

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION E-3268  
May 8, 1992

R E S O L U T I O N

RESOLUTION E-3268. San Diego Gas and Electric Company requests Commission authorization to shift unspent gas and electric funds for certain 1991 demand-side management activities to 1992.

BY ADVICE LETTER 841-E/793-G, FILED ON FEBRUARY 24, 1992.

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SUMMARY

1. In this advice letter, San Diego Gas and Electric Company (SDG&E) requests permission to carry forward into 1992 unspent funds for certain demand-side management (DSM) activities, which were authorized for 1991 programs. The funds are to be carried over from Direct Assistance (DA) and Measurement and Evaluation (M&E) activities, and are to be used for the same functions.
2. This Resolution approves the utility's request and clarifies that the fund-shifting for DA does not in any way alter the earnings cap of \$9 million established in Decision (D.) 91-12-074.

BACKGROUND

1. SDG&E was authorized \$4,997,448 in the DSM Collaborative D.90-08-068 for its 1991 DA program to provide weatherization and other energy efficiency services to 7,000 residential low-income customers. In 1991, SDG&E spent a total of \$4,582,549 for this program, weatherizing 10,029 low-income units.
2. Certain qualifying measures of the DA program are eligible for a shareholder incentive. The reward is based on authorized expenditures plus 5%. A minimum level of qualifying weatherized units must be achieved in order to calculate the reward, but there is no penalty associated with this program. The 1992 goal is 6,500 units, with budgeted (or authorized) expenditures of \$5,098,943.
3. D.90-08-068 also provided that 1% of SDG&E's M&E authorized funding would be allocated to the California Energy Commission (CEC) to undertake, in consultation with the Division of Ratepayer Advocates (DRA), certain programs and M&E activities

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on a statewide basis. An additional 1% was allocated to DRA to procure the services of independent consultants to review, verify, and augment SDG&E's measurement activities.

4. SDG&E identified a total of \$76,962 in unspent authorized 1991 M&E funds for these allocations, which consists of the following components:

\$67,102 (gas - \$13,477 and electric - \$53,625) from M&E funds authorized in D.88-09-063, SDG&E's Test Year 1989 General Rate Case (GRC).

\$9,860 (gas - \$1,980 and electric - \$7,880) from M&E funds authorized in D.90-08-068.

Neither the CEC nor DRA required these funds, which therefore remain unspent. Funding for M&E activities is not eligible for shareholder incentives.

5. D.90-08-068 provided that unspent Collaborative funds be returned to the ratepayers through the DSM balancing account. SDG&E instead requests that the 1991 DA unspent amount of \$414,939 (gas - \$331,951 and electric - \$82,988) be carried forward for use in its 1992 DA program approved in the stipulation adopted in D.91-10-046. These funds will not be used for any other program and SDG&E states that they will be refunded to ratepayers via the balancing account if they are not spent in 1992.

6. SDG&E also requests that the \$9,860 in unspent Collaborative M&E funds be carried forward to augment the 1992 M&E activities adopted in D.91-10-046. These funds will be used for the same M&E purposes described above and SDG&E states that they will either be refunded to ratepayers via the DSM balancing account at the end of 1992, or that a subsequent advice letter will be filed to request permission to carry any remaining funds to 1993.

7. The settlement agreement adopted in D.91-10-046 provided that any 1991 funds that remained unspent should be refunded to ratepayers. In a letter dated January 14, 1992, addressed to the Commission's Executive Director, SDG&E proposed to credit its unspent 1991 DSM funds to its DSM balancing account to comply with this requirement.

8. This request was approved on February 5, 1992. SDG&E now requests that the \$67,102 in unspent 1989 GRC M&E funds be carried forward to 1992. Again, SDG&E states that the money will be used for the same purposes described above, and that the funds will be refunded to ratepayers via the DSM balancing account, or that a subsequent advice letter will be filed.

