

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3345
January 19, 1994

R E S O L U T I O N

RESOLUTION E-3345. SOUTHERN CALIFORNIA EDISON COMPANY SUBMITS REVISED INCENTIVE TARGETS FOR ITS 1994 DEMAND-SIDE MANAGEMENT SHARED SAVINGS PROGRAMS AND PERFORMANCE GOALS FOR PERFORMANCE ADDER PROGRAMS, AND REQUESTS AUTHORIZATION TO SHIFT DEMAND-SIDE MANAGEMENT FUNDS.

BY ADVICE LETTER NO. 1015-E filed on October 1, 1993.

SUMMARY

1. In this advice letter Southern California Edison Company (Edison) submits revised shareholder incentive targets and performance goals for its 1994 Demand-Side Management (DSM) programs and seeks authorization to shift funds among incentive categories as follows:

- 1) transfer a total of \$0.504 million into Performance Adder programs,
- 2) transfer a total of \$0.073 million into Shared Savings programs, as well as shift funds among programs within the shared savings category,
- 3) transfer \$3.500 million to the ENvestSCE pilot program for administrative costs, and
- 4) transfer a total of \$4.077 million out of Expense programs, including Load Management.

2. This resolution authorizes the movement of DSM funds as requested by the utility but does not approve (or disapprove) the incentive targets and performance goals. Instead, Edison is required to file a supplemental advice letter revising the incentive targets, as required by Decision (D.) 93-09-078, which will be evaluated as described herein prior to Commission approval of the targets and goals.

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 Letter 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 gives Edison flexibility to move funds between incentive categories with an Advice Letter filing and prohibits movement of funds into or among fuel-substitution, load building and load retention programs.¹

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 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. These terms and definitions allow a more precise interpretation of the fund shifting guidelines established in that 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 established performance adder and shared savings incentive mechanisms for Edison. The shared savings incentive mechanism, known as the S-curve, requires the utility to develop program-specific information which is used to develop forecasts of expected program accomplishments (also called 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. D.91-12-076 provides for review of the S-curve calibration by requiring Edison to submit an Advice Letter each year which forecasts expected program accomplishments.

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 that information for 1992, but clarified that the utility must base its 1993 (and future) incentive targets on updated information as ordered in D.91-12-067.

6. On October 1, 1993, Edison filed Advice Letter 1015-E to provide updated information in order to calibrate the S-curve mechanism for its 1994 shared savings programs and seek

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

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authorization for various proposed movements of DSM funds. On October 14, 1993, Edison filed Table C as supporting documentation for its filing.

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 Edison's advice filing service list.

PROTESTS

No protests have been received by the Commission Advisory and Compliance Division (CACD) for this Advice Letter 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. 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. 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 maximize Edison's ability to acquire energy-efficient DSM resources. Edison asserts that its 1994 proposed program refinements reflect its commitment to respond to customers' changing needs and to address evolving market conditions by incorporating cost adjustments and market segment strategies into the programs. An accounting of the proposed fund-shifting is attached as Schedule 1 to this Resolution. CACD recommends approval of Edison's requested fund-shifting.
3. The S-curve mechanism is an algebraic function which may be set by changing key parameters. D.91-12-076 orders Edison to set a unique S-curve for each program. An S-curve is set for each shared savings program by imputing 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.
4. The incentive target forecasts submitted with this Advice Letter were developed using updated information as ordered in D.91-12-076 and Resolution E-3288. The Advice Letter also includes survey goals for Edison's performance adder programs. Although Edison's Advice Letter filing has included some updated information for development of the incentive targets, more updated information will be available as a result of completed measurement and evaluation studies. These studies are expected to be completed by December 30, 1993.

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5. D.93-09-078 adopted the Joint Agreement on Collaborative Measurement Agreements which established that the utilities should use the results of any completed load impact studies in preparing their October 1, 1993 Advice Filings for programs and planned earnings expected from 1994 programs. The decision also directed that the October 1 filing:

"... should be revised with an updated filing no later than 30 days after the completion of the last required study. The revised filing should include and should be limited to all utility-recommended updates on load impacts per unit due to the utility recommendations for applying the results of the load impact studies, and must be filed no later than February 1, 1994. The Commission will not adopt the Advice filing until and unless there has been an additional 40 day review period of the revised Advice Letter filing by DRA and the CEC, including an opportunity for those parties and the utilities to reach an agreement on the application of study results." (D.93-09-078, Attachment 1, Page 5)

For these reasons, CACD recommends that the forecasts and incentive targets be addressed after the update is filed. CACD recommends that the update take the form of a Supplemental Advice Letter filing. In addition, CACD recommends that Edison's Supplemental Advice Letter filing describe how the completed load impacts studies were used to update the target incentive forecasts. The target incentives filed by the utility should include the expected cost and load impacts from DSM bidding programs and should explain how these impacts will be² accounted for in an earnings claim for the 1994 program year.

