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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3399
December 7, 1994

R E S O L U T I O N

RESOLUTION E-3399. SOUTHERN CALIFORNIA EDISON COMPANY REQUEST FOR AUTHORIZATION TO SHIFT 1994 DEMAND-SIDE MANAGEMENT FUNDS TO THE NONRESIDENTIAL ENERGY EFFICIENCY INCENTIVE PROGRAM FROM THE RESIDENTIAL ENERGY MANAGEMENT SERVICES, DIRECT ASSISTANCE-WEATHERIZATION, LOAD BUILDING, AND FUEL SUBSTITUTION PROGRAMS.

BY ADVICE LETTER NO. 1075-E, filed on October 28, 1994

SUMMARY

1. In this advice letter, Southern California Edison Company (Edison) requests authority to shift funds available for 1994 demand-side management (DSM) programs into the Nonresidential Energy Efficiency Incentive (NEEI) program from other DSM programs.

2. Edison also notifies the Commission of the closure of its Welcome Home program.

3. CACD received a protest to this Advice Letter from The East Los Angeles Community Union (TELACU) regarding the shift of funds from the Direct Assistance Program. The concerns raised in the protest are recognized but the protest is denied.

4. This resolution authorizes Edison to shift funds as requested without change to its incentive targets.

BACKGROUND

1. Edison is requesting authority to shift $5.7 million of previously authorized 1994 DSM funds into the NEEI program from various programs. NEEI is a shared savings program. Edison states it is requesting this shift because the NEEI budget was based on the assumption that this program would cease to operate in Edison's Southern and San Gabriel Valley Regions in January 1, 1994 upon commencement of the DSM bidding pilots. Because the pilots did not begin on that date, Edison continued to offer the program to customers in those regions. Therefore, the program is experiencing a higher than expected level of customer participation in 1994 and is expected to run out of program funds.

2. While the NEEI program is expected to exceed authorized funding, Edison has had lower than expected participation and is forecast to have a notable amount of unspent funds by year end in other program areas. Edison requests to shift $1.5 million from residential Energy Management Services, $1.8 million from Direct Assistance-Weatherization, $1.4 million from Fuel Substitution, and $1.0 million from Load Building. None of these programs are shared savings programs.

3. Edison states that it intends to forgo any shareholder earnings related to the proposed increase in funding for the NEEI program and therefore, has not updated its incentive targets. Edison recommends that the shifted funds be treated as nonresidential expense funds. In order not to bias the calculation of shareholder earnings, customer coupons for this program will be randomly selected and assigned to either the shared savings or expense categories until the $5.7 million in the expense category is fully committed.

4. Edison is also using this Advice Letter to notify the Commission of the closure of its Welcome Home program because the program is no longer cost effective. Edison is honoring commitments made prior to program closure.

5. Edison's test year 1992 General Rate Case (GRC) decision, Decision (D.) 91-12-076, 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. Under the adopted fund shifting guidelines, Edison is required to file an Advice Letter requesting approval to move funds beyond the $2.5 million cumulative ceiling within programs and to move funds between incentive categories. D.91-12-076 also adopted an additional guideline that Edison should not be allowed to shift funds into/or among fuel-substitution, load building and load retention programs.

6. On October 28, 1994, Edison filed Advice Letter 1075-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

1. The Commission Advisory and Compliance Division (CACD) has received one protest to this Advice Letter filed on November 18, 1994 by TELACU.

2. TELACU specifically protests Edison's request to shift funds from the Direct Assistance-Weatherization Program to the NEEI program. TELACU argues that late approval of the Inter-Utility Agreement for low income services delayed implementation of the Direct Assistance Program which accounts for the

underspending in the 1994 program year. TELACU believes that low income customers should not be penalized due to this late approval. TELACU also states that D.94-10-059 does not allow utilities to shift funds out of the mandatory Direct Assistance budget beginning in 1995. Also, TELACU notes that Edison and the Division of Ratepayer Advocates (DRA) have recently filed a settlement in Edison's general rate case (A.93-12-025) which significantly reduces the level of funding for the Direct Assistance Program.

