

PUBLIC UTILITIES COMMISSION STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3578 **
MARCH 18, 1999

RESOLUTION

RESOLUTION E-3578. PACIFIC GAS AND ELECTRIC COMPANY, SAN DIEGO GAS & ELECTRIC COMPANY, SOUTHERN CALIFORNIA GAS COMPANY, AND SOUTHERN CALIFORNIA EDISON COMPANY REQUESTS FOR APPROVALS OF 1999 ENERGY EFFICIENCY PROGRAMS, AS RECOMMENDED BY THE CALIFORNIA BOARD OF ENERGY EFFICIENCY. PROGRAM AREA BUDGETS, PROGRAM BUDGETS, AND ALTERNATIVE PERFORMANCE AWARDS APPROVED. POLICY RULES CONDITIONALLY APPROVED AS INTERIM.

BY PG&E ADVICE LETTER (AL) 1819-E/2117-G FILED NOVEMBER 17, 1998; SDG&E AL 1132-E/1124-G FILED NOVEMBER 16, 1998; SOCALGAS AL 2760 FILED NOVEMBER 16, 1998; SCE AL 1348-E FILED NOVEMBER 16, 1998; AND CBEE AL1-E/1-G FILED OCTOBER 16, 1998.

SUMMARY

1. Current energy efficiency programs in effect using 1998 funds were extended on a month-to-month basis in 1999 under Resolution E-3589. The California Board for Energy Efficiency (CBEE) and the utilities have been working to submit a complete 1999 Energy Efficiency proposal for the Commission's consideration. To date, the utilities' advice letters provide a revised set of policy rules, program budget structure with a revised performance incentive award mechanism, and a basic, but incomplete series of program proposals. This Resolution adopts the utilities' Program Area Budget, program budgets, program budget structures, and the Alternate Performance Incentive Award Mechanisms, as revised by the utilities on January 13, 1999.
2. Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), Southern California Gas Company (SoCalGas), and San Diego Gas & Electric Company (SDG&E) shall implement the energy efficiency and Demand Side Management (DSM) programs for Program Year 1999 (PY99), as referenced by their respective program budgets.
3. Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), Southern California Gas Company (SoCalGas), and San Diego Gas & Electric Company (SDG&E) shall file supplemental advice letters containing additional program element descriptions and a program budget "map" linking program spending between PY98 and PY99 terms by March 25, 1999.
4. This Resolution conditionally adopts the general policy direction of the Energy

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Efficiency program redesigns for 1999. Excepting protested policy issues, the CBEE's Policy Rule changes, additions and suspensions are adopted as Interim and applicable to Interim Utility Administrators.

5. The protests and comments on related issues to the original advice letters shall be addressed in a subsequent resolution.

BACKGROUND

1. As required by the Assigned Commissioner's Rulings in Rulemaking (R.)98-07-037, dated September 23, 1998 and October 1, 1998 the CBEE filed Advice Letter 1G/1E, dated October 16, 1998. On November 16 and 17, 1998, Pacific Gas and Electric Company (PG&E) filed Advice Letter (AL) 2117-G/1819-E, San Diego Gas & Electric Company (SDG&E) filed AL 1132-E/1124-G, Southern California Gas Company (SoCalGas) filed AL 2760, and Southern California Edison Company (SCE) filed AL 1348-E requesting approval of 1999 Energy Efficiency Program Plans, Budgets, and Performance Award Mechanisms. The utilities' Advice Letters were filed to be consistent with the CBEE's recommendations contained in its AL 1-E/1-G.

2. The Commission requires California's investor-owned electric and gas utilities to offer programs intended to help their customers improve the energy efficiency of their buildings and facilities. These programs have included services ranging from rebates and low-interest financing to on-site technical assistance or energy information centers, where customers and design professionals can obtain reliable information about new technologies. In response to electric restructuring, the Commission adopted a new approach to energy efficiency, which seeks to promote the development of programs and other activities that rely more on private energy efficiency providers and that transform existing markets to a higher level of demand for energy efficiency products and services. The objective is to create sustainable, vibrant markets in which private energy efficiency providers offer and customers adopt increased levels of energy efficiency products, services, and practices, with a decreasing need for public funds.

3. As a result of electric restructuring, the existing investor-owned electric utilities no longer are obligated to plan and acquire generation resources for captive customers. This change in the traditional relationship between the utility and its customers provides the utility with a greater disincentive to offer energy efficiency programs, while trying to retain generation sales customers. In Decision (D.) 97-02-014, the Commission created a public board, the California Board for Energy Efficiency (CBEE), to advise it on how to pursue these major changes to ratepayer-funded energy efficiency programs under a restructured industry. The CBEE's

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responsibilities include:

- Developing proposed new policy rules to govern development and delivery of ratepayer funded energy efficiency programs under the changes to the policy environment listed above.
- Developing a competitive process to select new Program Administrators to oversee the delivery of energy efficiency programs.
- Continuing to advise the Commission on the delivery and administration of the programs once new Program Administrators have been selected.

