

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISIONRESOLUTION E-3339
September 17, 1993R E S O L U T I O N

RESOLUTION E-3339. PACIFIC POWER AND LIGHT COMPANY REQUESTS AUTHORITY TO MODIFY ITS ENERGY FINANSWER SCHEDULE A-120 AND TO ESTABLISH A NEW ENERGY SERVICE CHARGE PROGRAM FOR NEW COMMERCIAL BUILDINGS AND EXISTING COMMERCIAL BUILDINGS UNDERGOING MAJOR RENOVATIONS THAT WOULD BE SUITABLE FOR A PRESCRIPTIVE APPROACH.

BY ADVICE LETTER 253-E, FILED ON JUNE 4, 1993.

SUMMARY

1. Pacific Power and Light Company (PP&L) filed Advice Letter (AL) 253-E on June 4, 1993. The purpose of this advice letter is to implement changes to the Energy FinAnswer Schedule A-120 and to establish a new Energy Service charge (ESc) program for new commercial buildings and existing commercial buildings undergoing major renovations that would be suitable for a prescriptive approach. This new program is known as Energy FinAnswer 12,000 and is being filed as Schedule A-122.
2. This resolution grants PP&L's request to: a) modify its Energy FinAnswer Schedule A-120; and b) establish PP&L's Energy FinAnswer 12,000 Schedule A-122.

BACKGROUND

1. PP&L's Energy FinAnswer Schedule A-120 was designed to reduce the energy requirements of new commercial buildings and existing commercial buildings undergoing major renovation by promoting the installation of energy conservation measures. Under PP&L's Energy FinAnswer program, PP&L provides the conservation payments¹ for incremental construction which results in the installation of energy conservation measures. Upon connection of electric service to commercial buildings

¹ Conservation payments are any payments of money made by PP&L to an owner of a property for the installation of Energy Conservation Measures pursuant to an Energy Service Contract.

having such measures installed PP&L will bill the customer an ESc as specified in its tariff.

2. The purpose of this advice letter is to implement changes to the Energy FinAnswer Schedule A-120 and to establish a new ESc program for new commercial buildings and existing commercial buildings undergoing major renovations that would be suitable for a prescriptive approach. This new program is known as Energy FinAnswer 12,000 and is being filed as Schedule A-122.

3. PP&L is proposing changes to the Energy FinAnswer tariff Schedule A-120 for the following reasons:

- A. PP&L wants to appeal to a broader market audience in order to meet its seventy-five percent program penetration goal by 1996.
- B. PP&L wants to enhance the cost-effectiveness of the current program without impacting program penetration.
- C. PP&L wants to make its programs more consistent with those in the industrial sector for ease of customer understanding and program administration.

4. In 1992, PP&L's Energy FinAnswer program exceeded its goals. In California, program penetration exceeded thirteen percent of new commercial building square footage. This resulted in estimated savings of 74 MWh.

5. For 1993, PP&L has increased its Energy FinAnswer program's goals as it moves toward its seventy-five percent program penetration goal by 1995. In California, PP&L expects to achieve a thirty-five percent program penetration level in 1993. PP&L projects expenditures of \$64,000 with an expected savings of 191 MWh.

6. The proposed revisions in PP&L's Energy FinAnswer Tariffs are as follows:

- A. PP&L proposes to fund more fully measures that are designed primarily to reduce peak demand.
- B. Addition of a "savings guarantee" for its Energy FinAnswer program.
- C. Set the maximum funding level for any individual measure to four times the funding limit for standard measures.
- D. Redefine the baseline level currently used in PP&L's Energy FinAnswer program.
- E. Removal of the ninety-five percent cap for the Energy Service charge for cost-effective measures.
- F. Waive all computer modeling and commissioning costs for customers who install PP&L's recommended energy

conservation measures that produce kWh savings of at least ten percent beyond the baseline level and who do not receive funding from PP&L for the measures.

7. PP&L's Energy FinAnswer 12,000, Schedule A-122, is being proposed for new commercial buildings and existing commercial buildings undergoing major renovation with 12,000 square feet or less, new warehouses, and other new commercial buildings and major renovations of any size that would be suitable for a prescriptive approach.

NOTICE

1. Public notice of AL 253-E was made by publication in the Commission's calendar, and by mailing copies of the filing to adjacent utilities and other interested parties.

