

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND  
COMPLIANCE DIVISIONRESOLUTION E-3346  
November 2, 1993R E S O L U T I O N

RESOLUTION E-3346. SOUTHERN CALIFORNIA EDISON COMPANY,  
ACTING ON BEHALF OF THE CALIFORNIA DEMAND-SIDE  
MANAGEMENT MEASUREMENT ADVISORY COMMITTEE (CADMAC),  
SUBMITS RECOMMENDATIONS FOR MEMBERSHIP IN CADMAC.

BY ADVICE LETTER 1009-E FILED ON JULY 12, 1993 AND 1009-  
E-A FILED ON SEPTEMBER 20, 1993.

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SUMMARY

1. On July 12, 1993, Southern California Edison Company (Edison) filed Advice Letter 1009-E pursuant to Decision (D.) 93-05-063. This advice letter is submitted on behalf of the California Demand-Side Management Measurement Advisory Committee (CADMAC) and contains recommendations for supplemental membership to the CADMAC. According to the advice letter, CADMAC recommends acceptance of all six applicants whose applications were received by the filing deadline of July 1, 1993.
2. On July 10, 1993, SESCO, Inc. an energy service company, forwarded a letter to the Chairperson of CADMAC requesting membership on CADMAC. In the letter, SESCO justifies its application after the filing deadline by stating that it did not receive notification of the CADMAC membership solicitation until July 8, 1993.
3. On behalf of CADMAC, Edison filed supplemental Advice Letter 1009-E-A on September 20, 1993, recommending that membership for SESCO be denied and requesting clarification of the CADMAC membership schedule. SESCO protested the supplemental Advice Letter.
4. This resolution approves the 1994 supplemental membership recommended by CADMAC with minor modifications, approves and clarifies SESCO's application for membership, and sets forth the membership schedule.

BACKGROUND

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1. In D.93-05-063, the Commission established the CADMAC to assume measurement and evaluation review functions for demand-side management (DSM) programs. In that decision, the Commission directed the utilities to solicit supplemental voting members by issuing a notice to all parties in this proceeding and other appropriate mailing lists. Commission approval of supplemental voting members and annual reaffirmation will take place via an Advice Letter process.

2. D.93-05-063 specified that the Commission will consider supplemental voting membership requests based on the following criteria: committee balance, lack of conflicts of interest, technical expertise, and demonstrated commitment to DSM measurement and evaluation (M&E) proceedings.

3. Per D.93-05-063, supplemental CADMAC members receive voting rights only on the following issues, where consensus among all voting members is required:

- a. CADMAC endorsements of changes or additions to adopted measurement protocols, to be proposed on a prospective basis in future Annual Earnings Assessment Proceedings; and
- b. CADMAC endorsements of minor technical retroactive waivers or modifications to adopted measurement protocols.

4. In accordance with D.93-05-063, a notice regarding applications for CADMAC membership was sent to all parties on June 23, 1993. Interested parties were asked to file an application with the CADMAC chairperson by July 1, 1993.

5. On July 12, 1993, Edison filed Advice Letter 1009-E on behalf of CADMAC containing the recommendations of CADMAC on the six applications received by July 1, 1993.

6. On July 10, 1993, SESCO, Inc. an energy service company, forwarded a letter to the Chairperson of CADMAC requesting membership on CADMAC. In the letter, SESCO justifies its application after the filing deadline by stating that it did not receive notification of the CADMAC membership solicitation until July 8, 1993.

7. On September 20, 1993, Edison filed supplemental Advice letter 1009-E-A recommending that membership for SESCO be denied and requesting clarification of the CADMAC membership schedule. SESCO protested Advice Letter 1009-E-A on September 29, 1993.

#### NOTICE

Public notice of Advice Letter 1009-E and 1009-E-A was made by publication in the Commission calendar and by Edison mailing copies to all parties of record in R.91-08-003/I.91-08-002.

PROTESTS

1. CACD did not receive any protests to Advice Letter 1009-E.
2. SESCO, Inc. protested Advice Letter 1009-E-A on September 29, 1993. Edison, on behalf of the utility members of CADMAC, responded late to SESCO's protest on October 18, 1993.