6. CACD recommends that the Supplemental Advice Letter update all tables included in the October 1, 1993 filing for assumptions which are affected by recent Commission decisions and/or resolutions (for example, cost of capital, D.93-12-022). The Supplement should include complete documentation of Miscellaneous Measures calculations per Table C-9 of the protocols adopted in D.93-05-063. Edison should include a table (or set of tables) which identify shareholder earnings under different levels of performance for each shared savings program. Tables relating to performance adder programs should identify the minimum performance levels for those programs.

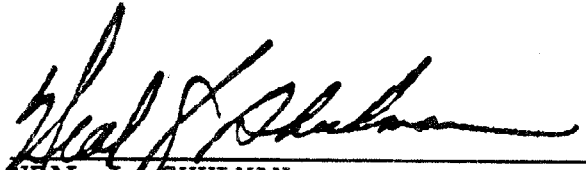
² If this information is not available at the date of the filing, Edison should indicate when it is expected to be available and how it intends to inform the Commission.

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THEREFORE, IT IS ORDERED that:

1. Southern California Edison Company is authorized to shift demand-side management funds as proposed in Advice Letter 1015-E and included here as Schedule 1.
2. Southern California Edison Company shall submit revised shared-savings program target incentive forecasts and performance adder program performance goals in a supplemental advice letter by February 1, 1994 as required by Decision 93-09-078 and recommended by the Commission Advisory and Compliance Division.
3. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities commission at its regular meeting on January 19, 1994. 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

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FINDINGS

1. Edison filed Advice Letter 1015-E on October 1, 1993 to request Commission authorization to shift DSM funds, Commission adoption of incentive targets for its 1994 DSM programs receiving shared savings treatment, and adoption of performance goals for 1994 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 should be updated as required by D.93-09-078 before being adopted by the Commission.

SCHEDULE 1
1994 PROPOSED DSM FUND SHIFTING
(\$ IN THOUSANDS)

FUNDING AREA/PROGRAM	1992 GFC	1,993 Auth.	1994* ARA	1994 Base	Prop. Shifts In	Prop Shifts Out	1994 Proposed
RESIDENTIAL							
New Construction(Welcome Home)	11,100	5,512	31	5,543	0	1,864	3,679
Appliance Efficiency Incentives	8,203	7,449	57	7,506	11		7,517
Refrigerator Recycling **		0	0	0	2,002	0	2,002
Res.Bidding Pilots***		2,175	0	2,175	0	0	2,175
Total Res.Appl.Efficiency	8,203	9,624	57	9,681	2,013	0	11,694
Direct Assistance	11,767	8,647	82	8,729	51		8,780
Total Res Shared Savings	31,070	23,783	170	23,953	2,064	1,864	24,153
Performance Adder	5,532	5,716	176	5,892	130	0	6,022
Expense	5,725	9,799	238	10,037	0	181	9,856
TOTAL RESIDENTIAL	42,327	39,298	584	39,882	2,194	2,045	40,031
NONRESIDENTIAL							
Commercial EM Incentives	11,899	7,998	11	8,009	1,156	0	9,165
Industrial EM Incentives	7,850	6,535	19	6,554	969	0	7,523
Agricultural EM Incentives	1,662	1,646	6	1,652	0	1,329	323
Total EM Incentives	21,411	16,179	36	16,215	2,125	1,329	17,011
Nonres Bidding Pilots***		7,577	59	7,636	0	0	7,636
New Construction(DFE)	12,091	10,584	98	10,682	0	923	9,759
Total NonRes Shared Savings	33,502	34,340	193	34,533	2,125	2,252	34,406
Performance Adder	16,168	17,676	557	18,233	374	0	18,607
Expense	1,894	7,141	219	7,360	0	451	6,909
TOTAL NONRESIDENTIAL	51,564	59,157	969	60,126	2,499	2,703	59,922
ENvest****				0	3,500	0	3,500
TOTAL ENERGY EFFICIENCY	93,891	98,455	1,553	100,008	8,193	4,748	103,453
Load Management	8,615	7,233	153	7,386	0	712	6,674
Other Expense Programs	38,355	39,330	1,157	40,487	0	2,733	37,754
TOTAL DSM PROGRAM	140,881	145,018	2,863	147,981	8,193	8,193	147,881

* 1994 ARA: Labor 3.25% and nonlabor 3.01%

** As proposed in the Carryover Resolution E-3336, an additional \$9.0 million will be added to Refrigerator Recycling bringing the total RAEI to \$20.7 million as shown in Table A in this document

*** Res. and Nonres Bidding pilots were ordered in D. 92-09-080

**** ENvest Admin. funding as proposed in Carryover Resolution E-3336