#### NOTICE

1. This advice letter was noticed by publication in the Commission Calendar and was served on SDG&E's DSM Advisory

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Committee, as well as the parties on its advice letter mailing list, in accordance with Section III of General Order 96-A.

### PROTESTS

1. The City of San Diego (City) on behalf of its ratepayers submitted a protest to Advice Letter 841-E/739-G on March 6, 1992.
2. The City states that the unspent DSM funds should be returned to ratepayers as provided in D.90-08-068. According to the City, that decision was made when all parties and evidence were before the Commission, and there was ample opportunity for all issues to be negotiated.
3. Furthermore, the City states that these funds are now ratepayer money and that SDG&E should not be entitled to the free use of such monies in 1992.
4. The City reminds us that SDG&E's programs and their future funding are the subject of its current GRC (A.91-11-024). In addition, Order Instituting Rulemaking (R.) 91-08-003 and Order Instituting Investigation (I.) 91-08-002, which are the Commission's investigations of DSM policy issues and pilot bidding programs, are ongoing.
5. Finally, the City states that granting SDG&E's request could cause a mis-evaluation of funding in the Commission's other proceedings. The City is concerned that given the number of DSM proceedings occurring simultaneously, these funds may never be tracked and refunded to the ratepayers, should SDG&E be allowed to carry them forward to 1992.

### RESPONSES TO PROTESTS

1. SDG&E filed a response to the City's protest on March 12, 1992.
2. SDG&E disputed the City's allegation that the utility is requesting free use of ratepayer money. SDG&E clarified that the funds carried over into 1992 would be used for the same purposes for which they were authorized in 1991; that is, the DA program and the M&E activities to be undertaken by the CEC and DRA. SDG&E reiterated that if these funds are not spent for these purposes, they will be considered unspent in 1992 and will be treated in the same manner as any other unspent 1992 DSM funds. Therefore, should these funds remain unspent, they will ultimately be refunded to the ratepayers, along with accrued interest. Interest is accrued on the balancing account by applying the interest rate described in Section 19.c.4. of SDG&E's Electric Tariff Preliminary Statement to the average of beginning and ending account balances.
3. Secondly, SDG&E states that the fund-shifting will further the Commission's policies regarding DSM. The increased DA funds will allow SDG&E to provide additional free weatherization equipment and services to low-income households in 1992. The

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increase in M&E funds will enable the CEC and DRA staffs to collect and analyze additional statewide data on DSM programs and to evaluate SDG&E's program measurement activities more extensively.

4. SDG&E states that the Advice Letter process, as well as Advisory Committee review, has been used routinely to support funding flexibility for DSM programs. Such flexibility is necessary as new information becomes available.

5. SDG&E does not believe that this request is affected by DSM issues being addressed in other proceedings, nor will it impact other proceedings. SDG&E is required to closely track all DSM funding and expenditures; therefore, the City's fear that any remaining unspent funds will be "lost" is groundless.

6. Finally, SDG&E points out that the City is a member of SDG&E's DSM Advisory Committee, all of whom were given an opportunity to review a draft of this Advice Letter. No member of this Committee objected to the Advice Letter.

7. The City filed a clarifying letter on March 16, 1992 stating that, while an employee of the Buildings Division of the City's Department of General Services occasionally participates in SDG&E's Advisory Committee and may have received a draft of the Advice Letter, the Office of the City Attorney did not receive an advance draft.

8. Additional comments were filed on March 16, 1992 by Campesinos Unidos, Inc. (CUI) and the Metropolitan Area Advisory Commission (MAAC). CUI and MAAC provide a variety of services to low income households within the service territory of SDG&E. Both agencies support SDG&E's advice letter filing and urge the Commission to approve its request. They state that if the utility were not allowed to carry these unspent funds forward, the effect would be to deprive low income ratepayers of much needed energy efficiency programs and services.