DISCUSSION

Initial Membership Applications

1. As of July 1, 1993, CADMAC received 6 membership applications from the following individuals and organizations:

- a. Natural Resources Defense Council (NRDC) -- Peter Miller, representative
- b. California Manufacturers Association (CMA) -- Robert E. Burt, representative
- c. Toward Utility Rate Normalization (TURN) -- Eugene Coyle, representative
- d. National Association of Energy Service Companies (NAESCO) -- representative unspecified
- e. California Institute for Energy Efficiency (CIEE) -- James Cole and Edward Vine, representatives
- f. Dian M. Grueneich, representing herself.

2. In Advice letter 1009-E, CADMAC recommends that all six of the applications be accepted for one year membership.

3. CACD agrees with CADMAC's recommendation to accept all six initial applicants, with two modifications. First, CACD recommends that NAESCO designate a representative for the 1994 calendar year. Following this first year of supplemental membership, NAESCO should rotate its representative to another NAESCO member if its application for membership is reaffirmed. CACD understands from discussions with CADMAC that Richard W. Zeren of Proven Alternatives, Inc. will be NAESCO's designated representative for 1994. Second, CACD recommends that CIEE designate only one representative for 1994, rather than both Cole and Vine. CIEE may determine which of these two nominees will be named as its 1994 CADMAC representative.

4. CACD also comments on the individual application received by Ms. Grueneich. CACD recommends that although an individual application is unique, Ms. Grueneich should be accepted based on her experience with resource planning issues which will provide committee balance. CACD notes that D.93-05-063 specifically suggests that CADMAC membership include resource planning professionals. (D.93-05-063, mimeo, pg. 59) CACD also notes that because Ms. Grueneich's two major clients are recipients of energy services rather than energy service providers, her presence on the committee would not pose a conflict of interest.

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However, CACD recommends that if Ms. Grueneich seeks 1995 membership as well, her conflict of interest status should be reevaluated based on any new clients she obtains.

5. In Advice Letter 1009-E, CADMAC raises possible conflict of interest and individual qualification questions. CADMAC notes that under the agreement by which CIEE receives funding from the California utilities, CIEE is precluded from taking a position on utility requests in regulatory filings. Therefore, CADMAC questions whether allowing CIEE to serve as a voting member of CADMAC violates this agreement. CADMAC also states that it believes conflicts of interest are less likely if NAESCO, a national association, contributes to CADMAC rather than individual energy service companies. Finally, CADMAC points out that the technical expertise in DSM savings measurement of the proposed CMA representative is not known.

6. CACD notes these conflict of interest and qualification concerns but recommends that all six applicants be accepted as members for this first year subject to review of their performance and any conflicts during the reaffirmation process for 1995 membership. CACD recommends that CIEE abstain from voting on any items raised at CADMAC to the extent that taking a position might violate the agreement by which the utilities fund CIEE work. Furthermore, CACD has already required NAESCO to rotate its representative if its membership is reaffirmed, since the representative will be a professional from an individual energy service company.

#### Application by SESCO

7. In Advice Letter 1009-E-A, the utility members of CADMAC recommend that the Commission deny membership to SESCO because 1) SESCO does not have sufficient direct experience with measurement of nonresidential programs or with net-to-gross and state standards adjustments issues; 2) SESCO has not participated in Commission M&E proceedings; 3) CADMAC has conflict of interest concerns because SESCO is likely to be a bidder in DSM bidding pilots involving three out of the four CADMAC member utilities; and 4) with respect to committee balance, the interests of energy service companies will be represented on CADMAC by NAESCO.

8. SESCO protests the rejection of its application by stating that it objects to the use of NAESCO's nomination for CADMAC membership as an excuse to exclude SESCO. Furthermore, SESCO states that because of the close financial and management relationship between NAESCO and the utility community, NAESCO is not perceived as being independent from utility influence. Therefore, SESCO contends that many energy service companies find their representation by NAESCO inadequate on some issues.

9. With respect to the membership criteria, SESCO protests that other applicants who were recommended for membership in Advice Letter 1009-E may have only nonresidential M&E expertise, and do not have the residential expertise of SESCO. Therefore, SESCO believes that it should not be judged so harshly for its lack of nonresidential M&E expertise. SESCO contends that it is

committed to rigorous ex post measurement of energy savings. Moreover, SESCO believes that any potential conflict of interest which may occur because it is a bidder in utility DSM bidding programs is dwarfed by the utilities' conflicts of interest in devising protocols to judge measurement and determine their own profitability. Finally, SESCO states that committee balance would be achieved by having an energy service company representative independent of the utilities. SESCO offers to be the initial representative of an energy service company organization known as the Residential Energy Service Companies' United Effort (RESCUE) with subsequent CADMAC membership rotation.

