

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3330
September 1, 1993

R E S O L U T I O N

RESOLUTION E-3330. SOUTHERN CALIFORNIA EDISON COMPANY SUBMITS REVISED INCENTIVE TARGETS FOR ITS 1993 DEMAND-SIDE MANAGEMENT PROGRAMS RECEIVING SHARED SAVINGS TREATMENT, PERFORMANCE GOALS FOR PROGRAMS RECEIVING PERFORMANCE ADDER TREATMENT, AND REQUESTS AUTHORIZATION TO SHIFT DSM FUNDS.

BY ADVICE LETTERS 978-E and 978-E-A, FILED ON December 18, 1992 and April 29, 1993.

SUMMARY

1. In this advice letter Southern California Edison Company (Edison) submits revised shareholder incentive targets and performance goals for its incentive-eligible 1993 Demand-Side Management (DSM) programs and seeks authorization to shift funds among incentive categories as follows:

- 1) Transfer a total of \$5.119 million into Expensed programs.
- 2) Transfer a total of \$1.135 million into Performance Adder programs
- 3) Transfer a total of \$3.032 million out of Shared Savings programs.
- 4) Transfer \$1.504 million out of Load Management programs.
- 5) Transfer \$120,000 into Other programs.

2. This resolution adopts the 1993 incentive targets and performance goals and authorizes the movement of DSM funds as requested by the utility.

BACKGROUND

1. Edison's test year (TY) 1988 General Rate Case (GRC) decision, D. 87-12-066, established guidelines governing the shifting of Edison's DSM funds. The Decision gave Edison the ability to shift up to \$2.5 million within programs per three year GRC cycle without an Advice Filing. The guidelines

required Edison to file an Advice Letter to move funds beyond this \$2.5 million cumulative ceiling within programs.

2. Edison's TY 1992 GRC decision, D.91-12-076, adopts the fund-shifting guidelines established in D.87-12-066. This decision also provides Edison flexibility to move funds between incentive categories with an advice filing and prohibits movement of funds into or among fuel-substitution, load building and load retention programs.

3. Edison filed Advice Letters 934-E and 934-E-A on March 3, 1992 and April 10, 1992, respectively. Included as Appendix C to these Advice Letters was a clarification of terms and definitions used in D.91-12-076. These terms and definitions allow a more precise interpretation of the fund shifting guidelines established in this decision. In Resolution E-3288 the Commission found Edison's Appendix C clarifications to be reasonable. This appendix was included as Appendix I to the Resolution.

4. D.91-12-076 also established performance adder and shared savings incentive mechanisms. The shared savings incentive mechanism, known as the S-curve mechanism, requires program-specific information which is then integrated into forecasts of expected program accomplishments. This process is also known as setting incentive targets. D.91-12-076 rejected some Notice of Intent (NOI) information necessary to calibrate the S-curve, and ordered Edison to file an Advice Letter providing better information for this purpose. The decision provides review of the calibration of the S-curve by ordering Edison to submit an Advice Letter which provides forecasts of expected program accomplishments each year.

5. Advice letters 934-E and 934-E-A were filed to request Commission authorization of the data rejected by D.91-12-076. Resolution E-3288 allowed Edison to use this information for 1992, but clarified that the utility must base its 1993 incentive target filing on the updated information ordered by the decision.

6. On December 18, 1992, SCE filed advice letter 978-E to provide the updated information necessary to calibrate the S-curve mechanism for its 1993 shared savings programs and seek authorization for various proposed movements of DSM funds.

1 In addition to adopting the guidelines developed in D.87-12-066, the decision explicitly re-establishes the \$2.5 million cumulative limit on movements of program funds between GRCs. This limit had been relaxed between the GRCs by Commission Resolution E-3244.

7. On April 29, 1993 Edison filed Supplemental Advice Letter 978-E-A.

NOTICE

The original Advice Letter and Supplement were noticed in accordance with section III of General Order 96-A by publication in the Commission Calendar and distribution to SCE's advice filing service list.

PROTESTS

No protests have been received by the CACD in this advice filing.

DISCUSSION

1. D.91-12-076 re-established the fund-shifting guidelines established in D.87-12-066, but there was some confusion about Edison's ability to move DSM funds. Appendix C of Advice Letters 934-E and 934-E-A contains a clarification of D.91-12-076. These terms and definitions were developed by the utility in consultation with DRA, CACD, and the measurement and evaluation advisory committee, and were presented during the Commission's workshop addressing the S-curve mechanism. In Resolution E-3288 the Commission found the definitions presented in Appendix C to be useful and reasonable. Appendix C was included as Appendix I to Resolution E-3288.

2. Under the guidelines adopted by D.91-12-076 and interpreted with the terminology clarifications found reasonable in Resolution E-3288, Edison has the flexibility to move within program areas a cumulative total of \$2.5 million without obtaining Commission approval. Edison is required to file an Advice Letter with the Commission to move funds between program areas and to move more than a cumulative total of \$2.5 million within program areas. Edison may request to move funds between categories and among program areas with an Advice Letter. The decision prohibits shifting of funds into or among fuel-substitution, load building, or load retention programs.