4. Subsequent Commission decisions (D.97-04-044, D.97-05-041, D.97-09-117, D.97-12-093, D.97-12-103, and D.98-02-040) provided additional guidance and direction for the CBEE. In D.97-02-014, the Commission directed gas utilities to participate in the joint planning process and to coordinate with the CBEE, reiterating its intent to establish a surcharge to fund gas energy efficiency programs in the same manner as electric programs. Current funding for the gas utility Demand-Side Management Programs (DSM) is authorized by Commission decisions in utility rate cases. As of this date, the utilities are serving as Interim Administrators, offering programs designed to provide a smooth transition between the old and new policy frameworks and administrative structures. The CBEE is charged with overseeing a joint planning process with the utilities to develop specific programs and budgets, and with making recommendations to the Commission on these issues.

5. During 1998, the CBEE conducted six public workshops to assess the existing utility energy efficiency programs and to provide recommendations on market transformation policy objectives to the Commission for its consideration. The CBEE also held 40 public meetings where additional public input was received.

6. Resolution (Res.) E-3581 dated December 17, 1998 authorized the utilities and the CBEE to continue 1998 programs at 1998 funding levels through the end of February 1999.

7. On December 17 and on December 21, 1998 the CBEE filed Preliminary and Final Recommendations and Comments on its review of the utilities' advice letters.

8. On January 13, 1999, the utilities submitted comments in response to the CBEE's December 21, 1998 comments on their 1999 Energy Efficiency Program and Budget Advice Letter filings, providing an Alternate Performance Incentive Award Mechanism with additional program descriptions, milestones and performance incentive data. By request of the Energy

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Division, each utility mailed their comments to the Service List in R.98-07-037 and informed recipients they would be allowed ten working days to submit comments. No party provided comments.

9. On January 15, 1999, the CBEE provided comments on the utilities' Alternate Performance Incentive Award Mechanism.

10. On February 18, 1999, the Commission approved Resolution E-3589 authorizing month-to-month funding and program delivery, and permitted pre-implementation tasks necessary for timely deployment of 1999 programs.

NOTICE

1. Notices of PG&E AL 2117-G/1819-E, SDG&E AL 1132-E/1124-G, SoCalGas AL 2760-G, SCE AL 1348-E, and CBEE AL 1-E/1-G were made by publication in the Commission's calendar and by mailing copies of the filing to adjacent utilities and interested parties.

PROTESTS

1. Parties filing protests/comments to the CBEE's and the utilities' advice letters include: The Utility Reform Network (TURN), Residential Energy Efficiency Clearing House, Inc. (REECH), the Office of Ratepayer Advocates (ORA), the California Energy Commission (CEC), the MarketPlace Coalition (MC)¹, the Natural Resources Defense Council (NRDC), the National Association of Energy Services Companies (NAESCO), the City of San Jose (San Jose), the Association of Bay Area Governments (ABAG), and the Community Energy Services Corporation (CESC).

2. The CBEE, PG&E, SoCalGas, SDG&E and SCE responded to the protests.

DISCUSSION

1. In its advice letter, the CBEE puts forth a comprehensive set of redesigned Energy Efficiency recommendations for the Commission's consideration, encompassing: Institutional and Transition Issues, Budget Recommendations, Policy Rules Application and Modifications, General Program Recommendations, Performance Incentives, Market Assessment and Evaluation Recommendations and Program Area (Residential, Non-Residential, and New

¹ The MarketPlace Coalition (MC), includes Residential Energy Services Companies' United Effort [RESCUE], Insulation Contractors' Association, and SESCO, INC.).

Construction) Recommendations. The CBEE's recommendations are founded upon its efforts over the past year.

2. PG&E, SCE, SoCalGas, and SDG&E filed advice letters largely consistent with the CBEE's recommendations.

Filings Deficient

3. Protests and comments to the CBEE's and the utilities' advice letters described the utilities' filings as incomplete regarding the programs for Program Year 1999 (PY99). ORA argues that the Commission should not authorize program plans until and unless additional data is provided relative to the administrative and implementation cost split. NAESCO criticizes that the utilities did not provide adequate justification for their proposals to offer Standard Incentive Programs, stating there are no justifications described to transform programs into the market and the utilities have not met the standard. REECH states that the advice letters were hastily conceived and are premature. REECH requests the utilities submit another filing to comply. REECH also requests there should be no new program offerings by utilities unless specifically linked with market transfer steps. REECH states that the utility filings are devoid of details on market transfers.

4. The CEC protests that greater program detail is needed to assure support of the CPUC goals for market transformation. The CEC states that: "[T]he utilities need to augment their filings with design elements, program objectives and implementation descriptions. They also need to describe how market transformation will be achieved and sustained. Other descriptors needed are defining the market, its size and a percentage of the market target. In addition, descriptions are needed on how business can make the program a part of standard practice. Each program needs a privatization plan. Performance indicators are needed to measure market progress."