PROTESTS

1. The Commission Advisory and Compliance Division (CACD) did not receive any protests on AL 253-E.

DISCUSSION

1. PP&L is authorized to file its new and revised tariff sheets pursuant to General Order 96-A, Sections V & VI.

2. In AL 253-E, PP&L is seeking authorization to modify its Energy FinAnswer program (Schedule A-120), and to add the Energy FinAnswer 12,000 program (Schedule A-122). The Energy FinAnswer program was originally authorized to reduce the energy requirements of new commercial buildings and existing commercial buildings undergoing major renovation by promoting the installation of energy conservation measures.

3. PP&L believes that its Energy FinAnswer program can be enhanced by making several modifications to its existing program, and by using a prescriptive approach for buildings under 12,000 square feet or for buildings that could use a prescriptive method. The following paragraphs discuss PP&L's proposed changes.

4. PP&L wants to fund more fully measures that are designed to reduce peak demand. To this end, PP&L has submitted tariff sheets that have two separate measure funding limits. One for measures that are designed to reduce peak demand and one for measures that are not specifically designed to reduce peak demand. PP&L calculated its measure funding limits using its current RAMPP-2 avoided costs.

5. By including a higher funding limit on measures that are designed to reduce peak demand PP&L will encourage its customers to reduce their peak demand energy requirements.

6. PP&L requests to include a savings guarantee in its Energy FinAnswer program. The savings guarantee program proposed by PP&L is identical to the one authorized in its Industrial Energy

FinAnswer program (Schedule A-140). When savings fall below eighty-five percent of the estimated energy savings, PP&L will reduce the ESc by one percent for each percent of savings below eighty-five percent.

7. By including a savings guarantee, PP&L will encourage customers to invest in energy saving measures.

8. The Energy FinAnswer program includes two levels of funding. Level 1 funding covers the costs of standard energy efficiency measures; these costs set the measure funding limit.

9. Level 2 funding covers the costs of measures which achieve the same energy efficiency as standard measures but which are more expensive and meet the customer's unique construction or remodeling needs. These are discretionary costs on which the customer pays higher interest.

10. PP&L wants to set the maximum funding level for any individual measure to four times the pre-established funding limit for standard measures. Currently, PP&L limits funding for individual measures that exceed the measure funding limits to fifty percent of the total amount funded for all measures under the program.

11. PP&L's request will lower the amount of money PP&L lends to customers for very expensive discretionary measures so that the conservation payments made by PP&L more closely match the cost of a measure with its benefit.

12. PP&L wants to redefine the baseline level currently used in its Energy FinAnswer program. Currently, the baseline level of energy efficiency for new commercial buildings in the program is the commercial building code. For major renovations it is the existing building's current level of energy efficiency, because no consistent code exists for major renovations. PP&L proposes to define the baseline level for both new commercial buildings and major renovations as building code for new commercial buildings or the owner's building plans, whichever is a greater level of energy efficiency.

13. PP&L's request will result in major renovations being treated on a par with new commercial buildings, reduce program funding measures that customers would have installed anyway, and lower program costs and ESc amounts.

14. PP&L wants to remove the ninety-five percent savings cap for the ESc for cost-effective measures. The ninety-five percent savings cap was originally designed to assure that all customers who installed energy saving measures would see monthly bill savings with an ESc under the graduated payment option. If a lower bill did not result under the prime rate, then the interest rate was reduced to the level where the graduated payment ESc was ninety-five percent of the kWh saved at current

retail prices.² However, in practice, the ninety-five percent savings cap has not been used very frequently. In 1992, the ninety-five percent savings cap was only needed for two of PP&L's fifty-seven customers who had used PP&L's Energy FinAnswer program. In both cases the customers had also chosen discretionary fundings. Therefore, the benefits of the ninety-five percent savings cap's lower interest rate was negated by the customers' selection of these higher cost discretionary measures.

15. The purpose of the ninety-five percent savings cap program was to guarantee that customers would receive a guaranteed savings for any energy saving measures. Customers that received only level 1 funding were not using the ninety-five percent savings cap program, only customers who received discretionary measures qualified. This program, as enacted, required PP&L's other customers to pay for these customers' discretionary measures. Removing the ninety-five percent savings cap will stop the cross subsidization of discretionary measures by PP&L's other ratepayers.

16. PP&L wants to waive all of its computer modeling and commissioning costs for customers who install PP&L's recommended energy conservation measures that produce kWh savings of at least ten percent beyond the baseline level and who do not receive funding from PP&L for the measures.

