

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3291
November 6, 1992

R E S O L U T I O N

RESOLUTION E-3291. Southern California Edison Company requests Commission authorization to establish a new DSM program area and two programs within this proposed program area.

BY ADVICE LETTER 963-E, FILED ON SEPTEMBER 3, 1992.

SUMMARY

1. In this advice letter Southern California Edison Company (Edison) requests Commission authorization to establish a new program area entitled "Regional Economic Recovery" and implement two new demand-side management (DSM) programs in this program area.
2. This Resolution authorizes the utility to implement the proposed programs, but does not approve the establishment of a new program area.
3. This Resolution acknowledges the utility's plans to conduct the proposed programs through 1996.
4. This Resolution is not a precedent. In the future, similar utility proposals will continue to be evaluated on a case-by-case basis.

BACKGROUND

1. Edison received Commission authorization for its DSM programs in Decision (D.) 91-12-076. This decision also adopts funding rules and shareholder incentive/penalty mechanisms to be applied to each of the utility's three incentive categories.
2. The three incentive categories adopted in the decision are Shared Savings; Performance Adder; and Expensed. The decision authorizes Edison to shift up to \$2.5 million within program areas in the GRC cycle, but forbids the shifting of funds across incentive categories.
3. Shareholder incentives for Edison's Shared Savings programs are determined with the "S-curve" incentive mechanism. Use of the S-curve mechanism requires an Incentive Basis (IB), which is

composed of forecast values of the costs and benefits of shared-savings programs. Increasing or reducing funds for a particular shared-savings program will change the incentive basis for that program.

4. D.91-12-076 allows Edison to finance load retention, load building and fuel substitution programs with ratepayer funds, but orders that Edison must not shift funds into or among these programs.

5. D.92-02-075 indicates that load building and load retention programs lack resource value, but that these programs may be conducted by utilities provided that the utility demonstrates that the program achieves other policy goals (Adopted Rules and Policy Statements for Demand Side Management Programs, Rule No. 12). D.92-02-075 also states, "We discourage utilities from pursuing fuel substitution programs with a predominantly load building or load retention character." (Adopted Rules and Policy Statements for Demand Side Management Programs, Rule No. 13.)

6. Public Utilities Code 740.4 requires the Commission to authorize public utilities to engage in programs that encourage economic development and allows for geographic rate differentials when they are intended to provide incentives for businesses located within the boundaries of enterprise zones or economic incentive areas. Approval of the proposed programs would be consistent with this mandate.

7. From April 29 to May 2, 1992 certain sections of LA were affected by civil disturbances. 2,226 businesses in the affected areas suffered some form of property damage, with 449 being totally destroyed. The Federal Government declared the civil disturbances a Federal Disaster, making the affected areas eligible for disaster assistance through the Federal Emergency Management Agency (FEMA). In addition, affected areas have been aided by the State Emergency Services Office, Small Business Administration (SBA), Red Cross, LA Municipal agencies and several local volunteer organizations.

8. Some of the affected areas fall within enterprise zones that were established by the City of Los Angeles Department of Community Development prior to the riots. The majority of riot damage, however, occurred outside these enterprise zones. On September 18, 1992, Governor Pete Wilson signed Legislative Bill No. AB-38X which establishes a more-comprehensive "Revitalization Zone." This legislative bill instructs municipalities in Los Angeles county to identify areas affected by the riots. After these areas receive legislative approval the Revitalization Zone will provide special tax structures in these areas to promote economic development in areas affected by the riots.

NOTICE

Advice Letter No. 963-E was noticed in accordance with Section III.G. of General Order 96-A by publication in the Commission

Calendar and distribution to Edison's advice filing service list.

PROTESTS

The Commission Advisory and Compliance Division (CACD) has received no protests to Advice Letter 963-E.

DISCUSSION

1. DSM programs are an important means by which the Commission is pursuing its long term goal of ensuring least-cost and environmentally-sensitive energy service to customers of California's investor-owned utilities (IOUs).
2. The efforts of relief organizations working in the Los Angeles area are twofold. First, these organizations seek to assist people directly impacted by the riots. Second, these organizations seek to remove some of the causes of the riots by revitalizing the regional economy with investment, especially in the established trade zones.
3. In this Advice Letter Edison proposes to establish two new programs to be conducted for the remainder of 1992 in the Enterprise and Revitalization Zone. These programs will contribute to the twofold relief efforts and promote energy efficiency, and are called Regional Recovery/Design for Excellence (RDFE) and Regional Recovery/Customer Retention (RCR).
4. The proposed RDFE program is intended to provide assistance to customers directly impacted by the riots. This program would encourage the installation of energy efficient equipment and construction measures during the rebuilding effort, provide participants with energy-efficient design assistance, and attempt to induce manufacturers of energy-efficiency measures (EEMs) to offer rebates on specified energy efficiency equipment.
5. Because construction materials, construction designs and commercial/industrial equipment have long life expectancies, failure to implement or apply these energy-efficiency options during the rebuilding effort would create a stream of potential energy savings that are irretrievable or very costly to achieve later.
6. Some DSM programs promote energy efficiency by providing customer incentives on the purchase and installation of EEMs. Whereas customer incentives are a maximum of 30% of incremental cost in Edison's standard Design for Excellence program, the proposed RDFE will reimburse participants 100% of the incremental cost of installing EEMs.
7. Edison believes the proposed RDFE program should offer these increased customer incentives because:

1. The riots resulted in dramatic and unexpected losses for affected businesses. Those businesses that are attempting to rebuild or replace damaged equipment are short of funds, and interested primarily in up front costs. This focus on initial costs diminishes the perceived value of the stream of future savings associated with energy efficient equipment. Therefore, affected businesses do not consider the incremental costs associated with energy efficiency measures a worthwhile investment.
 2. The programs would contribute to efforts to promote economic vitality in the designated areas.
 3. There is a concentration of energy efficiency opportunities in the designated areas.
8. Edison has identified potential participants for the RDFE program with information obtained from cities, fire departments, safety bureaus other public agencies, and the companies own records of electric bills forgiven due to the disturbances. Edison will also identify potential RDFE participants with information obtained by Edison New Construction representatives in visits to damaged sites and customer interviews.
9. To ensure that all eligible customers have ample opportunity to participate in the RDFE program, Edison will promote the program in English, Spanish and Korean and will work with local agencies to reach owners of totally destroyed or closed businesses.
10. The proposed RCR program would research industry clusters in the affected areas, encourage establishment of high-efficiency manufacturing facilities in these areas, and allow the utility to assume a coordination role in fostering regional cooperation in support of key industries.
11. Electric load building occurs when an electric utility promotes the use of electric equipment in order to expand its customer base. Electric fuel substitution occurs when a utility promotes the replacement of energy-using equipment dedicated to natural gas with equipment that uses electricity. The proposed programs have a potential for load building and fuel substitution to the extent that they may promote the replacement of natural gas fired appliances and equipment with appliances and equipment that use electricity. CACD recommends that Edison demonstrate that the programs are not being conducted in a manner that results in fuel substitution or load building.
12. Through discussions with Edison, CACD has determined that there is no need to establish another program area, and that the proposed programs should be categorized in the program area from which they received funds.
13. Edison intends to finance the RDFE program with \$234,000 in funds currently authorized for the standard Design For Excellence programs and to finance the RCR program with \$500,000

in funds from their Emerging Technologies program. Use of these funds for the proposed programs does not violate the fund-shifting restrictions established in D.91-12-076.

14. Edison is not authorized to earn shareholder incentives on Load Retention programs, hence the proposed RCR program is not eligible for shareholder incentives. Although the utility is authorized to earn shareholder incentives on the standard Design For Excellence program, Edison is not requesting these incentives for the proposed RDFE program. The utility has provided revised estimates of the IB which are adjusted to reflect this shift in the status of Design For Excellence funds.

15. Use of Design For Excellence funds to finance the proposed RDFE program is consistent with the Commission's intention that these funds be used to promote energy efficiency. Use of these funds for the RDFE program is also consistent with the Commission's intention for equity-oriented programs. Approval of both of the proposed programs would be consistent with the directive set forth in Public Utilities Code 740.4.

16. The proposed programs are part of a five year plan intended to aid in the rebuilding and revitalization of areas impacted by the Los Angeles riots. Although the scope of this Resolution is limited to the remainder of 1992, the Commission acknowledges the merit of this five year plan.

17. Funding for the proposed programs comes from currently authorized DSM funds. Therefore, approval of these programs will not result in any rate or charge beyond that currently authorized.

FINDINGS

1. Edison filed Advice Letter No. 963-E to request Commission authorization to establish a new program area entitled "Regional Economic Recovery" and implement two new DSM programs in this program area during the remainder of 1992. The proposed programs are entitled Regional Recovery/Design For Excellence (RDFE) and Regional Recovery/Customer Retention (RCR). The RDFE program would be financed with \$234,000 from currently authorized standard Nonresidential Design For Excellence program funds, and the RCR program would be financed with \$500,000 from currently authorized Emerging Technologies program funds. Edison does not seek shareholder incentives on either program.

2. The rationale behind the proposed programs is consistent with the directive established in Public Utilities Code 740.4 and with the intent of Legislative Bill AB-38X, both in its assistance to customers that were directly impacted by the LA riots and its provisions to foster economic development in the enterprise and Revitalization zones.

3. The proposed programs could have load building and fuel substitution impacts which would be inconsistent with the Commission's intentions. The utility will bear the burden of

proof in demonstrating that the proposed programs are not being conducted in a manner that results in load building or fuel substitution.

4. Edison should be instructed to file an additional advice letter to obtain Commission approval of the proposed programs for years 1993 and 1994, and seek approval to conduct these programs in 1995 and 1996 in its 1995 GRC.

5. Edison should bear the burden of proof that the proposed programs are not conducted in a manner that results in load building and/or fuel substitution. Edison should collect data to demonstrate this in the reasonableness reviews associated with the Energy Cost Adjustment Clause (ECAC) proceeding.

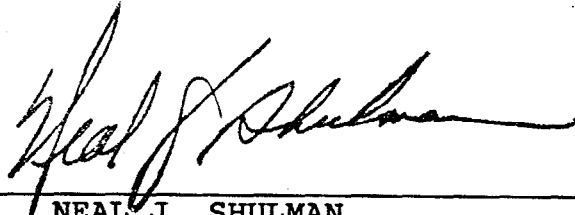
6. Approval of the proposed programs will not result in any rate or charge beyond that currently authorized.

November 6, 1992

THEREFORE, IT IS ORDERED that:

- (1) The "Regional Economic Recovery" program area proposed by Southern California Edison Company is not approved.
- (2) The Regional Recovery/Design For Excellence and Regional Recovery/Customer Retention programs proposed by Southern California Edison Company are approved.
- (3) Advice Letter 963-E shall be marked to show that it was approved by Resolution E-3291.
- (4) This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 6, 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