5. SoCalGas and SCE respond that they and the other utilities are currently supplementing this missing information, but that its absence should not impede the advice letter approval process. CBEE replies that direction on continued transfer of program implementation from administrators is adequately outlined in its AL filing. CBEE agrees with the CEC's recommendation that additional information on proposed programs is warranted and, in Attachment A of CBEE's Reply Comments to the Utilities' Advice Letters of December 21, 1998, further identified the need for additional information:

"The utilities should provide additional information on:

(1) Statewide activities and explicitly describe the role of each activity in conjunction

with other program elements or intervention strategies.

(2) Plans to continue transfer of program implementation away from administrators for each program.

(3) Plans for outsourcing program activities and the role of competitive processes in implementing these plans.

(4) A plan for and approaches to third party initiatives, including the conduct of a second solicitation later in 1999 for implementation in PY2000, a proposed treatment of intellectual property, and the use of targeted solicitations.

(5) The role of specific emerging technologies in programs and program elements.”

6. CBEE recommended the utilities submit full program descriptions that would include this information by January 22, 1999. CBEE states that the utilities should not be allowed to implement programs until this information has been provided. CBEE notes that CEC’s proposed schedule may not be appropriate for program elements and intervention strategies that require redesign based on public workshop input.

7. The utilities did not provide complete program descriptions on January 22, 1999, as requested by the CBEE.

8. In its March 2, 1999 Comments, SCE clarifies: “In fact, the utilities timely provided program information to the CBEE prior to January 22, 1999, in the format recommended by the CBEE, on January 5, 1999. After reviewing the utilities’ submittals, CBEE revised its reporting format and submitting schedule. SCE thereafter submitted an additional report to the CBEE on February 12, 1999 as requested.”

9. In its March 2, 1999 Comments, the CEC states: “The record for this proceeding was closed in mid-January 1999 and we believe that the CPUC now has sufficient information on the record to resolve all (not just some) of the issues. The utilities have provided all of the additional program detail previously requested by various parties and by CBEE in its letter dated December dated December 21, 1998. Thus, there is no procedural reason to delay a decision on these issues...”

10. In its March 2, 1999 Comments, the CBEE states that it “has received complete program descriptions from each utility, and the descriptions have been distributed to the public at CBEE meetings and through the CBEE email distribution lists.” “The public has had opportunities to

review the complete program descriptions, and members of the public have provided comments and input at CBEE meetings. In addition, the program descriptions have been reviewed and found to be adequate by the CBEE.”

11. Contrary to the CEC’s belief that the Commission has a full record to resolve all the issues, the Energy Division advises the Commission that it has not received a copy of the utilities’ program information submittals to the CBEE, and apparently the CEC and others. Therefore, this issue remains unresolved.

12. The Energy Division recommends that the utilities provide the Commission with the program descriptions provided to the CBEE and others to complete the record. These should be filed as compliance filings by supplemental advice letters, and should be provided to the Commission no later than March 25, 1999.

Program Budgets and Spending Flexibility

13. The CBEE expanded the program spending flexibility within 11 of the 14 energy efficiency programs in its December 21, 1998 comments. In response to protests from ORA, NAESCO, and the utilities, the CBEE revised its program spending ranges from 5% to +/-15% of the individual programs’ budgets, but maintained three specific programs at +10%/-15%, +5%/-15%, and +5%/-15% respectively. The CBEE recommends that the Commission approve the utilities’ program area budgets with the revised program spending flexibility to +/-15% for the 11 programs, while maintaining 3 program budget ranges at:

- +10%/-15% for Residential Retrofit and Renovation
- +5%/-15% for Large Non-Residential Comprehensive Retrofit, and
- +5%/-15% for Small Non-Residential Comprehensive Retrofit.

14. In their January 13, 1999 comments, PG&E and SDG&E remarked that they preferred the greater flexibility for program spending ranges of +/-20%, but will accept the 15% ranges for the present. All utilities request the opportunity to revisit program budget ranges in a mid-June filing. In their March 2, 1999 comments, PG&E and SDG&E argue that they would prefer full +/-15% program budget spending flexibility for all 14 programs.

15. In its March 2, 1999 Comments, ORA recommends that the Commission adopt the proposed 1999 budget levels, but only at the level of detail of the three main program categories: Residential, Non-Residential, and New Construction. ORA states that the Commission need not, and should not, adopt the more detailed program descriptions or the specific budgets for such programs because to do so would conflict with program definitions under current reporting requirements. SDG&E, PG&E, and CBEE request that the budget authorization addressed under

this resolution incorporate the programs' budgets and spending flexibility, not the just Program Area levels of Residential, Non-Residential, and New Construction, and that the authorization be full authorization, not interim. The utilities and the CBEE state that program area spending authorization is incomplete without clarifying that authorization incorporates the 14 "programs" listed under the three program areas of each utility.

16. The threshold issue before the Commission is what "programs" are being proposed. The CBEE and the utilities filed advice letters containing 14 "program" categories under the larger Program Areas of Residential, Non-Residential, and New Construction, which were also connected to budgets. The Energy Division advises the Commission that the CBEE/Utility PY99 "programs" are radically different from PY98, and hence, so are the "program" budgets. ORA's argument is that a common thread is needed between earlier energy efficiency/DSM reporting requirements and budgets to what is proposed under the CBEE's and the utilities' advice letter filings for PY99.

