline shown above correctly indicates a PY2000 performance of 20%; however, the correct program size for the PY2000 LivingWise® Program was 5,000 participants instead of 7,500. The 1,697 requests exceeds

the Level 2 requirement of 1,400 requests. Therefore, SoCalGas is claiming the Level 2 award of \$37,861.

Performance Adder Award

D.01-01-060 adopted the performance adder mechanism but reduced the proposed award of ten percent to five percent to accommodate the potential bonus for meeting all energy savings targets discussed above. The performance adder milestone is scalable based on the budget levels of SoCalGas’ informational type programs. The award would be scaled to the target budget expended during PY2001. As filed in A.00-11-044, the performance adder budget was \$10,761 million. However, due to program modifications required by D.01-01-060, the PY2001 budget was \$9.604 million. The mechanism has a threshold minimum of 60% level of spending (or \$5.7624 million) which must be reached before achieving any portion of this award. Once the 60% threshold is met, SoCalGas would earn an award based on the percent of the target achieved. The maximum award would be achieved upon expenditure of 95% of the target budget (or \$9.1238 million). The following table summarizes the program elements in the performance adder mechanism along with budget and expenditure dollars.

Program Elements	Proposed Budget (\$000s)	Revised (4/1) Budget (\$000s)	Actual Expenditures (\$000s)
RESIDENTIAL			
Residential Heating & Cooling Systems			
Res. Upstream Gas A/C	643	418	393
Residential Appliances			
Emerging Technologies	257	57	27
Statewide Appliance Program	536	536	1197
Residential Retrofit & Renovation			
Res. Statewide Energy Guide	282	182	136
Energy Facts	107	107	24
CHEERS	214	214	202

	Energy Efficiency Renovation Service	222	272	145
NONRESIDENTIAL				
Small Nonresidential Comprehensive Retrofit				
	Advanced Water Heating Systems	950	875	533
	Energy Resource Center	2,097	2,097	1,577
	Energy Edge	491	491	614
	Lodging Education Program	268	268	235
	Coin Laundry and Dry Cleaner Education Program	351	351	337
Nonresidential HVAC Turnover				
	Nonres. HVAC Equipment Turnover	956	708	542
	Non-Res. HVAC Equipment Education Program	147	147	181
Nonresidential Process Overhaul				
	Advanced Engine Technology	1,074	865	594
NEW CONSTRUCTION				
Commercial New Construction				
	Statewide Savings By Design	1,208	1,208	962
New Const. Codes & Std.'s Support & Local Gov't. Initiatives				
	Statewide New Const. Codes and Standards Support	319	319	331
	Local Government and Community Energy Efficiency	639	489	480
	Total Budget	10,761	9,604	8,510
	Earning Calculation			
	Actual Expenditures (\$000's)	8,510		
	Target Expenditure (\$000's)	9,604		
	Maximum Earnings	110,000		
	Actual Earnings	102,600		

Application: 02-05-

Exhibit No.: (SoCalGas-1B)

Date: May 1, 2002

Witness: Frank A. Spasaro

PREPARED DIRECT TESTIMONY
OF
FRANK A. SPASPARO
ON BEHALF OF
SOUTHERN CALIFORNIA GAS COMPANY
Program Years 2000 and 2001
Low-Income Energy Efficiency Earnings

May 1, 2002

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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1 **TESTIMONY OF SOUTHERN CALIFORNIA GAS COMPANY**
2 **FOR ITS 2000 AND 2001**
3 **LOW-INCOME ENERGY EFFICIENCY PROGRAM EARNINGS**

4
5 **2002 ANNUAL EARNINGS ASSESSMENT PROCEEDING**
6 **APPLICATION A.02-05-___**

7
8 **I.**
9 **SOCALGAS SHAREHOLDER EARNINGS CLAIM**
10 **FROM PY2000 AND PY2001 LOW-INCOME ENERGY EFFICIENCY PROGRAMS**

11
12
13 **A. INTRODUCTION**

14 The purpose of this testimony is to present and support Southern California Gas
15 Company's ("SoCalGas") second shareholder earnings claim for program year 2000 ("PY2000")
16 and first earnings claim for PY2001 in connection with the company's low-income energy
17 efficiency ("LIEE") programs¹.