#### DISCUSSION

1. SDG&E presented the contents of this advice letter to its DSM Advisory Committee, which consists of various stakeholders in the energy industry who have been key players in the Collaborative. The Advisory Committee consists of representatives from DRA, the Utility Consumers Action Network (UCAN), the Department of Economic Opportunity, the Natural Resources Defense Council, the Sierra Club, the City of San Diego, the County of San Diego, the California Energy Commission, and the Department of General Services.

2. The Commission respects the opinions of the Advisory Committee members and relies on the knowlege they bring to the Commission in DSM proceedings and less formal DSM forums. The Commission Advisory and Compliance Division (CACD) attended the meetings in which this advice letter was discussed and acknowledges the support obtained for the proposed

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modifications. In addition, CACD conducted an independent review of SDG&E's proposal.

3. It is somewhat unclear whether the 1991 funds referred to are Test Year 1989 GRC funds or Collaborative funds. D.90-08-068 provided that unspent funds be refunded to ratepayers and furthermore established a DSM balancing account to account for any under- and over-collections. Therefore, the refund to ratepayers condition adopted in D.91-10-046 appears to apply to the DSM programs and funding adopted in D.88-09-063, SDG&E's Test Year 1989 GRC. The 1989 GRC did not establish a balancing account for DSM activities; hence, 1989 and 1990 unspent funds reverted back to SDG&E.

4. While both D.90-08-068 and D.91-10-046 required that unspent funds be returned to ratepayers via the DSM balancing account, the Commission has clearly supported increased funding for DSM activities. DSM provides California with a valuable resource and it is reasonable that unspent funds continue to be invested in DSM to provide the benefit for which these funds were intended, rather than being refunded to ratepayers. We have allowed fund-shifting between years, within certain limits, as long as such movement supports the DSM policy goals expressed by the Commission.

5. Assisting California's low income residents to participate in weatherization and other energy efficiency services is a long-standing Commission goal.<sup>2</sup> Allowing SDG&E to carry unspent 1991 DA funds to 1992 furthers that policy. SDG&E not only exceeded its 1991 goals by a wide margin, but did so below cost. It is reasonable to allow low-income ratepayers to benefit from increased Direct Assistance funding.

6. D.91-12-074 established an earnings cap of \$9 million for DSM programs eligible for shareholder incentives, which include certain measures of the DA program. The ceiling on earnings was established after considering SDG&E's total array of DSM programs and their potential for contributing to shareholder earnings. The additional funds now allowed for the DA program should in no way alter this cap.

7. CACD acknowledges the City's concern that ratepayer funds may never actually get refunded if they remain unspent in 1992. We reassure them, however, that the DSM balancing account will assist in tracking those funds. We will also require SDG&E to refund any unspent DA funds which have been carried over to 1992. Any remaining amount should be credited to the DSM balancing account. The funds being carried over are net of accrued interest. The accrued interest should remain in the

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1 See Resolution E-3244, dated October 23, 1991, and Resolution E-3246, dated November 6, 1991.

2 See An Energy Efficiency Blueprint for California, p. 74.

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balancing account as a credit to be refunded to ratepayers when the DSM balancing account is amortized.

8. We are not concerned that simultaneous DSM proceedings will impact any potential ratepayer refunds. The SDG&E GRC (A.91-11-024) is for Test Year 1993, and funding occurs on a prospective basis. The fact that the Commission approves the fund-shifting, however, should not be interpreted to influence the funding levels for the various DSM programs in the GRC. R.91-08-003/I.91-08-002 are concerned with policy issues and the details of various pilot bidding programs, rather than funding levels of discrete programs.

9. M&E is a crucial area for DSM; therefore, the unspent 1991 funds should be carried over to 1992 for the specific activities described above. D.92-02-075 describes M&E as the threshold issue for regulatory oversight of DSM programs and establishes a later phase of the Rulemaking as the forum for examining ongoing M&E activities and results.