17. For ORA, this common thread is essential for reporting and verification purposes, as well as for cost effectiveness evaluation purposes. The link between the PY98 programs and budgets and those for PY99 is the Program Area identifications of Residential, Non-Residential, and New Construction. Therefore, if the Commission authorizes "program" implementation and "program" budget spending, it must do so using a PY98 and a PY99 common "map" to allow a comparison between years.

18. The Energy Division recommends Commission authorization of the utility energy efficiency Program Area Budgets of Residential, Non-Residential, and New Construction for PY99. The Energy Division also recommends Commission authorization of utility energy efficiency "program" spending for each of the 14 "programs" listed under the three Program Areas of each utility. In addition, the Energy Division recommends the Commission direct the utilities to implement the energy efficiency and DSM activities described under each utility's advice letter. The Energy Division further clarifies that "program" authorization does not change or adopt program definitions affecting the reporting requirements for DSM measurement. Instead, "program" authorization identifies budget spending in categories which can be mapped to the major Program Areas, as well as to the program categories and program definitions used in PY98.

19. The Energy Division recommends that the utilities provide the Commission with the program budget "map" to link program spending between PY99 and PY98, to complete the record. These should be filed as compliance filings in the supplemental advice letters identified above, and should be provided to the Commission no later than March 25, 1999.

Alternate Performance Incentive Award Mechanism

20. Utility program implementations are tied to milestones and performance incentive awards. In its December 21, 1998 comments, the CBEE requested the Commission provide direction on how it prefers (if at all) to receive further input from the CBEE on the additional information provided by the utilities. In providing this direction, the CBEE recommends the Commission avoid unnecessary delay in the implementation of programs. In addition, the CBEE commented that the utilities' advice letter Performance Incentive Award Mechanisms did not meet the CBEE's recommendations, because they failed to link milestones and awards consistently, and their overall award exceeded its recommended ceiling of 12.5%.

21. On January 13, 1999 each of the utilities responded to the CBEE's comments by filing sets of "revised" or alternate performance incentive award mechanisms containing a two-stage, date sensitive set of milestones for program implementation linked to the awards.

22. Upon review, the CBEE submitted a letter dated January 15, 1999 to the Energy Division confirming that the utilities' second, revised performance award mechanisms conform with its proposed structure and design principles. CBEE notes that SCE and PG&E found a few typographical errors, and CBEE recommended the utilities submit errata to the Energy Division.

23. SCE submitted errata on February 1, 1999 and PG&E submitted errata on February 4, 1999.

24. In its January 15, 1999 comments, the CBEE summarized the revised statewide alternate performance incentive award cap for all utilities as "11% of the annual program, or \$27.991 million based on a proposed PY99 annual budget of \$254.469 million". The specific award caps per utility are: PG&E \$12.584 million; SCE \$8.610 million; SDG&E \$3.806 million; and SoCalGas \$2.991 million. The CBEE adds that "the overall award cap level would be reached if the utility demonstrated achievements of superior levels of performance for all program categories. The appropriate cap was set at 11% of the annual program budget (statewide), down from 12.5% adopted by the Commission for the 1998 programs. The CBEE recommends that if the Commission authorizes these award caps, the dollar value of the performance award cap should not change later, even if the authorized budgets are revised up or down mid-year. The CBEE adds that the milestones for aggressive program implementation are difficult, and may not be achieved.

25. PG&E responded to CBEE's recommendation that the incentive awards should not be changed from the levels resubmitted by the utilities on January 13, 1999. In its March 2, 1999

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Comments, PG&E adds that: "...award levels need to be set at absolute levels in order to focus management attention and resources on the achievement of these important public policy goals."

26. In each of their January 13, 1999 comments on the revised performance awards, the utilities expressed reservations about the "revision" process and meeting the milestones, which might need adjustment depending upon the timing of the Commission's resolution of this issue. SoCalGas states that it agrees to this mechanism in the spirit of resolving the issue for 1999, but will address future levels for the year 2000 in the 1999 AEAP.

27. No party protested the revised set of milestones and performance awards. The Energy Division has reviewed the revised milestones and incentive mechanisms. The milestones are linked to specific program implementations and are date sensitive. The incentive awards rely on achievement of specific program implementation milestones. The Energy Division recommends that the Commission approve the utilities' milestones and Alternate Performance Incentive Award Mechanisms. An approval of the PY99 incentives, in conjunction with the program area and program budgets, will provide momentum and progress towards the Commission's market transformation for the energy efficiency programs.

28. The total estimated statewide budget funding for 1999 is estimated to be \$273.4 million – Electric \$228 million and Gas \$45.4 million. Additional carryover funding from 1998 increases the total to over \$300 million. The Statewide Energy Efficiency Budget consists of program area spending, program spending, performance incentive awards, and a number of administrative line items representing 8% of the 1999 projected budget. The Energy Division has reviewed the Statewide Program Budget, with the revised program budget ranges and Alternate Performance Incentive Award Mechanisms, and recommends Commission authorization. The total estimated Program Area Budget for PY99 (including PY98 carryover funds) is \$254.5 million, with Electric programs totaling \$206.2 million and Gas programs totaling \$48.3 million. This budget is attached to this Resolution as Attachment A, including the specific utility budgets for programs and the alternate performance incentive awards.