18
19 **B. SUMMARY OF PY2000 LOW-INCOME ENERGY EFFICIENCY PROGRAMS**

20 The California Public Utilities Commission's ("Commission") Decision (D.)94-10-059,
21 adopted DSM shareholder incentive mechanisms for Pacific Gas and Electric, San Diego Gas &
22 Electric, SoCalGas and Southern California Edison, beginning in PY1995. For LIEE programs,
23 the Commission adopted a performance adder concept for non-mandatory programs.

24 The utilities filed their PY2000 LIEE program applications in July 1999. The
25 shareholder incentive mechanisms within these applications were based on the mechanism
26 adopted for PY1995, and continued through PY1999. This mechanism provided a five-percent

1 incentive on the non-mandatory measure costs.

2 The Commission subsequently moved consideration of the PY2000 shareholder incentive
3 mechanisms to the 1999 Annual Earnings Assessment Proceeding (AEAP). The Governor
4 signed Assembly Bill (AB) 1395 in October 1999, which modified Public Utilities (PU) Code
5 2790. AB 1395 removed both the distinction between mandatory and non-mandatory measures,
6 and the basis for the PY1995 mechanism and its “funding shifting” restrictions from mandatory
7 to non-mandatory programs.

8 At ORA’s request during the November 1999 AEAP hearings, parties submitted a joint
9 recommendation for Commission consideration. The joint recommendation proposed replacing
10 the 1995 incentive mechanism for LIEE programs, with one that provides incentives for all
11 measures (as opposed to non-mandatory measures only), consistent with PU Code 2790. The
12 Commission adopted the Joint Recommendation in D.00-09-038, thus replacing the PY1995
13 mechanism in effect until that time.

14 For PY2000, the mechanism is based on the per-measure savings set forth in the Joint
15 Recommendation and was adopted for a one-year trial basis only. Since this trial mechanism
16 applies to both mandatory and non-mandatory measures, a minimum performance standard for
17 the mandatory program is unnecessary for PY2000.

18 For expenditures on required items that either produce no energy savings (such as furnace
19 repair and replacement) or where energy savings are difficult to measure (such as energy
20 education), the utility will continue to earn on a percentage of spending for those tasks. The
21 utility will calculate the percentage amount so that the resulting forecasted earnings will be
22 approximately 25% of the overall forecasted PY2000 LIEE earnings.

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

1 The Joint Recommendation maintained that the shareholder incentives be collected in
2 two installments. The Commission would adopt the earnings claim in the AEAP following the
3 PY2000 program. The utilities would recover 50% of the adopted earnings claim in the first
4 year. The remaining 50% of the adopted earnings claim would be authorized for recovery in the
5 AEAP following completion of the program evaluation.

6 The utilities would evaluate the program, including but not limited to a load impact
7 billing analysis. The program evaluation results would not modify the amount of the earnings
8 claim. Rather, the results would guide future program development.

9 SoCalGas, in compliance with D.99-09-038, submitted on December 1, 1999, a late-filed
10 exhibit that calculated and established the percentage to be earned on the expenditures for the
11 25% “ non-savings” portion of the earnings and the dollar incentive per measure for the 75%
12 “measure savings” portion of the earnings. On May 22, 2001, SoCalGas and SDG&E filed "Up-
13 To-Date Shareholder Incentive Mechanism Tables" (A.00-11-012, filed November 6, 2000) per
14 ALJ Gottstein’s request. These earning claims were the basis used to determine the Minimum
15 Performance Standards as set forth in D.01-06-082, dated June 28, 2001.

16 Consistent with the adopted earnings mechanism, a joint utility program evaluation,
17 “2000 Low Income Program Load Impact Evaluation, Volume 1,” was submitted on April 1,
18 2002, to ORA.

19 **PY2000 Shareholder Earnings Claim**

20 The total earnings claim associated with the SoCalGas PY2000 LIEE programs was
21 \$211,502. Therefore, in this Application, SoCalGas requests Commission authorization to
22 increase SoCalGas’ authorized gas revenue requirements as necessary to recover \$105,751 (50%
23 of \$211,502) for its second earnings claim for PY2000 LIEE programs, effective January 1,
24 2003. SoCalGas further requests interest related to this claim of \$7,282 and franchise fees and

1 uncollectibles (FF&U) related to this claim of \$2,157. In sum, SoCalGas requests a \$115,190
2 increase in its 2002 total authorized revenue requirement to capture its PY2000 LIEE earnings.