10. SESCO also protests that the utilities are attempting to control future CADMAC membership. SESCO suggests that supplemental members not be limited to a one year term, but that they be offered a renewable three year membership, with one third coming up for renewal each year. SESCO believes this continuity among supplemental members will counterbalance the permanence of the utility CADMAC members.

11. The utility members of CADMAC filed a late response to the SESCO protest, and asked that the Commission accept this late response because of the the multi-party nature of CADMAC and the difficulty this presented in preparing a collective response. In their response, the utility members of CACDMAC state that because SESCO was not involved in the M&E phase of the DSM Rulemaking, SESCO misunderstands the role of CADMAC. The utilities contend that they are represented on the Board of NAESCO in the spirit of the collaborative process and to avoid litigation. The utility members of CADMAC also explain that SESCO is mistaken, and the utilities are not seeking to control membership in the CADMAC. Rather, because the Commission required membership to be handled by advice letter, the utility members of CADMAC must file this advice letter since CEC and DRA cannot. Finally, the utilities state that "it is neither necessary nor desirable to attempt to represent large numbers of variations of points of view within numerous stakeholder groups" on the CADMAC. They claim that SESCO's membership on CADMAC will impede the consensus-building process envisioned by the Commission when it established CADMAC.

12. CACD does not believe that SESCO's inexperience with nonresidential DSM measurement is grounds for denial of membership because other applicants, namely CMA, Ms. Grueneich, and the NAESCO representative, also may not have extensive measurement experience in that sector. In addition, CACD finds merit to SESCO's argument that NAESCO may not represent all energy service company interests. SESCO's offer to be the initial representative for RESCUE is comparable to the approach CACD recommends for NAESCO participation in CADMAC.

13. CACD notes that the CADMAC response to the SESCO protest is late and advises CADMAC to make future responses within the guidelines set forth in General Order 96-A. CACD recognizes the efforts of the utility members of CADMAC throughout the collaborative process and because of this collaborative

approach, believes that SESCO should be granted membership on CADMAC for 1994. CACD notes that as a supplemental member, SESCO will only receive voting rights on the issue of protocol modifications and retroactive waivers. Therefore, CACD does not believe that SESCO's membership will seriously threaten CADMAC's consensus-building mission.

14. Based on the above, CACD recommends that the Commission grant SESCO 1994 supplemental membership as the initial RESCUE representative, subject to reaffirmation for 1995. However, SESCO should designate one individual as its CADMAC representative for 1994 and should yield its position on CADMAC to another RESCUE member in 1995. If no other RESCUE members come forward, CACD will reassess SESCO's membership as part of the regular membership process. CACD notes the potential conflict of interest for SESCO because it is a DSM bidder, but agrees with SESCO that the utilities may have a similar conflict given the fact that CADMAC will vote on issues related to M&E of utility programs. However, given the fact that consensus among all voting members is required for minor technical retroactive waivers to measurement protocols, and that all major changes must await formal Commission review, CACD finds the potential conflicts to be minimal. In any case, CACD recommends an assessment of any conflicts with CADMAC membership during the reaffirmation process.

15. CACD recommends that SESCO's plan for a staggered three year membership be denied because the CADMAC membership guidelines were already established in D.93-05-063. That decision establishes that membership on CADMAC will be handled by advice letter. All protocol changes may be considered on a prospective basis in the Annual Earnings Assessment Proceeding.

Membership Schedule and Reaffirmation

16. In Advice Letter 1009-E-A, the utility members of CADMAC propose that supplemental members be assigned to serve for a calendar year, following membership approval by an advice letter filed by October 15 of each year. CADMAC also proposes that for this first year, these new supplemental members begin their membership as soon as the Commission acts on Advice Letter 1009 and 1009-E-A, and serve through calendar year 1994.

17. CADMAC proposes that reaffirmation of supplemental voting members would be based on the four Commission approved criteria (technical expertise, commitment, lack of conflict of interest, and committee balance), regular attendance, and the quality of participation of each member. CADMAC also states that each member must demonstrate a "significant positive contribution to the group's decision-making and statewide study efforts."