Other Budget Items

29. The Energy Division advises the Commission that specific administrative line items in the remainder of the CBEE's Statewide Budget Proposal had protests and recommends that the Commission not approve these line items until a subsequent resolution can properly address the protests. (See shaded areas of Attachment A) These items include: monies for the start up of a new program administrator, Measurement, Assessment and Evaluation (MA&E) activities, the CBEE Budget, and set-asides for state government data collection and staff funding.

30. In their comments of March 2, 1999, the utilities, the CBEE, and the CEC request

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authorization to initiate spending for MA&E activities. SDG&E states that some authorization for these activities exists under Resolution E-3589 approved February 18, 1999, but requests specific authority to spend the monies budgeted for these activities under this resolution.

31. The Energy Division advises the Commission that MA&E activities are budgeted under each utility budget, but no information has been provided to the Commission under the advice letter filings. MA&E budgeted activities need to be supported with information specifying what studies will be performed, how much of the budgeted funding will be devoted to which studies, what entities will be performing the studies, and how these activities relate to measurement of "market transformation".

Policy Rules

32. The Energy Division advises the Commission that certain CBEE proposals for Policy Rule changes are the subject of protests. The protests include issues on energy efficiency reporting and verification, Measurement Assessment and Evaluation, Logo/Co-Branding, and definitions of Administrative versus Implementation costs for budget reporting purposes. Excepting these issues, the Energy Division recommends the Commission adopt as Interim, the remainder of the CBEE's Policy Rules, applicable to Interim Utility Administrators, with the CBEE's changes, additions and suspensions, until a subsequent resolution can address the protests properly.

33. The Energy Division has sufficient information to recommend that the Commission generally accept the program area direction of the CBEE's recommendations as contributing to its statewide market transformation goals. The revised, program budgets can provide spending guidance sufficiently until greater experience has been achieved. The revised performance incentives are not contested and should be approved without change for PY99. The utilities' program area budgets, program budgets, and the alternative performance incentive award mechanisms should be approved for program implementation, so as not to delay momentum and progress for the 1999 energy efficiency program year.

COMMENTS

1. The draft Resolution of the Energy Division in this matter was mailed to the protesting parties in accordance with Public Utilities Code Section 311(g). Comments were filed on March 2, 1999 by PG&E, SCE, Sempra for SoCalGas and SDG&E, ORA, the CEC, and CBEE.
2. Most of the parties' comments are incorporated within the text of this resolution. The

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Parties' primary concern was the wording used to enable the budgeted spending for programs. This has been addressed by adding that both Program Area and "programs", as identified under the Attachment A Budget tables, are adopted. Additional language states that:

- The utilities will implement the "programs";
- Adoption of the "programs" does not also adopt "program" definitions;
- For reporting purposes, a "map" will be provided by the utilities to connect PY98 programs with PY99 programs; and
- The Interim Policy Rules apply to the Interim Utility Administrators.

FINDINGS

1. In its advice letter, the CBEE puts forth a comprehensive set of redesigned Energy Efficiency recommendations for the Commission's consideration, encompassing policies, budgets and programs founded upon its efforts over the past year.
2. PG&E, SCE, SoCalGas, and SDG&E filed advice letters largely consistent with the CBEE's recommendations.
3. The advice letters were protested by The Utility Reform Network (TURN), Residential Energy Efficiency Clearing House, Inc. (REECH), the Office of Ratepayer Advocates (ORA), the California Energy Commission (CEC), the MarketPlace Coalition (MC), the Natural Resources Defense Council (NRDC), the National Association of Energy Services Companies (NAESCO), the City of San Jose (San Jose), the Association of Bay Area Governments (ABAG), and the Community Energy Services Corporation (CESC).
4. The utilities' November advice letter filings lacked sufficient detail on the energy efficiency programs planned for Program Year 1999 (PY99).
5. The utilities state and the CBEE confirms that the utilities have provided the CBEE with the requested program information.
6. The utilities should provide the Commission with the program descriptions provided to the CBEE to complete the record. These should be filed as compliance filings in supplemental advice letters, and provided to the Commission no later than March 25, 1999.
7. The CBEE revised 11 of the 14 individual program spending ranges from 5% to +/-15% of each individual program, to provide greater budget flexibility, capping three other programs at +10%/-15%, +5%/-15% and +5%/-15% respectively.

