

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND  
COMPLIANCE DIVISION  
Energy Branch

RESOLUTION E-3276  
June 3, 1992

**R E S O L U T I O N**

RESOLUTION E-3276. PACIFIC POWER AND LIGHT COMPANY  
REQUESTS AUTHORITY TO TARIFF AN INDUSTRIAL ENERGY  
EFFICIENCY PROGRAM KNOWN AS EXPERIMENTAL INDUSTRIAL  
ENERGY SERVICES.

BY ADVICE LETTER 243-E, FILED ON APRIL 1, 1992.

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SUMMARY

1. In this advice letter Pacific Power and Light Company (PP&L) requests approval of tariffs proposed for its "Schedule A-140 and A-141 Experimental Industrial Energy Services", also known as "FinAnswer". This program, which was previously titled "Energy Partners", will test the usefulness of an Energy Service Charge (ESC) in reducing energy service loads. The program provides an opportunity for industrial facilities to install energy-efficiency measures without incurring up front costs.
2. This Resolution grants the request.

BACKGROUND

1. In Decision (D.) 90-03-078 of April 27, 1990, the Commission allowed PP&L to discontinue use of the Electric Revenue Adjustment Mechanism (ERAM) in its tariffs. To insure that elimination of the ERAM would not diminish energy efficiency efforts the Commission directed PP&L to file a proposal linking corporate earnings to investments in energy-efficiency. PP&L responded by filing advice letter No. 228-E on June 28, 1990.
2. On July 19, 1990, PP&L petitioned the Commission to consolidate Advice Letter No. 228-E with Application No. 90-01-055, PP&L's 1991 General Rate Case (GRC) application. D.90-12-022 of December 6, 1990, granted the request.
3. D.90-12-022, also adopts a stipulation (Attachment A to the decision) between PP&L and the Division of Ratepayer Advocates (DRA). This stipulation addresses PP&L's Demand Side Management (DSM) programs and their compliance with D.90-03-078.

4. On April 7, 1992, PP&L filed advice letter No. 243-E, proposing tariffs for application to its Experimental Industrial Energy Services program for new and existing industrial facilities.
5. On April 22, 1992 PP&L filed an addendum to advice letter No. 243-E which substitutes tariff sheet number 1862-E\* for tariff sheet number 1862-E and provides an attachment that was inadvertently omitted from the original letter.
6. On May 5, 1992 PP&L filed an addendum to advice letter No. 243-E which substitutes tariff sheet number 1861-E\* for tariff sheet number 1861-E.

**NOTICE:**

1. The Advice Letter was noticed by copies mailed to parties in PP&L's California advice filing service list and by reference in the Commission's calendar of April 10, 1992.

**PROTESTS**

1. The Commission Advisory and Compliance Division has not received protests to this Advice Letter.

**DISCUSSION**

1. The stipulation sets forth the details of an agreement between PP&L and DRA which adopted three tiers of DSM expenditures;  
(1) a shareholder incentive mechanism allowing rate base treatment of certain resource programs (Amortization Related programs),  
(2) recovery of authorized expenditures plus 5% (Modified Expensed), and  
(3) expensed programs. Experimental Industrial Energy Services is both an Amortization Related and Modified Expensed program.
2. The program is intended to provide energy efficiency measures to industrial customers while acquiring cost-effective demand-side resources for PP&L.
3. The program will promote energy efficiency by providing participating customers with conservation payments. Conservation payments reimburse program participants for expenses related to the installation of approved energy conservation measures. The program will also provide evaluation studies and inspections when appropriate.
4. For this program, PP&L will use funding limits established by the estimated annual reduction in energy consumption (kWh), and the expected life of the measure as follows:

Expected Life

Funding limit per kWh

10 years	\$0.3577 per kWh
15 years	\$0.5032 per kWh
20 years	\$0.6251 per kWh
30 years	\$0.8126 per kWh.

5. PP&L will treat conservation payments as loans, recovering principal and interest through Energy Service Charges (ESCs). The customer will have the option of paying equal or graduated monthly ESCs over the duration of the contract.

6. Maximum duration of the Energy Services Contract is limited by a participant's credit rating as defined in the tariff. The maximum term for a participant with grade A credit is 15 years. Those with grade D credit are limited to 5 years.

7. The program treats existing and new or expanding industrial customers differently. Schedule A-140 addresses the former and schedule A-141 the latter. The following summarizes the differences between the two:

Aspect	Schedule A-140	Schedule A-141
Applicable Customers	Existing Industrial	New/Expanding Industrial
Threshold KW	500KW	None
Savings Verification	"True Up" mechanism	None
Interest Rate	Prime + 2 points	Prime

8. Experimental Industrial Energy Services is a pilot program. PP&L reserves the right to limit participation to ensure a representative sample.

9. The stipulation between PP&L and DRA also sets performance targets for the Experimental Industrial Energy Services program. Target savings over the period 1991-1993 is an average of 296 MWh per year. The minimum savings requirement on an average annual basis is 99 MWh per year.

FINDINGS

1. PP&L filed Advice Letter 243-E requesting permission to tariff its Experimental Industrial Energy Services program, as stipulated (under the then program title of "Energy Partners") in Attachment A of D.90-12-022.

2. The Experimental Industrial Energy Services program is eligible for shareholder incentives as described in the stipulation and this resolution, and therefore is subject to performance targets and minimum performance requirements.

3. The program outlined in the Advice Letter and stipulation supports the Commission's goal of promoting demand side management.

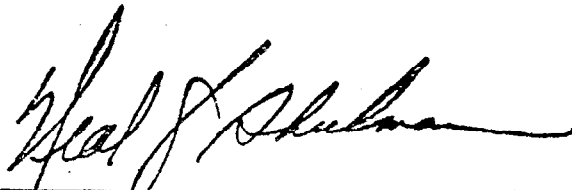
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4. According to Attachment A of D.90-12-022, PP&L is required to report expenditures and performance activity associated with this program consistent with the Demand-Side Management Reporting Requirements Manual. PP&L shall file an Annual Summary of Demand Side Management programs, due March 31 of each year.

THEREFORE, IT IS ORDERED that:

1. Pacific Power and Light Company's proposed Experimental Industrial Energy Services program is approved.
2. Advice Letter 243-E shall be marked to show that it was approved by Commission Resolution E-3276.
3. Pacific Power and Light Company shall file an Annual Summary of Demand Side Management programs, on March 31 of each year.
4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on June 3, 1992. The following Commissioners approved it:



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NEAL J. SHULMAN  
Executive Director

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