3. The shifting of DSM funds proposed by Edison is consistent with fund-shifting guidelines set forth in D.91-12-076. Overall, the proposed fund-shifting is intended to allocate DSM funds in ways that will maximize Edison's ability to acquire energy-efficient DSM resources. Edison asserts that they must move these funds to meet the needs of their customers and tailor their programs to current market conditions. CACD review of Edison's proposed movement of funds supports this assertion. An accounting of the proposed fund-shifting is detailed in Appendix I to this Resolution.

4. The S-curve mechanism is an algebraic function which may be set by changing key parameters. D.91-12-076 orders SCE to set a unique S-curve for each program. An S-curve is set for a particular program by inputting forecasts of expected Utility

Administrative Costs, Utility Incentive Costs, Participant Costs, resource benefits and participation rates associated with the program to which the S-curve applies. Although D.91-12-076 rejected some of the data provided in Edison's NOI and necessary to set the S-curve, Resolution E-3288 authorized Edison to set its 1992 S-curves with this data provided that Edison used and submitted improved data along with its advice letter to set incentive targets for 1993 programs.

5. The incentive target forecast submitted with this Advice Letter was developed using the updated information ordered by D.91-12-076 and Resolution E-3288. The Advice Letter also includes survey goals for application to the utility's performance adder programs. The updated information used in establishing target incentives associated with the S-curve mechanism and other information used to develop these target incentives have been reviewed by Edison's DSM advisory group.

FINDINGS

1. Edison filed Advice Letter 978-E on December 18, 1992 and 978-E-A on April 29, 1993 to request Commission authorization to shift DSM funds and Commission adoption of incentive targets for its 1993 DSM programs receiving shared savings treatment and performance goals for 1993 DSM programs receiving performance adder treatment.

2. Edison's proposed shifts of DSM funds are consistent with fund-shifting rules adopted in D.91-12-076, and are intended to improve the utility's ability to capture demand-side resources in its service territory. The requested movement of DSM funds should be authorized.

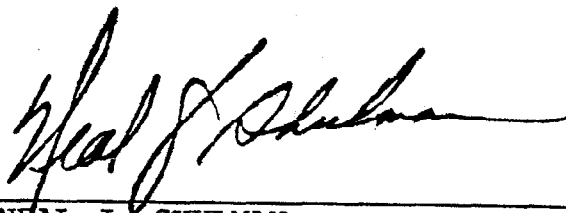
3. Edison's incentive target forecasts for programs receiving shared-savings treatment and performance goals for performance adder programs are reasonable and should be adopted.

September 1, 1993

THEREFORE, IT IS ORDERED that:

1. Southern California Edison Company is authorized to shift Demand-Side Management funds as proposed in Advice Letter 978-E-A.
2. The shared-savings program target incentive forecasts submitted by Southern California Edison in advice letter 978-E-A are adopted.
3. The performance adder program performance goals submitted by Southern California Edison Company in advice Letter 978-E-A are adopted.
4. Advice Letter 978-E-A shall be marked to show that it was approved by Commission Resolution E-3330.
6. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities commission at its regular meeting on September 1, 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

APPENDIX I TO RESOLUTION E-3288

**A.L. 978-E-A: Summary of Fund-Shifting Request:
(\$ 000)**

**PROPOSED MOVEMENT OF DSM FUNDS:
 NET IMPACTS ON INCENTIVE CATEGORIES AND FUNDING AREAS**

FUNDING AREA: ENERGY EFFICIENCY

Category: Shared Savings

	IN	OUT	NET
Res	2050	5720	
NonRes	3450	2812 *	
	<u>5500</u>	<u>8532</u>	-3032

Category: Performance Adder

	IN	OUT	NET
Res	54	0	
NonRes	1081	0	
	<u>1135</u>	<u>0</u>	1135

Category: Expense

	IN	OUT	NET
Res	0	76	
NonRes	5195**	0	
	<u>5195</u>	<u>76</u>	5119

(NET CHANGE FOR ENERGY EFFICIENCY: \$3222)

FUNDING AREA: LOAD MANAGEMENT

	IN	OUT	NET
	0	1504	
	<u>0</u>	<u>1504</u>	-1504***

FUNDING AREA: OTHER

	IN	OUT	NET
	120	0	
	<u>120</u>	<u>0</u>	120

- * \$0.7038 of this was approved by Resolution E-3291
 ** \$1838 is from CTAC, ordered in Resolution E-3295
 *** \$120 of this \$1504 was shifted to Other programs. \$1384 of this \$1504 was shifted into the energy efficiency funding area.
 **** Table does not reflect \$.9 carryover from Resolution E-3295