3
4 **C. SUMMARY OF PY2001 LOW-INCOME ENERGY EFFICIENCY PROGRAMS**

5 In D.01-06-082, dated June 28, 2001, the Commission adopted a new LIEE incentive
6 mechanism with earnings calculated based on two percent of actual LIEE expenditures,
7 excluding shareholder earnings, providing the Minimum Performance Standard (MPS) was
8 achieved during the calendar year, *i.e.*, a MPS of 100% of the first-year savings goals and actual
9 installations for the Big Six measures². Ordering Paragraph 1.b. of the Decision set the annual
10 MPS for SoCalGas at 458,580 therms, as shown on Table 1. SoCalGas exceeded the 100% MPS
11 threshold by achieving savings of 603,765 therms in the Big Six measures in PY2001 (see Table
12 2).

13 The shareholder incentives will be collected in two installments. Fifty percent of the
14 earnings claim adopted by the Commission in the AEAP decision following the PY2001
15 program will be recovered in the first year after adoption. The remaining 50% of the adopted
16 earnings claim will be authorized for recovery in the AEAP following completion of the program
17 evaluation. The utilities will conduct a program evaluation, including, but not limited to, a load
18 impact billing analysis. The amount of the earnings claim will not be modified by the program
19 evaluation results. Rather, those results will guide future program development.

20 The Assigned Commissioner's Ruling (ACR) Regarding Post-2001 Program Planning for
21 Low-Income Assistance Programs, Ordering Paragraph 4, directed utilities to file comparative
22 information on how the savings for weatherized homes were determined. Subsequently, D. 01-

² The Big Six Measures include Attic Insulation, Water Heater Blanket, Low-Flow Showerhead, Caulking, Weatherstripping and Building Envelope (Minor Home) Repair.

1 12-020, Ordering Paragraph 4, ordered utilities to file and serve standardized data on program
2 lifecycle bill savings and bill savings to cost ratios for program years 1999, 2000 and 2001 in
3 their AEAP filing on LIEE activities.

4 On April 30, 2002, PG&E filed on behalf of SDG&E, SCE and SoCalGas the "Joint
5 Utility Low Income Energy Efficiency Program 2001 Costs and Benefit Savings Standardization
6 Report," ("Joint Report") in the Low Income Rulemaking Proceeding (R. 01-08-027.) The Joint
7 Report provides bill saving information for the years 1999 through 2001 in accordance with
8 Ordering Paragraph 4 of D. 01-12-020. A measure saving matrix was prepared in response to
9 Ordering Paragraph 4 of the ACR and is included as Appendix to the Joint Report.

10
11 **PY2001 Shareholder Earnings Claim**

12 SoCalGas' total PY2001 LIEE earnings claim is \$439,553 (2% times \$21,977,662).
13 Therefore, SoCalGas' first earnings claim for the PY2001 LIEE program is \$219,777 (50% of
14 \$439,553), plus interest from July 1, 2002 through December 31, 2003 in the amount of \$6,967,
15 and FF&U, in the amount of \$2,242, for a total request of \$228,986.

16
17 **D. CONCLUSION**

18 In conclusion, SoCalGas respectfully requests that the Commission approve SoCalGas'
19 PY2000 second LIEE earnings claim of \$115,190 and PY2001 first LIEE earnings claim of
20 \$228,986 within a time frame that will allow SoCalGas to implement all related authorized
21 revenue adjustments effective January 1, 2003.

II.

ATTACHMENT A– PY2001 LIEE ENERGY SAVINGS DETAIL

Ordering Paragraph 1.b. of D.01-06-082, dated June 28, 2001, set the annual MPS for SoCalGas at 458,580 therms. Total Big Six therm savings achieved for PY2001 was 603,765 therms, which exceeded the 100% MPS requirement. Following are the Projected Energy Savings Tables for PY2001 as filed with the Commission on May 22, 2001, (Table 1) and Actual Energy Savings Tables for installations completed in PY2001 (Table 2).