3. Edison responded to TELACU's protest on November 30, 1994. Edison states that it has been more difficult to locate eligible low income all-electric dwellings and less expensive to treat them than expected. In addition, Edison states that it was able to achieve cost reductions in the DAP program through the interutility agreement. These factors combined to create a surplus of funds for 1994. Edison also indicates that Edison's settlement with DRA in the 1995 GRC is independent of fund shifting which may occur in the 1994 program year.

DISCUSSION

1. The NEEI program has been successful in achieving a high level of participation due especially to the late commencement of the DSM bidding pilots. The result of this unexpectedly high participation rate is that Edison now anticipates the currently authorized level of funding for the NEEI program will be insufficient to honor its program commitments. Edison also reports that other programs are forecasting lower than expected participation or activity or reduced costs, leading to an excess of funds. Edison's fund shifting request will allow Edison to fulfill the commitments it made to customers in response to the late start of the DSM bidding pilots.

2. TELACU asserts that DAP funds should not be used for any other purpose, and that recent Commission decisions affirm its interpretation. However, the funds at issue are for program year 1994, not 1995, which the decision addresses. D.94-10-059 states that mandatory direct assistance funds cannot be shifted into other categories without an application beginning in 1995. Nothing in D.94-10-059 leads CACD to believe that 1994 funds are subject to the same restrictions. TELACU also cites the reduction in DAP funding in the Edison/DRA 1995 GRC settlement as reason not to shift funds. CACD agrees with Edison that what is eventually approved in the 1995 GRC is independent of any fund shifting in the 1994 program year. As a matter of fact, parties who disagree with the GRC settlement will be permitted to present alternative means to achieving a rate reduction (see Assigned Commissioner's Ruling, p.3 in A.93-12-025, dated October 5, 1994). TELACU's concerns over the 1995 DAP program should be taken up in that forum.

3. CACD does not agree with TELACU's assertion that late approval of the interutility agreement is the cause of the excess funds for 1994. CACD does not recommend that Edison be required to carry over unspent 1994 DAP funds into 1995 as

requested by TELACU. However, CACD recommends that Edison's Advice Letter dealing with the disposition of 1994 carry over funds specifically address how the continuing need for services by low income customers is met by the proposed carryover.

4. 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 it must move these funds to meet the needs of its customers and tailor its programs to current market conditions. CACD review of Edison's proposed movement of funds supports this assertion.

5. Attachment 1 to the Advice Letter includes Schedule 1: 1994 DSM Fund Shifting, detailing 1994 funding levels including the requested movement of funds. Edison has not revised the targets for the NEEI program, consistent with its decision to forgo earnings. The method Edison has proposed to determine which coupons are eligible for earnings appears reasonable. CACD agrees with Edison's proposed fund shifting and recommends its approval.

6. Edison has closed its residential New Construction program, Welcome Home, to new participants. Edison seeks no Commission action with respect to this program.

FINDINGS

1. Edison filed Advice Letter 1075-E on October 28, 1994 to request Commission authorization to shift DSM funds.

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. Fund shifting of 1994 program year funds is independent of the proposed settlement in Edison's 1995 GRC.

THEREFORE, IT IS ORDERED that:

1. Southern California Edison Company is authorized to shift $5.7 million of Demand-Side Management funds into the Nonresidential Energy Efficiency Incentive program as proposed in Advice Letter 1075-E.

2. Southern California Edison Company's Advice Letter dealing with the disposition of 1994 carry over funds shall specifically address how the continuing need for services by low income customers is met by the proposed carryover.

3. The protest of The East Los Angeles Community Union is denied.

4. Advice Letter 1075-E shall be marked to show that it was approved by Commission Resolution E-3399.

5. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities commission at its regular meeting on December 7, 1994. The following Commissioners approved it:

Neal J. Shulman

NEAL J. SHULMAN
Executive Director

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