8. The Commission should authorize the utilities' energy efficiency budgets under the Program Areas of Residential, Non-Residential, and New Construction for PY99.
9. The Commission should authorize utility energy efficiency "program" spending for each of the 14 "programs" listed under the three Program Areas of each utility.
10. The Commission should direct the utilities to implement the energy efficiency and DSM activities described in their advice letters.
11. Authorization for utility program spending and implementation does not change or adopt "program" definitions affecting PY98 DSM measures or reporting requirements.
12. "Program" authorization identifies budget spending in categories which can be mapped to the major Program Areas, as well as to the program categories and program definitions used in PY98.
13. The utilities should provide the Commission with the program budget "map" to link program spending between PY98 and PY99 terms, to complete the record. These should be filed as compliance filings in the supplemental advice letters identified above, and should be provided to the Commission no later than March 25, 1999.
14. Utility program implementations are tied to milestones and performance incentive awards.
15. The utilities' November advice letter filings contained performance incentive award mechanisms and milestones which did not meet the CBEE's recommendations contained in its advice letter.
16. The CBEE recommended and the utilities adopted a revised set of milestones linked to a revised performance incentive award mechanism, which was submitted to the Commission and all parties to R.98-07-037 on January 13, 1999. No protests were received.
17. The Alternate Performance Incentive Award Mechanism submitted by the utilities provides for a maximum statewide incentive award of 11%.
18. The Alternate Performance Incentive Award Mechanism links awards to a two stage, date sensitive set of milestones, which are difficult to achieve.

19. The specific Alternate Performance Incentive Award Mechanism caps per utility are: PG&E \$12.584 million; SCE \$8.610 million; SDG&E \$3.806 million; and SoCalGas \$2.991 million.
20. The CBEE's recommended Alternate Performance Incentive Award Mechanism and the utilities' January 13, 1999 submittals for PY99 should be adopted without change.
21. The CBEE's revised Statewide Program Area Budget of \$254.5 million and the utilities' revised Alternate Performance Incentive Award Mechanism for PY99 totaling a maximum of \$27.991 million should be approved.
22. Specific budgeted administrative line items for the start up of a new program administrator, Measurement, Assessment and Evaluation activities, the CBEE Budget, and set-asides for state government data collection and staff funding were the subject of protests. The Commission should not approve these line items in the CBEE's Statewide Budget Proposal until a subsequent resolution can address the protests properly.
23. Excepting energy efficiency reporting and verification, Measurement Assessment and Evaluation, Logo/Co-Branding, and definitions of Administrative versus Implementation costs for budget reporting purposes, the Commission should adopt the CBEE's Policy Rule changes as Interim and applicable to Interim Utility Administrators, until a subsequent resolution addressing the protests can be issued.

THEREFORE, IT IS ORDERED THAT:

1. Pacific Gas and Electric Company Advice Letter 1819-E/2117-G's Program Area Budget, revised program budget and the alternate performance incentive award mechanism for PY99 Energy Efficiency Programs, submitted January 13, 1999 and corrected February 4, 1999, is approved.
2. Southern California Edison Advice Letter 1348-E's Program Area Budget, revised program budget and alternate performance incentive award mechanism for PY99 Energy

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Efficiency Programs, submitted January 13, 1999 and corrected February 1, 1999, is approved.

3. Southern California Gas Company Advice Letter 2760's Program Area Budget, revised program budget and alternate performance incentive award mechanism for PY99 Demand-Side Management Energy Efficiency Programs, submitted January 13, 1999 is approved.
4. San Diego Gas & Electric Company Advice Letter 1132-E/1124-G's Program Area Budget, revised program budget and alternate performance incentive award mechanism for PY99 Energy Efficiency Programs, submitted January 13, 1999 is approved.
5. Pacific Gas and Electric, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall submit compliance filings by supplemental advice letters, containing full program descriptions and a program budget "map" linking program spending between PY98 and PY99 terms, no later than March 25, 1999.
6. Pacific Gas and Electric, Southern California Edison Company, Southern California Gas Company and San Diego Gas & Electric Company shall implement the energy efficiency and DSM activities under their respective program budgets, identified under Attachment A.
7. Excepting protested policy issues, the CBEE's Policy Rule changes, additions and suspensions are adopted as Interim and applicable to Interim Utility Administrators.
8. The protests are denied without prejudice.
9. This Resolution is effective today.

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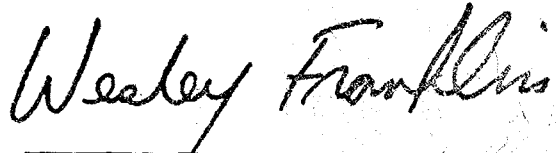
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CBEE AL 1-E/1-G/awp **

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on March 18, 1999. The following Commissioners voting favorably thereon:



WESLEY M. FRANKLIN
Executive Director

RICHARD A. BILAS
President

HENRY M. DUQUE

JOSIAH L. NEEPER

Commissioners

PROGRAM AREAS		Combined Electric & Gas		Statewide		PG&E		PG&E (\$ Millions)		SCE		SocCalGas		SDG&E		SDG&E	
Programs	% Budget	Low	High	Electric Budget	Gas Budget	Total Budget	% Total Budget	Electric Budget	Gas Budget	Total Budget	% Total Budget	Electric Budget	Gas Budget	Total Budget	% Total Budget	Electric Budget	Gas Budget
RESIDENTIAL																	
Heating & Cooling Systems	11%	10,157	13,967	7,875	2,785	16	6,705	5,118	1,067	8	2,784	9	3,864	7	3,843	0,524	0,279
Lighting	2%	12,946	10,746	12,645	0,000	18	6,965	6,068	0,000	1	1,094	3	0	21	2,603	2,603	0
Appliances	35%	37,489	29,786	35,112	1,825	29	11,705	11,180	3,505	57	15,669	1	3,042	23	3,045	2,615	9,725
Retrofit & Renovation	36%	14,359	29,274	37,806	7,280	37	14,940	11,177	1,703	23	6,277	79	7,489	42	5,907	4,503	1,725
SubTotals	100%	33,694		72,224	16,379	100%	39,963	24,451	5,400	100%	77,304	100%	9,795	100%	17,197	10,477	1,975
NON-RESIDENTIAL																	
Large Comprehensive Retrofit	39%	37,644	31,667	36,426	16,131	78	19,147	16,459	0,648	39	7,271	3	0	36	3,270	4,705	1,691
Small Comprehensive Retrofit	12%	41,374	26,166	43,443	28,347	23	9,465	19,525	3,979	20	7,666	64	3,503	21	6,473	4,885	3,306
HVAC Equipment Turnover	3	17,018	14,465	19,171	16,564	14	6,219	6,187	0,028	5	6,017	0	0,152	16	7,679	1,669	6,724
Major Turnover	4	4,996	4,749	5,449	4,999	4	7,509	2,506	0,000	4	1,572	0	0	5	0,430	0,920	0,000
Process	1	14,735	12,317	17,007	1,567	5	4,753	2,803	2,197	10	4,034	34	4,067	3	1,370	0,990	0,479
Commercial Renovation/Renovation	10	2,795	10,876	12,774	17,290	13	7,469	7,075	0,387	17	4,513	3	4,067	5	0,903	0,755	0,131
SubTotals	100%	28,679		104,241	24,276	100%	50,129	51,313	7,721	100%	28,171	100%	13,007	100%	17,961	10,691	3,756
NEW CONSTRUCTION																	
Residential	40%	14,736	12,638	17,034	9,037	44	7,015	6,241	1,774	19	2,177	51	3,7	40	1,901	1,675	0,274
Commercial	47%	16,671	13,870	16,822	14,917	44	7,020	6,667	0,511	52	6,125	5	9,216	45	2,300	1,570	0,380
Industrial & Agricultural	9%	1,447	2,969	4,001	3,116	5	0,777	0,779	0,000	21	2,508	3	0	4	0,200	0,190	0,100
Local Government Initiatives	3%	1,720	2,737	3,793	7,276	7	1,281	1,046	0,756	6	0,971	12	6,648	8	0,409	0,200	0,200
SubTotals	100%	34,574		41,656	34,330	100%	16,093	15,837	2,431	100%	11,776	100%	6,661	100%	4,600	3,544	0,974
PROGRAM AREA TOTAL		296,471		209,156	41,300		114,401	99,076	14,723		78,272		27,191		24,607	26,211	6,356
Performance Award Cap		27,591					17,524				8,379		2,391		1,508		
Subtotal		268,880															
ADMINISTRATIVE LINE ITEMS																	
(Subject to Protests, Excluded from Resolution)																	
New Administrator Start-Up		7,500															
CBEE Budget		2,053															
IM&E, Administration		6,000															
IM&E, Other Activities		3,900															
State Staff		3,400															
CEC Data Collection		2,700															
Subtotal		21,953															