Table 1
SOUTHERN CALIFORNIA GAS COMPANY
LIEE SHAREHOLDER INCENTIVE MECHANISM
PY2001 PROJECTED ENERGY SAVINGS

Gas Measures	1st Year Therms	Measure Life	Lifecycle Therm Savings	Installation Frequency	1st Year Therm Savings	Total Lifecycle Therm Savings
Big Six Measures						
- Attic Insulation - SF	24.6	25	615	1,800	44,280	1,107,000
- Attic Insulation - MF	20	25	500	900	18,000	450,000
- Water Heater Blanket - SF	7.6	5	38	2,241	17,034	85,168
- Water Heater Blanket - MH	7.6	5	38	105	798	3,990
- Water Heater Blanket - MF	7.4	5	37	1,104	8,169	40,843
- Low Flow Showerhead	9.4	10	94	17,965	168,871	1,688,710
- Door Weatherstripping - SF	2.7	5	13.5	13,419	36,231	181,157
- Door Weatherstripping - MH	2.7	5	13.5	1,250	3,375	16,875
- Door Weatherstripping - MF	2.3	5	11.25	7,779	17,503	87,514
- Caulking - SF	0.9	5	4.5	9,635	8,672	43,358
- Caulking - MH	0.9	5	4.5	1,133	1,020	5,099
- Caulking - MF	0.8	5	3.75	6,510	4,883	24,413
- Building Envelope Repair -SF	6.1	10	61	14,572	88,888	888,878
- Building Envelope Repair -MH	6.1	10	61	1,107	6,751	67,513
- Building Envelope Repair - MF	5	10	50	6,821	34,107	341,073
Subtotal Big Six Measures					458,580	5,031,588
Other Measures						
- Evaporative Cooler/ Air Conditioner Covers	2.6	3	7.8	7225	18,786	56,358
- Water Heater Pipe Wrap	2.6	15	39	2727	7,090	106,346
- Faucet Aerators	3.5	5	17.5	20781	72,733	363,664
- Cover Plates/Gaskets	0.8	15	12	18,125	14,500	217,505
Subtotal Other Measures					113,109	743,873
Total Therm Savings Estimate					571,689	5,775,461

Table 2
Southern California Gas Company
LIEE Shareholder Incentive Mechanism
PY2001 Actual Energy Savings

Gas Measures	1st Year Therms	Measure Life	Lifecycle Therm Savings	Installation Frequency	1st Year Therm Savings	Total Lifecycle Therm Savings
Big Six Measures						
- Attic Insulation - SF	24.6	25	615	1,358	33,407	835,170
- Attic Insulation - MF	20	25	500	498	9,960	249,000
- Water Heater Blanket - SF/MH	7.6	5	38	2,609	19,828	99,142
- Water Heater Blanket - MF	7.4	5	37	1,687	12,484	62,419
- Low Flow Showerhead	9.4	10	94	29,934	281,380	2,813,796
- Door Weatherstripping - SF/MH	2.7	5	13.5	16,395	44,267	221,333
- Door Weatherstripping - MF	2.3	5	11.5	16,335	37,571	187,853
- Caulking - SF/MH	0.9	5	4.5	2,415	2,174	10,868
- Caulking - MF	0.7	5	3.5	998	699	3,493
- Building Envelope Repair -SF/MH	6.1	10	61	14,129	86,187	861,869
- Building Envelope Repair - MF	5	10	50	15,162	75,810	758,100
Subtotal Big Six Measures					603,765	6,103,042
Other Measures						
- Evaporative Cooler/ Air Conditioner Covers	2.6	3	7.8	1197	3,112	9,337
- Water Heater Pipe Wrap	2.6	15	39	2371	6,165	92,469
- Faucet Aerators	3.5	5	17.5	31544	110,404	552,020
- Cover Plates/Gaskets	0.8	15	12	28,597	22,878	343,164
Subtotal Other Measures					142,558	996,990
Total Therm Savings					746,323	7,100,031

Application: 02-05-

Exhibit No: (SoCalGas-1C)

Date: May 1, 2002

Witness: Frank A. Spasaro

PREPARED DIRECT TESTIMONY
OF
FRANK A. SPASARO
ON BEHALF OF
SOUTHERN CALIFORNIA GAS COMPANY

For Program Year 1997
DSM Energy Efficiency Earnings

May 1, 2002

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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2 **SOUTHERN CALIFORNIA GAS COMPANY FOR ITS**
3 **1997 DEMAND-SIDE MANAGEMENT PROGRAMS**

4 **2002 ANNUAL EARNINGS ASSESSMENT PROCEEDING**
5 **APPLICATION 02-05 ____**

6 **SOCALGAS SHAREHOLDER EARNINGS CLAIM FROM SOCALGAS'**
7 **1997 DSM PROGRAMS**

8 **A. INTRODUCTION**

9 The purpose of this testimony is to present and support Southern California Gas
10 Company's ("SoCalGas") shareholder earnings claim for program year 1997 ("PY1997") energy
11 efficiency programs.

