

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION E-3313  
April 7, 1993

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

RESOLUTION E-3313. SAN DIEGO GAS AND ELECTRIC COMPANY REQUESTS COMMISSION AUTHORIZATION TO MODIFY ELEMENTS IN ITS NONRESIDENTIAL ENERGY EFFICIENCY INCENTIVES AND NONRESIDENTIAL NEW CONSTRUCTION DEMAND SIDE MANAGEMENT PROGRAM CATEGORIES.

BY ADVICE LETTER 866-E, FILED ON JANUARY 26, 1993.

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**SUMMARY**

1. In Advice Letter 866-E San Diego Gas and Electric Company (SDG&E) requests permission to offer rebates on high-efficiency electric motors on a standard, prescriptive basis through the commercial component of its Nonresidential Energy Efficiency Incentives (EEI) Program and through its Nonresidential New Construction Program.
2. This Resolution approves the utility's request.
3. This Resolution clarifies that the new prescriptive measures are subject to the same savings verification procedures and shareholder incentive treatment as authorized for other energy efficiency measures offered on a prescriptive basis through SDG&E's Nonresidential EEI and New Construction programs.

**BACKGROUND**

1. Prior to SDG&E's Test Year 1993 General Rate Case (GRC) Decision (D.), D.92-12-019, the utility was offering measures on a prescriptive basis in its Nonresidential Lighting Retrofit, EEI and New Construction programs.
2. D.92-12-019 adopted a Joint Recommendation of the Division of Ratepayer Advocates (DRA), Utility Consumers Action Network (UCAN), and SDG&E regarding SDG&E's DSM programs. The decision authorized the utility to spend \$17,797,090 on its Nonresidential EEI program and \$1,905,186 on its Nonresidential New Construction program.
3. The joint recommendation included detailed recommendations for the shareholder incentive treatment of SDG&E's DSM programs,

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including specific details regarding treatment of prescriptive measures within these programs, when appropriate. Under this agreement, SDG&E's Nonresidential EEI program is provided shared savings treatment with an S-curve mechanism. Nonresidential New Construction programs are accorded Variable Shared Savings/Performance-Adder treatment.

4. In this advice letter SDG&E seeks Commission authorization to offer energy-efficient motors on a prescriptive basis in the commercial component of its Nonresidential EEI program and in its Nonresidential New Construction program. These energy-efficient motors are currently available through the same programs on a custom basis.

5. D.92-12-019 authorized SDG&E to offer energy-efficient motors on a prescriptive basis through the industrial component of its Nonresidential EEI program. The decision also adopted savings verification procedures for SDG&E's DSM programs. The decision establishes a shareholder incentive ceiling of \$2 million for the Nonresidential New Construction program. Programs receiving the S-curve incentive treatment are not subject to an incentive ceiling.

#### 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. The proposed program modifications would make certain Energy Efficiency Measures (EEMs) available to participants on a standard, prescriptive basis. Although these measures are currently available on a custom basis through the Nonresidential EEI and New Construction programs, the utility believes offering them on a standard basis will enable them to capture more cost-effective EEMs.

2. When administering program services on a custom basis the utility must conduct site-specific energy use studies to estimate the expected load impact of EEMs offered through the program. These studies are costly and time-consuming. Often the utility is compelled to hire consultants to conduct these custom studies. Offering proven EEMs on a standardized, prescriptive basis enables the utility to substitute standardized load impact estimates for those generated during custom studies. This expedites measure installation and reduces costs.

3. The utility proposes to offer the measures on a prescriptive basis because the energy savings associated with these measures is relatively independent of the environment in which they are installed, which reduces the value in conducting site-specific studies. SDG&E purports that these particular prescriptive measures were not requested in their Test Year 1993 GRC Application (A.), A.91-11-024, because it didn't have adequate information for such a request at the filing date of the Application.

4. Currently, both of the affected programs offer selected measures on a prescriptive basis.

5. SDG&E's Nonresidential EEI program is subject to an S-curve shared savings incentive mechanism. The Nonresidential New Construction program is subject to a Variable Shared-Savings/Performance-Adder mechanism. The effective incentive rate of both of these mechanisms is positively related to the utility's success at acquisition of DSM resources and minimization of program costs.

6. Language in the Joint Recommendation specifically provides for prescriptive New Construction measures by establishing that the variable performance-adder percentage is 6% for promotion of measures that exceed California Energy Commission (CEC) Title 24 standards by at least 10%, and 13.5% for promotion of measures that exceed these standards by at least 15%. This program is also subject to an earnings cap of \$2 million per year.

7. The proposed program modifications will expedite acquisition of DSM resources and reduce program costs. Because the S-curve and variable shared-savings/performance-adder mechanisms are designed to reward these outcomes, the proposed modifications increase the utility's earnings potential.

8. The changes proposed in this Advice Letter do not directly or indirectly impact current levels or distributions of funding across SDG&E's DSM programs, nor do they relax the \$2 million shareholder earnings ceiling on the Nonresidential New Construction program.

9. Members of the SDG&E DSM advisory committee expressed support<sup>1</sup> for the utility's proposal as expressed in this advice letter.

#### FINDINGS

1. SDG&E filed Advice Letter No. 866-E to request permission to provide certain measures on a standard, prescriptive basis in its Nonresidential EEI and New Construction programs.

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<sup>1</sup> Excepting the CEC. The CEC was unable to review the proposed modifications contained in this advice letter.

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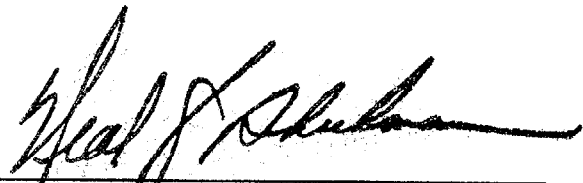
2. The proposed program will enable SDG&E to capture more cost-effective opportunities for energy-efficiency.
3. The addition of these measures would not affect funding levels or distributions, shareholder incentive mechanisms or shareholder incentive caps established in D.92-12-019.
4. The prescriptive measures should be subject to the same savings verification procedures as established for other prescriptive measures in these programs.
5. Approval of the changes proposed in this advice letter will not result in any rate or charge beyond that currently authorized.

**THEREFORE, IT IS ORDERED that:**

1. The proposal of San Diego Gas and Electric Company to offer certain measures on a prescriptive basis in the Commercial component of its Nonresidential Energy Efficiency Incentives and in the Nonresidential New Construction program is approved.
2. There is no change to the earnings cap established for the Nonresidential New Construction program in Decision 92-12-019.
3. Advice Letter 866-E shall be marked to show that it was approved by Commission Resolution E-3313.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 7, 1993. The following Commissioners approved it:



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NEAL J. SHULMAN  
Executive Director

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