PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3283
July 1, 1992

R E S O L U T I O N

RESOLUTION E-3283. SAN DIEGO GAS AND ELECTRIC COMPANY REQUESTS COMMISSION AUTHORIZATION TO MODIFY ITS NONRESIDENTIAL NEW CONSTRUCTION DEMAND SIDE MANAGEMENT PROGRAM.

BY ADVICE LETTER 843-E, FILED ON APRIL 2, 1992.

SUMMARY

1. In Advice Letter 843-E San Diego Gas and Electric Company (SDG&E) requests permission to add new elements to its Nonresidential New Construction Demand Side Management (DSM) program. SDG&E would like to add several elements under a new category of "Prescriptive" efficiency measures. Elements in the new Prescriptive category would be subject to the same savings verification procedures and shareholder incentive treatment as that authorized for the Lighting Efficiency Incentives element of the Nonresidential New Construction program.

2. This Resolution approves the utility's request.

3. This Resolution clarifies that addition of the new program does not alter the DSM earnings cap of $9 million established in Decision (D.) 91-12-074.

4. This Resolution clarifies that SDG&E must not pursue the Prescriptive program to the extent that it results in the neglect of Title 24 Plus program opportunities.

BACKGROUND

1. The DSM Collaborative Decision, D.90-08-068, authorized SDG&E to spend $1,028,873 on its 1991 Nonresidential New Construction programs. Of this amount, $669,682 was allocated to the "Title 24 Plus" program and $359,191 to the "Lighting Efficiency Incentives" program. Actual spending on these programs in 1991 was $426,938 and $803,399, respectively.

2. D.91-12-074 authorizes 1992 SDG&E expenditures of $1,118,701 on its Title 24 Plus program and $379,031 on its Lighting Efficiency Incentives program.

3. SDG&E's Nonresidential New Construction programs are eligible for shareholder incentives. Two incentive mechanisms defined in D.90-08-068 were re-authorized for SDG&E's 1992 Nonresidential New Construction programs in D.91-12-074.

4. One mechanism applies to Nonresidential New Construction programs that are not cost-effective. Because a program that is not cost-effective has a negative Total Resource Cost test (TRC) net present value, this mechanism allows SDG&E to earn a percentage of total TRC benefits. Under this mechanism SDG&E may claim 9 percent of TRC benefits as a shareholder incentive.

5. The other mechanism applies to what is currently SDG&E's only cost-effective Nonresidential New Construction program, the Lighting Efficiency Incentives program. Because this mechanism applies to cost-effective programs, it is based on net benefits. Under this mechanism SDG&E may claim shareholder incentives equivalent to 13.5 percent of TRC net present value.

6. In its Title 24 Plus program SDG&E hires consultants to evaluate new construction projects for opportunities to exceed Title 24 energy efficiency standards. This evaluation is known as a "Title 24 run." Customer incentives are available for installation of the Energy Efficiency Measures (EEMs) identified in the Title 24 run.

7. SDG&E's Lighting Efficiency Incentives program offers customer incentives for installation of high-efficiency lighting equipment without requiring Title 24 runs.

8. D.91-12-074 also established a $9 million shareholder incentive ceiling and adopted savings verification procedures for SDG&E's 1992 DSM programs as identified in the Modified Attrition Filing interim decision, D.91-10-046.

NOTICE

1. This advice letter was noticed in accordance with Section III of General Order 96-A by publication in the Commission Calendar and service to the SDG&E advisory group and parties on SDG&E's advice filing mailing list.

PROTESTS

1. The Commission Advisory and Compliance Division has not received protests to this advice letter.

DISCUSSION

1. The proposed program will provide customers with incentives to install cost-effective EEMs such as tinted window glazing and variable speed drive motors. Cost-effective energy efficient lighting measures are currently promoted with this technique through the Energy Efficient Lighting Incentives program. Measure incentives available through the proposed program are currently available through the Title 24 Plus program, but with limited flexibility and at great expense to the utility.

2. Under the Title 24 Plus program, SDG&E is not authorized to provide customer incentives for installation of individual measures without conducting a Title 24 run. Because Title 24 runs are costly and time consuming, SDG&E feels lost opportunities may be avoided in some instances by providing customer incentives without requiring Title 24 runs. The Prescriptive program would do this by providing customer incentives on certain cost-effective EEMs without requiring Title 24 runs.

3. The proposed Prescriptive and existing Lighting Efficiency Incentives programs are cost-effective. The Title 24 Plus program is not cost-effective.

4. The 13.5 percent incentive mechanism is appropriate for application to the Prescriptive program because this mechanism is designed for use with cost-effective programs.

5. Based on SDG&E projections, the utility would earn an average of approximately 15 percent on program expenses related to the proposed program. In contrast, the utility can expect to earn approximately 2.5 percent on Title 24 Plus program expenses. The utility projects a $31,000 increase in shareholder incentives if the proposed program is authorized.

6. Authorization of the proposed program will not impact the $9 million shareholder incentives ceiling established in D.91-12-074.

7. The utility will run the Prescriptive program with these extra Title 24 Plus funds and, if necessary, with DSM reserve funds.

8. Authorization of the proposed program will impact ratepayers by using any surplus 1992 Title 24 Plus (and perhaps DSM reserve) funds that would otherwise have been refunded to ratepayers.

9. The Commission authorized New Construction programs to avoid lost opportunities. Use of surplus Title 24 Plus (and possibly DSM reserve) funds to avoid lost opportunities through the proposed program is consistent with this goal.

10. The Commission has supported New Construction programs that are not cost-effective in order to capture benefits excluded from the TRC, such as the implementation of EEMs that anticipate higher Title 24 standards. It would not be consistent with Commission goals for SDG&E to pursue the Prescriptive program to the extent that it results in the neglect of Title 24 Plus program opportunities.

11. Members of the SDG&E DSM advisory committee expressed support for expanding SDG&E's Nonresidential New Construction program to include the Prescriptive program as proposed in this advice letter.

12. The Commission has authorized similar programs for other utilities.

FINDINGS

1. SDG&E filed Advice Letter No. 843-E to request permission to expand its Nonresidential New Construction DSM program to allow provision of customer incentives on certain EEMs without requiring Title 24 runs.

2. The proposed program will enable SDG&E to avoid lost opportunities.

3. Funding for the proposed program will come from Title 24 Plus program funds and, if necessary, from DSM reserve funds. Using these DSM funds to run the proposed program is consistent with Commission goals of avoiding lost opportunities.

4. The proposed program would be subject to the same shareholder incentive mechanism and verification requirements as those adopted for the existing Lighting Efficiency Incentives program in D.91-12-074.

5. New Construction programs achieve Commission priorities that may not be reflected adequately by the TRC. SDG&E must not pursue the more cost-effective Prescriptive program to the extent that it results in the neglect of Title 24 Plus program opportunities.

THEREFORE, IT IS ORDERED that:

1. San Diego Gas and Electric Company proposed Prescriptive Nonresidential New Construction Demand Side Management program is approved.

2. There is no change to the earnings cap established in Decision 91-12-074.

3. Advice Letter 843-E shall be marked to show that it was approved by Commission Resolution E-3283.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 1, 1992. The following Commissioners approved it:

Neal J. Shulman
NEAL J. SHULMAN
Executive Director

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