12 The document entitled "Protocols and Procedures For the Verification of Costs, Benefits,
13 and Shareholder Earnings From Demand-Side Management Programs" ("Protocols"),¹ identifies
14 the protocols and procedures currently used by the four major California investor-owned utilities
15 to document and verify the costs and benefits of DSM program activities for PY1994 through
16 PY1997. SoCalGas followed the Protocols in preparing this year's Demand-Side Management
17 Energy Efficiency Programs Annual Report ("Annual Report"). The Annual Report is included
18 with, and made a part of, SoCalGas' 2002 AEAP Application as Exhibit SoCalGas-2C.
19 Section VIII of the Annual Report addresses SoCalGas' shareholder earnings claims related to
20 the performance of SoCalGas' 1997 DSM programs. Section VIII was prepared in accordance
21 with the Sixth Edition of the DSM Reporting Requirements Manual, dated December 1996, and
22 the Protocols. A draft Chapter VIII was provided to the California Public Utilities Commission's
23 ("Commission") Office of Ratepayer Advocates ("ORA") on April 15, 2002.

24 Pursuant to Tables 1, 2, 8B, 9B and 10 of the Protocols (pages 4, 5, 24, 25, and 27,

1 respectively), the shareholder incentive claim that SoCalGas makes in this 2002 AEAP is for the
2 third earnings claim for the performance of its PY1997 DSM programs.

3 Discussed below are SoCalGas' PY1997 DSM programs and earnings claims as derived
4 from revised lifecycle earnings. "Lifecycle earnings" are the total amount of the shareholder
5 earnings that may eventually be recovered by SoCalGas following the completion and
6 verification of all required impact studies in subsequent years. Lifecycle earnings are collected
7 in four installments over ten years; each installment is net of any adjustments corroborated by the
8 requisite impact studies.

9 The current adjusted PY1997 DSM program lifecycle earnings are \$2,865,000.
10 Therefore, the third earnings claim in this 2002 AEAP is for \$716,000 (75% of \$2,865,000 less
11 the total of the two previous earnings claims for this program).

12
13 **B. SUMMARY OF PY1997 PROGRAMS AND PERFORMANCE: THIRD**
14 **EARNINGS CLAIM**

15 Included in Appendix C of SoCalGas' Application are PY1997 earnings claim summary
16 Tables E-1, E-2, and E-3 pertaining to SoCalGas' third earnings claim. The 1997 DSM incentive
17 mechanisms were adopted by D.94-10-059, the "Interim Opinion on DSM Shareholder
18 Incentives: Implementation Phase," dated October 26, 1994.

19 SoCalGas' third earnings claim for its 1997 DSM programs represents the third
20 installment of the projected lifecycle shareholder earnings for those programs as revised. The
21 third earnings claim for PY1997 is \$716,000. This claim includes the following programs:

¹ As adopted by California Public Utilities Commission Decision (D.) 93-05-063; revised January 1997 pursuant to D. 94-05-063, D. 94-10-059, 94-12-021, D. 95-12-054, and D. 96-12-079.

1 REMS, RAEI, CEMS, IEMS, CEEI, IEEI, and DAP². This amount represents the difference
2 between 75% of the revised projected lifecycle shareholder earnings for PY1997 (75% of
3 \$2,865,000) and the sum of the previous two earnings claims for PY1997. In addition, as
4 stipulated in D.94-10-059, page 113, SoCalGas requests that interest of \$169,794 be accrued on
5 this earnings claim. SoCalGas also requests an additional sum for franchise fees and
6 uncollectibles (“FF&U”) related to this claim of \$36,516. The total authorized revenue
7 requirement increase requested for PY1997 DSM program activity is \$922,310.

8
9 **C. CONCLUSION**

10 In conclusion, SoCalGas respectfully requests that the Commission approve SoCalGas’
11 PY1997 third earnings claim of \$922,310 within a time frame that will allow SoCalGas to
12 implement all related authorized revenue adjustments, effective January 1, 2003.

² REMS = Residential Energy Management Services (Home Energy Fitness program), RAEI = Residential Appliance Efficiency Incentives, CEMS = Commercial Energy Management Services, IEMS = Industrial Energy Management Services, CEEI = Commercial Energy Efficiency Incentives (Commercial Equipment Replacement program), IEEI = Industrial Energy Efficiency Incentives, and DAP = Direct Assistance Program (low income).