

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy BranchRESOLUTION E-3310
MARCH 10, 1993R E S O L U T I O N

RESOLUTION E-3310. SAN DIEGO GAS AND ELECTRIC COMPANY REQUESTS COMMISSION AUTHORIZATION TO CARRY FORWARD UNSPENT DEMAND-SIDE MANAGEMENT FUNDS FOR USE ON ONGOING DEMAND-SIDE MANAGEMENT ACTIVITIES.

BY ADVICE LETTER 865-E/843-G, FILED ON JANUARY 15, 1993.

SUMMARY

1. In Advice Letter 865-E/843-G San Diego Gas and Electric Company (SDG&E) requests permission to carry forward unspent 1992 Energy Technology Center (ETC) and Measurement and Evaluation (M&E) funds for use on the same programs in 1993.
2. This Resolution approves the utility's request.

BACKGROUND

1. The Demand-Side Management (DSM) Collaborative Decision (D.), 90-08-068, ordered that 2% of authorized SDG&E M&E funds should be provided for certain Statewide M&E and utility-specific regulatory activities. Of this 2%, 1% was provided to the California Energy Commission (CEC) for use, in consultation with the Division of Ratepayer Advocates (DRA), on statewide studies. The other 1% was allocated to the DRA for use in verification efforts associated with earnings claims linked to SDG&E's DSM programs.
2. In SDG&E's Modified Attrition Decision, D.91-10-046, SDG&E requested and received authorization to spend \$500,000 on an energy efficient Lighting Demonstration Center. In response to requests and suggestions put forward at subsequent meetings of the SDG&E DSM advisory committee, SDG&E expanded its lighting demonstration center plans to include energy-efficient measures of end-uses other than lighting. To reflect this increased scope, SDG&E changed the name of this program to Energy Technology Center (ETC).
3. SDG&E requested funding for the ETC in its 1993 General Rate Case (GRC) application (A.) 91-11-024. D.92-12-019, SDG&E's GRC decision, deferred approval of the ETC due to a lack of detailed project plans and cost breakdowns. The decision

indicates that, at such time as SDG&E can provide these details, it should provide them in an Advice Letter seeking memorandum account treatment for this program.

4. In D.92-02-075 the Commission determined that shareholder incentives should be based on actual DSM program accomplishments measured after the fact (ex post) rather than estimates of program accomplishments derived primarily from assumptions generated before program implementation (ex ante).¹ Ex Post M&E protocols are also being addressed in the Commission's ongoing DSM Order Instituting Investigation (OII)/Order Instituting Rulemaking (OIR). Protocols for the ex post verification of energy savings attributable to DSM programs will be developed as part of this ongoing investigation.²

5. The Collaborative decisions, D.90-08-068 and D.91-10-046, provided that unspent Collaborative DSM funds should be returned to ratepayers through the DSM balancing account. Since then, however, the Commission has evaluated treatment of unspent funds on a case by case basis. In SDG&E's case, Resolution E-3268 allowed SDG&E to carry forward unspent 1991 DSM funds for use on the 1992 counterparts of the programs for which they were originally approved.

6. In this Advice Letter SDG&E seeks Commission authorization to carry forward \$450,000 of unspent ETC funds and \$150,000 of unspent M&E funds for use in the same programs in 1993.

NOTICE

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

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

DISCUSSION

1. DSM resources constitute a substantial portion of the State's plan for energy capacity additions over the next decade, and satisfy the Commission's intention to provide reliable, least cost and environmentally-sensitive energy service to customers of California's Investor Owned Utilities.

2. The Collaborative decision directives that unspent DSM funds be returned to ratepayers on a yearly basis has been

1 D.92-02-075, Adopted Rules and Policy Statements for Demand-Side management Programs, Rule 21.

2 I.91-08-002/R.91-08-003

tempered with a realization that DSM funds, if invested in cost-effective programs, result in greater long-term benefits to ratepayers than would result from a direct refund. For this reason,³ the Commission has allowed certain carry-overs of DSM funds.

3. Demonstration programs accomplish DSM goals by improving the awareness and sophistication of energy-consumers. SDG&E's DSM advisory committee urged SDG&E to abandon its initial plans for a lighting demonstration center in favor of a facility which would expose SDG&E customers to energy-efficient equipment of a broad spectrum of end-uses. SDG&E concurred with this suggestion. The utility maintains that this expansion of program goals has extended initial phases of program planning and development and delayed related expenditures of funds authorized for this purpose in 1992. For this reason, the utility requests authorization to carry forward unspent ETC funds. These funds will be used for program design and planning and compilation of information to be used in the Advice Letter requesting memorandum account treatment for the ETC, directed in D.92-12-019.

4. DSM advisory committees are an extension of the Collaborative process, in which the Commission invoked the expertise of professionals in DSM and stakeholders in the energy industry. In its current embryonic state, the ETC is supported by SDG&E's advisory committee and is also consistent with the Commission's intentions that DSM programs propagate conservation and energy-efficient technologies. The Commission has authorized similar programs for Pacific/⁴Gas and Electric Company and Southern California Edison Company.

5. M&E activities play an important supportive role in the State's reliance on DSM by verifying DSM program performance and guiding program improvement. The shift to ex post verification ordered in D.92-02-075 underscores the growing role M&E will play in future DSM efforts. In whatever form it takes, this shift to ex post will increase both the utility M&E budget and costs of verification for regulatory agencies. Therefore, it is reasonable that SDG&E be authorized to carry-forward unspent M&E funds through the shift to ex post and until their next GRC in 1995.

6. The Commission wishes to allow utilities flexibility to carry funds from year to year given a demonstrated need to do so. However, the Commission will not indefinitely postpone ratepayer refunds in cases wherein the utilities have more DSM funds than need for such funds. SDG&E should be allowed to

3 See Resolutions E-3244, E-3246, E-3268 and E-3295

4 Pacific Gas and Electric Company's Pacific Energy Center and Southern California Edison Company's Customer Technology Applications Center

carry forward the funds as requested in this Advice Letter as follows:

1. Unused 1992 M&E funds may be carried forward until SDG&E's next GRC.
2. ETC funds may be carried over and used for program planning and development, only until such time as the Commission renders its decision regarding SDG&E's Advice Letter seeking approval of and memorandum account treatment for the ETC. At said time remaining ETC funds should be refunded to ratepayers and further ETC expenditures, if approved, will receive memorandum account treatment.

FINDINGS

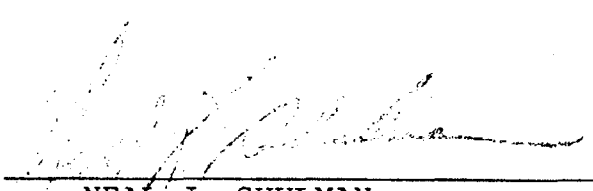
1. SDG&E filed Advice Letter 865-E/843-G on January 15, 1993 to request Commission authorization to carry forward certain unspent 1992 DSM program funds.
2. SDG&E's request to carry forward ETC funds for use in program planning and design is reasonable, and should be approved subject to the constraint indicated in this Advice Letter.
3. SDG&E's request to carry forward unspent 1992 M&E funds is reasonable. SDG&E should be allowed to carry remaining unspent 1992 M&E funds forward until its next GRC.

THEREFORE, IT IS ORDERED that:

1. San Diego Gas and Electric company's request to carry forward unspent Energy Technology Center and Measurement and Evaluation funds is approved.
2. Advice Letter No. 865-E/843-G shall be marked to show that it was approved by Commission Resolution E-3505.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on March 10, 1993. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
PRESIDENT
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
P. GREGORY CONLON
Commissioners