17. PP&L's request is designed to encourage customers, who are not seeking financing, to be more energy efficient.

18. PP&L wants to add the Energy FinAnswer 12,000 program, Schedule A-122, for new commercial buildings and existing commercial buildings undergoing major renovation with 12,000 square feet or less, new warehouses, and other new commercial buildings and major renovations of any size that would be suitable for a prescriptive approach.

19. PP&L's field experience over the last two years has revealed that buildings below 12,000 square feet have fairly simple heating and lighting systems that are suitable to a prescriptive approach. Buildings beyond 12,000 generally require more complex heating, ventilating and air conditioning systems. The use of variable air volume systems, multiple zone controls or the introduction of chiller units become more common in buildings beyond 12,000 square feet. However, PP&L has found some types of buildings, that exceed 12,000 square feet, for which the prescriptive approach is appropriate (e.g., strip malls, warehouses, etc.). PP&L proposes to use the prescriptive method of estimating energy savings, rather than the customized

² Discretionary funding is level 2 funding which consists of funds provided by PP&L above the measure funding limit. Level 2 funds have an interest rate of 3 percent above prime, while level 1 funds are loaned to customers at the prime rate.

DOE-2 modeling method, for all buildings where prescriptive forms developed by PP&L are available and where a standard building design is planned.

20. PP&L's request will result in lower program costs and quicker turnaround on energy saving measure recommendations for these customers.

FINDINGS

1. PP&L's Energy FinAnswer Schedule A-120 was designed to reduce the energy requirements of new commercial buildings and existing commercial buildings undergoing major renovation by promoting the installation of energy conservation measures. Under PP&L's Energy FinAnswer program, PP&L provides the conservation payments for incremental construction which result in the installation of energy conservation measures. Upon connection of electric service to commercial buildings having such measures installed, PP&L will bill the customer an ESC as specified in its tariff.

2. PP&L should be allowed to enhance its Energy FinAnswer program by:

- A. Funding more fully measures that are designed primarily to reduce peak demand;
- B. Adding a "savings guarantee" for its Energy FinAnswer program;
- C. Setting the maximum funding level for any individual measure to four times the funding limit for standard measures;
- D. Redefining the baseline level currently used in PP&L's Energy FinAnswer program;
- E. Removing the ninety-five percent cap for the Energy Service charge for cost-effective measures; and,
- F. Waiving all computer modeling and commissioning costs for customers who install PP&L's recommended energy conservation measures that produce kWh savings of at least ten percent beyond the baseline level and who do not receive funding from PP&L for the measures.

3. In addition, PP&L should be allowed to implement its Energy FinAnswer 12,000 program, Schedule A-122, for new commercial buildings and existing commercial buildings undergoing major renovation with 12,000 square feet or less, new warehouses, and other new commercial buildings and major renovations of any size that would be suitable for a prescriptive approach.

4. PP&L's request to modify its Energy FinAnswer program is reasonable. These modifications will increase PP&L's Energy FinAnswer program's appeal to a broader market audience, enhance the cost-effectiveness of PP&L's Energy FinAnswer

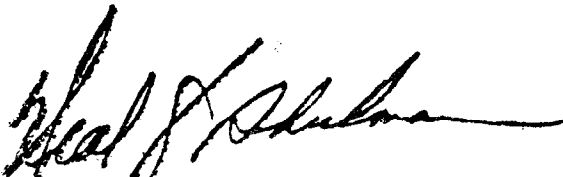
September 17, 1993

program, and make PP&L's Energy FinAnswer program more consistent with its programs in the industrial sector.

THEREFORE, IT IS ORDERED that:

1. Pacific Power and Light Company is authorized to implement the changes to its Energy FinAnswer Schedule that were requested in Advice Letter 253-E. The effective date for these changes is today.
2. Pacific Power and Light Company is authorized to establish the new Energy Service charge program for new commercial buildings and existing commercial buildings undergoing major renovations that would be suitable for a prescriptive approach that was requested in Advice Letter 253-E. This new program shall be known as the Energy FinAnswer 12,000 program. The effective date for the Energy FinAnswer 12,000 program is today.
3. Advice Letter 253-E shall be marked to show that it was approved by Commission Resolution E-3339.
4. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 17, 1993. The following Commissioners approved it:



Executive Director

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