18. CACD recommends adoption of the membership schedule and reaffirmation criteria presented by CADMAC in Advice Letter 1009-E-A. CACD notes that reaffirmation of supplemental members and consideration of any new applicants will be handled by an advice letter filed by CADMAC by October 15 of each year. This advice letter should assess each applicant on the four Commission-approved criteria and assess the attendance and

quality of participation of members seeking reaffirmation. CACD should also evaluate the quality of participation of the members and their contributions to CADMAC decision-making and statewide study efforts. Through this annual advice letter process, the Commission will reaffirm members and approve any new applicants. This annual membership process should continue until CADMAC is terminated.

### FINDINGS

1. The Commission established the CADMAC to assume measurement and evaluation review functions for DSM programs.
2. Commission approval of supplemental voting members, and annual reaffirmation, will take place via an Advice Letter process.
3. CADMAC membership requests will be assessed based on the following criteria: committee balance, lack of conflicts of interest, technical expertise, and demonstrated commitment to DSM measurement and evaluation (M&E) proceedings.
4. Supplemental members receive voting rights only on CADMAC endorsements of prospective changes or additions to adopted protocols, or minor retroactive waivers or modifications.
5. The Commission should accept all six initial applicants, as modified by CACD.
6. Richard W. Zeren of Proven Alternatives, Inc. will be NAESCO's designated representative for 1994.
7. NAESCO should rotate its representative to another NAESCO member if its application for membership is reaffirmed.
8. CIEE should designate only one representative for 1994.
9. The application of Dian Grueneich should be accepted based on her experience with resource planning issues.
10. If Ms. Grueneich seeks 1995 CADMAC membership, her conflict of interest status should be reevaluated based on any new clients she obtains.
11. All six applicants should be accepted as members for this first year subject to review of their performance and any conflicts during the reaffirmation process for 1995 membership.
12. CIEE should abstain from voting on any items raised at CADMAC to the extent that taking a position might violate the agreement by which the utilities fund CIEE work.
13. SESCO should be granted 1994 supplemental membership as the initial RESCUE representative, subject to reaffirmation for 1995.

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14. SESCO should designate one individual as its CADMAC representative for 1994 and should yield its position on CADMAC to another RESCUE member in 1995.
15. Prior to reaffirmation of a RESCUE representative for 1995, the Commission should assess any conflicts of interest relevant to the RESCUE representative.
16. SESCO's plan for a staggered three year membership should be denied.
17. Supplemental members should serve for a calendar year, except the supplemental members approved in this resolution should begin their membership immediately and serve through calendar year 1994.
18. Reaffirmation of supplemental members and consideration of any new applicants should be handled by an advice letter filed by CADMAC by October 15 of each year.
19. This advice letter should assess each new applicant on the four Commission-approved criteria as set forth in D.93-05-063.
20. The reaffirmation criteria for supplemental members presented by CADMAC in Advice Letter 1009-E-A should be used to evaluate the continuation of these members.
21. This annual membership process should continue until CADMAC is terminated.

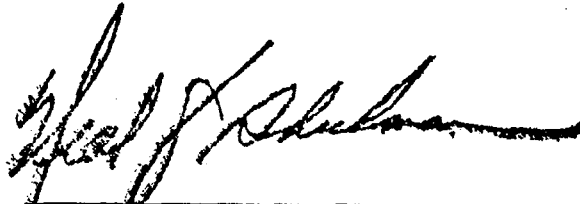


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**THEREFORE, IT IS ORDERED that:**

1. The California Demand Side Management Measurement Advisory Committee shall grant supplemental membership status for 1994 to the six applicants whose applications were received by July 1, 1993, as set forth in the findings above.
2. The California Demand Side Management Measurement Advisory Committee shall grant supplemental membership status for 1994 to SESCO, Incorporated as the initial representative of the Residential Energy Service Companies' United Effort as set forth in the findings above.
3. The supplemental members approved in this resolution shall begin their membership immediately and serve through calendar year 1994.
4. The membership schedule and reaffirmation criteria presented by CADMAC in Advice Letter 1009-E-A is approved as set forth in the findings above.
5. 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:



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Executive Director

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