

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3343
November 2, 1993

R E S O L U T I O N

RESOLUTION E-3343. SOUTHERN CALIFORNIA EDISON COMPANY REQUEST FOR AUTHORIZATION TO ADD A REFRIGERATOR RECYCLING MEASURE TO THE RESIDENTIAL APPLIANCE EFFICIENCY INCENTIVE PROGRAM USING 1992 CARRY OVER DEMAND-SIDE MANAGEMENT FUNDS.

BY ADVICE LETTER NO. 1013-E, filed on September 16, 1993

SUMMARY

1. In this advice letter, Southern California Edison Company (Edison) requests authority to add a new Refrigerator Recycling Measure to its Residential Appliance Efficiency Incentive Program within its demand-side management (DSM) programs, using 1992 carryover DSM funds.
2. Edison requests that this measure be included in the shared savings shareholder earnings category and that the California Public Utilities Commission (Commission) approve the revised 1993 incentive targets.
3. Edison requests approval of the contract between Edison and the independent contractor who will recycle the refrigerators.
4. This resolution authorizes Edison to engage in the Refrigerator Recycling Measure, approves the revised 1993 incentive targets, but neither approves nor disapproves the contract with the independent contractor who will recycle the refrigerators.

BACKGROUND

1. Edison is requesting approval to implement a Refrigerator Recycling Measure which will remove and recycle working second refrigerators from the Edison system in an environmentally sound manner while creating employment opportunities for people living in riot-impacted areas of Los Angeles.
2. Edison has requested the use of \$11 million in 1992 carry over funds to partially fund this measure. Edison has requested, in a separate advice filing, redirection of an additional \$2.002 million in 1994 to fully fund this measure.

Carry over of 1992 unspent DSM funds was approved in Resolution E-3336.

3. This measure would be added to Edison's Residential Appliance Efficiency Incentive Program (RAEP), a program eligible for shareholder earnings. Edison has budgeted \$2 million for this measure in 1993 and \$9 million in 1994 from the \$11 million in 1992 carry over funds available.

4. The addition of this measure to RAEP requires Edison to adjust its target incentives for the affected program years. Attachments A and B to Advice Letter 1013-E illustrate the revisions to Edison's 1993 incentive targets. Incentive targets for 1994 have been submitted in Advice Letter 1015-E.

5. Edison has entered into a contract with Appliance Recycling Centers of America (ARCA) to administer the Refrigerator Recycling Measure. ARCA will establish a recycling center in a riot-impacted community within Edison's service territory.

6. Edison proposes a three-year period for implementing this measure. An incentive, in the form of a \$50 (face value) U.S. Savings Bond, will be offered to eligible customers in the first year of the measure. Edison has worked with the Los Angeles Department of Water and Power (LADWP) in developing this measure to ensure optimal use of the recycling facility.

7. Edison has calculated the benefit cost ratio of this measure to be 1.36 for 1993 and 1.96 for 1994 using the Total Resource Cost (TRC) test. This measure also passes the utility cost test in both years.

8. Edison's test year 1988 GRC decision, Decision (D.) 87-12-066, established guidelines governing the shifting of Edison's DSM funds and affords Edison flexibility to shift up to \$2.5 million within programs per GRC without an Advice Filing. Edison is required to file an Advice Letter to move funds beyond this \$2.5 million cumulative ceiling within programs and to move funds between incentive categories.

9. D.91-12-076 adopted the fund-shifting guidelines established in D.87-12-066, and added an additional guideline that Edison should not be allowed to shift funds into/or among fuel-substitution, load building and load retention programs.

10. On September 16, 1993, Edison filed Advice Letter 1013-E.

NOTICE

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

PROTESTS

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

DISCUSSION

1. Implementation of this measure accomplishes multiple goals for Edison. It expands Edison's cost-effective DSM efforts in the residential market. Implementation of this measure will allow Edison to assist California in fulfilling certain environmental guidelines and legislation. In addition, implementation of this measure will help Edison to fulfill its pledge to create job opportunities in riot-impacted areas.
2. Attachments B, C, D, E, and F to the Advice Letter describe the planned operation and budget and contractual arrangement of the Refrigerator Recycling Measure for 1993 and 1994. Attachment A provides revised incentive targets for 1993.
3. Edison has provided a sufficiently detailed analysis of the Refrigerator Recycling Measure. CACD recommends approval of the Refrigerator Recycling Measure, as described in Advice Letter 1013-E, as it meets Commission guidelines on cost-effectiveness from both the Total Resource Cost and Utility Cost perspectives. CACD recommends approval of the revised target incentives for 1993 (Attachment A). CACD recommends Edison be allowed to utilize \$11 million in 1992 carry over DSM funds to partially fund this measure, as requested.
4. CACD does not recommend approval (nor disapproval) of the contract between Edison and ARCA at this time. Edison administers many DSM programs, offering hundreds of measures and services to its customers. Many of these programs and measures use independent contractors procured by Edison to provide a variety of services related to delivering programs to customers. CACD is not aware of any instance where Edison (or any utility) has requested pre-approval of service contracts related to program delivery. The advice letter contains no language which explains why Commission approval of this contract is necessary. CACD does not believe the Advice Letter forum provides the appropriate opportunity for parties to review contractual arrangements. Contracts of this type should be reviewed in reasonableness proceedings. CACD believes that approval of the contract is not required for the Commission to approve this measure.
5. CACD does not make any recommendations regarding future or currently pending requests for fund shifting associated with this measure.
6. Guidelines governing shifting of funds among DSM programs are intended to ensure that the fund-shifting does not result in lost opportunities or an inequitable distribution of DSM resources across the utility's service area. Under the guidelines adopted by D.91-12-076, interpreted with the terminology clarifications found reasonable in Resolution E-3288, Edison is afforded flexibility to move up to \$2.5 million,

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cumulative over the GRC cycle, within program areas without obtaining Commission approval. Edison is required to file an Advice Letter with the Commission in order to move funds between program areas and to move more than cumulative \$2.5 million within program areas. Any shifting of funds among program areas must be accompanied by an Advice Letter, and shifting of funds into or among fuel-substitution, load building or load retention programs is prohibited.

FINDINGS

1. Edison filed Advice Letter 1013-E on September 16, 1993 to request Commission authorization to add the Refrigerator Recycling Measure to the Residential Appliance Efficiency Incentive Program.
2. Edison's proposed use of carry over DSM funds is intended to improve the utility's ability to capture demand-side resources in its service territory.
3. Approval of the contract between Edison and ARCA is not required for the Commission to approve this measure.

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THEREFORE, IT IS ORDERED that:

1. Southern California Edison Company is authorized to add the Refrigerator Recycling Measure to the Residential Appliance Efficiency Incentive Program as described in Advice Letter 1013-E.
2. Southern California Edison Company is authorized to reallocate \$11 million in 1992 carry over demand-side management funds (consistent with Resolution E-3336) to the Refrigerator Recycling Measure.
3. Southern California Edison Company is authorized to earn shareholder incentives consistent with its performance under the target incentives set forth in Attachment A to Advice Letter 1013-E.
4. Southern California Edison Company's request for approval of the contract with Appliance Recycling Centers of America is denied without prejudice.
5. Southern California Edison Company shall file a supplemental Advice Letter consistent with Ordering Paragraphs 1 and 4 within five days. The supplemental Advice Letter shall be effective on filing.
6. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities commission at its regular meeting on November 2, 1993. The following Commissioners approved it:


NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
Commissioners