Estimated Budget for 1999 PROGRAM AREAS														
PROGRAM AREAS	PG&E % Total Budget	PG&E Budget	Electric Budget	Low	High	PG&E Gas (\$ Millions)			Low	High	SCE % Total Budget	SCE Low	SCE High	
						Gas Budget	Low	High						
RESIDENTIAL:														
Heating & Cooling Systems	16%	4,792	4,115	4,303	5,858	1,052	0,520	1,224	0,000	0,000	8%	2,284	1,941	2,627
Lighting	18%	3,898	6,988	5,948	8,016	0,000	0,000	0,000	0,000	0,000	11%	3,054	2,596	3,512
Appliances	29%	11,795	11,150	9,523	12,857	0,552	0,472	0,522	0,522	0,522	57%	15,669	13,319	18,019
Retrofit & Renovation:	27%	14,940	11,177	9,590	12,795	1,761	1,199	1,129	1,129	1,129	23%	6,377	5,420	7,015
SubTotals Residential Programs:	100%	39,663	37,433	30,466	34,466	3,405	2,290	2,882	2,651	2,651	100%	27,384	22,858	29,883
NON-RESIDENTIAL														
Large Comprehensive Retrofit:	26%	18,147	15,459	13,174	18,274	0,648	0,56	0,687	0,56	0,687	39%	15,127	12,858	15,883
Small Comprehensive Retrofit	20%	18,495	15,529	13,197	16,307	1,907	1,548	1,136	1,548	1,136	20%	7,859	6,677	8,243
HVAC Equipment Turnover	14%	8,219	2,141	6,924	9,433	0,000	0,000	0,000	0,000	0,000	4%	6,071	5,175	6,929
Motor Turnover Process	4%	2,506	2,506	2,100	2,882	0,000	0,000	0,000	0,000	0,000	10%	1,574	1,337	1,808
Commercial Remodeling/Renovation	8%	4,795	7,604	7,213	2,993	2,193	1,866	2,624	2,193	2,624	10%	4,004	3,429	4,309
SubTotals Non-Residential Programs:	100%	54,520	51,533	43,699	49,071	4,747	3,172	4,422	3,172	4,422	100%	39,173	32,894	39,787
NEW CONSTRUCTION														
Residential	44%	7,014	3,241	4,455	6,021	1,724	1,508	2,049	1,508	2,049	13%	2,171	1,945	2,497
Commercial	44%	7,088	6,867	5,817	7,897	0,164	0,139	0,187	0,139	0,187	52%	6,125	5,205	7,044
Industrial & Agricultural	8%	3,772	0,726	0,620	0,628	0,000	0,000	0,000	0,000	0,000	21%	2,539	2,100	2,891
Local Government Initiatives	7%	1,281	1,046	0,588	1,202	0,199	0,133	0,179	0,133	0,179	8%	0,971	0,826	1,117
SubTotals New Construction Programs:	100%	19,818	11,882	11,670	15,728	2,126	1,779	2,326	1,779	2,326	100%	11,781	10,326	13,511
PROGRAM AREA TOTAL Performance Award Cap Subtotal		114,491	99,576			14,727						28,277	24,670	30,777
ADMINISTRATIVE LINE ITEMS (Subject to Protests, Excluded from Resolution)														
New Administrator Start-Up		3,562										2,992		
CBEE Budget		0,977										0,797		
MA&E Administration		2,458										1,963		
MA&E Other Activities		1,852										1,511		
State Staff		0,190										0,155		
CEC Data Collection		0,547										0,540		
Subtotal														

Estimated Budget for 1999 PROGRAM AREAS												
	SocialGas			SDG&E			SDG&E			SDG&E		
	% Total Budget	Budget	Low	% Total Budget	Budget	Electric	Low	High	SDG&E Gas Budget	Low	High	
RESIDENTIAL												
Heating & Cooling Systems	9%	0.864	0.704	7%	0.643	0.524	0.474	0.629	0.139	0.159	0.332	
Lighting	0%	0.000	0.000	21%	2.603	2.603	2.262	2.29	0.000	0.000	0.000	
Appliances	1%	1.042	0.898	25%	3.043	2.810	2.282	3.178	0.261	0.157	0.273	
Retrofit & Renovation	7%	7.259	6.28	47%	5.653	4.505	3.628	5.442	1.175	0.992	1.305	
SubTotals	100%	9.165		100%	12.157	10.477			1.675			
Residential Programs	34%			35%								
NON-RESIDENTIAL												
Large Comprehensive Retrofit	0%	0.000	0.000	36%	5.370	4.725	3.764	5.548	1.609	1.302	1.982	
Small Comprehensive Retrofit	64%	6.562	7.295	11%	1.470	1.470	1.772	1.598	0.606	0.644	0.999	
HVAC Equipment Turnover	1%	0.162	0.103	15%	2.070	1.866	1.505	2.451	0.734	0.687	0.881	
Motor Turnover	0%	0.000	0.000	5%	0.920	0.920	0.706	1.04	0.300	0.300	0.300	
Process	14%	1.547	1.359	3%	1.370	0.950	0.789	1.49	0.473	0.379	0.504	
Commercial Remodeling/Renovation	6%	0.650	0.000	9%	0.900	0.765	0.612	0.711	0.152	0.103	0.152	
SubTotals	100%	10.031		100%	17.650	15.891			3.758			
Non-Residential Programs	49%			51%								
NEW CONSTRUCTION												
Residential	6%	0.708	0.146	40%	1.900	1.525	1.300	1.780	0.275	0.270	0.338	
Commercial	5%	0.216	0.184	4%	2.301	1.976	1.546	1.924	0.350	0.354	0.499	
Industrial & Agricultural Codes & Standards Support	0%	0.000	0.000	4%	0.700	0.700	0.080	0.781	0.101	0.089	0.130	
Local Government Initiatives	14%	0.648	0.551	8%	0.430	0.700	0.180	0.407	0.280	0.180	0.240	
New Construction Programs	100%	4.564		100%	4.800	3.841			0.955			
SubTotals	17%			14%								
PROGRAM AREA TOTAL		27.151			34.607	29.279			6.189			
Performance Award Cap		2.591			3.095							
Sub-total												
ADMINISTRATIVE LINE ITEMS (Subject to Protests, Excluded from Resolution)												
New Administrator Start-Up		0.000			1.000							
CBEE Budget		0.000			0.264							
MA&E Administration		0.536			0.35							
MA&E Other Activities		0.000			0.445							
State Staff		0.000			0.355							
CEC Data Collection		0.185			0.287							
Subtotal												