10. It is the Commission's intention to implement a shift through this forum from prespecified savings estimates to ex post verification made after program implementation. The Commission intends to base payments of shareholder incentives on post-installation verified savings, for all shared-savings programs authorized as of January 1, 1994, using the protocols adopted in the M&E phase of the Rulemaking (Rule 21 of D.92-02-075). Although the shift to ex post verification will not occur until 1994, M&E activities should receive rigorous attention in 1992 and 1993. The CEC and DRA may well need to make use of these unspent 1991 funds.

11. As noted above, CACD acknowledges the City's concern that unspent ratepayer money be properly refunded. At the same time, however, the Commission is vigorously pursuing M&E activities as a threshold issue in DSM. CACD assumes that any funds which remain unspent in 1992 will be refunded to ratepayers via the DSM balancing account. Any other proposed use of funds must be requested with an advice filing to be made by March 31, 1993.

12. CACD recommends that the Office of the City Attorney be directly notified of DSM Advisory Committee meetings by SDG&E and sent advance drafts of proposed advice letter filings to preclude any future misunderstandings of the Advisory Committee process.

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FINDINGS

1. SDG&E filed Advice Letter No. 841-E/793-G to request permission to carry forward in 1992 \$414,939 in unspent 1991 funds which were authorized for Direct Assistance programs and \$76,962 which were authorized for Measurement and Evaluation activities.
2. SDG&E has reviewed the proposed fund-shifting with its DSM Advisory Committee and has general support for the requested modifications.
3. The Commission relies in part on the Advisory Committee to determine if the utility makes efficient use of its demand-side management funds and if the proposed modifications are reasonable.
4. Although D.90-08-068 and D.91-10-046 provided for the refund of unspent ratepayer funds, the Commission has allowed unspent funds to be shifted between years when doing so has furthered Commission policy. The Direct Assistance program and Measurement and Evaluation activities are important DSM areas which should be supported.
5. SDG&E should be allowed to shift the 1991 funds into 1992 for the DSM activities specified above, but the earnings cap established in D.91-12-074 should not be altered. The interest accrued up to the effective date of this Resolution should remain in the balancing account as a credit and should be refunded to ratepayers when the DSM balancing account is amortized.
6. SDG&E should refund any Direct Assistance funds that remain unspent in 1992 by crediting their DSM balancing account. SDG&E should file an advice letter by March 31, 1993 in order to request permission to carry over any unspent M&E funds into 1993.
7. SDG&E should include the Office of the City Attorney of San Diego on its DSM Advisory Committee and provide that office with advance drafts of any proposed DSM advice letters.

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**THEREFORE, IT IS ORDERED that:**

(1) San Diego Gas and Electric Company proposed movement of unspent 1991 demand-side management funds for Direct Assistance and Measurement and Evaluation activities, as described in this Resolution, is approved.

(2) Interest on the unspent funds that have been accrued up to the effective date of this Resolution shall be credited to the balancing account and refunded to ratepayers when San Diego Gas and Electric Company's Demand-Side Management Balancing Account is amortized.

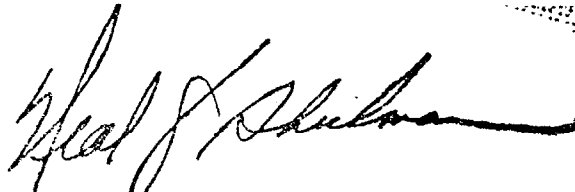
(3) There is no change to San Diego Gas and Electric Company's earnings cap established in Decision 91-12-074.

(4) San Diego Gas and Electric Company must file an advice letter by March 31, 1993 in order to request permission to carry over any unspent Measurement and Evaluation funds into 1993.

(5) Advice Letter 841-E/793-G shall be marked to show that it was approved by Commission Resolution E-3268.

(6) This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on May 8, 1992. The following Commissioners approved it:



NEAL J. SHULMAN  
Executive Director

DANIEL WM. FESSLER  
President  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
NORMAN D. SHUMWAY  
Commissioners