

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION * *

**RESOLUTION E-3581
DECEMBER 17, 1998**

RESOLUTION

RESOLUTION E-3581. PACIFIC GAS AND ELECTRIC COMPANY, SAN DIEGO GAS & ELECTRIC COMPANY, SOUTHERN CALIFORNIA GAS COMPANY AND SOUTHERN CALIFORNIA EDISON COMPANY REQUEST APPROVAL OF UP TO TWO MONTHS OF TRANSITION FUNDING FOR 1999 ENERGY EFFICIENCY AND DEMAND-SIDE MANAGEMENT PROGRAMS IN LIEU OF AUTHORIZED 1999 PROGRAM BUDGETS. APPROVED, AS MODIFIED.

BY ADVICE LETTERS (AL) PG&E AL 1821-E/2118-G; SDG&E AL 1133-E/1125-G; SOCALGAS AL 2766-G; SCE AL 1354-E; FILED ON NOVEMBER 19, 20, 25 AND 30, 1998 RESPECTIVELY.

SUMMARY

1. By advice letters (AL) Pacific Gas and Electric Company (PG&E) AL 1821-E/2118-G; San Diego Gas & Electric Company (SDG&E) AL 1133-E/1125-G; Southern California Gas Company (SoCalGas) AL 2766; and Southern California Edison Company (SCE) AL 1354-E; request approval of up to two months of transition funding for 1999 Energy Efficiency and Demand-Side Management Programs in lieu of authorized 1999 program budgets. These advice letters were filed on November 19, 20, 25 and 30, 1998 respectively,
2. This resolution authorizes the utilities to undertake certain energy efficiency efforts in early 1999 and approves funding for those activities in lieu of fully authorized 1999 budgets and programs subject to advice letter filings submitted in mid- to late November, 1998. Carryover of 1998 funds supporting activities of the California Board for Energy Efficiency is also authorized until its AL 1-E/1-G can be addressed.
3. Timely protests were received from Residential Energy Efficiency Clearing House, Inc. (REECH) and the MarketPlace Coalition, consisting of Residential Service Companies' United Effort (RESCUE), Insulation Contractors Association of California (ICA) and SESCO, Inc. REECH's protest was filed December 8, 1998. The MarketPlace Coalition's protest was filed December 10, 1998.

BACKGROUND

1. In mid- to late November, each of the utilities filed by advice letter proposed 1999 Energy Efficiency Program Plans, Budgets, and Performance Award Mechanisms, as required by the Assigned Commissioner's Rulings in Rulemaking (R.)98-07-037, dated September 23, 1998 and October 1, 1998, to be consistent with the California Board for Energy Efficiency's (CBEE) Advice Letter 1G/1E, dated October 16, 1988.¹
2. Current programs will expire after December 31, 1998.
3. In order to avoid disruption of personnel, programs, and related issues, this resolution approves the requested "bridging" funds for 1999 programs until the Commission can address each of the mid- to late November filings and the CBEE's AL 1-E/1-G fully.

NOTICE

1. Notices of PG&E AL 1821-E/2118-G; SDG&E AL 1133-E/1125-G; SoCalGas AL 2766; and SCE AL 1354-E were made by publication in the Commission's calendar and by mailing copies of the filing to adjacent utilities and interested parties.

PROTESTS

1. REECH filed a timely protest on December 8, 1998. REECH does not object to the bridge funding being authorized but believes it should be more constrained and subject to more scrutiny than proposed by referenced Interim Utility Administrator (IUA) advice letters. In its protest, REECH proposes that:
 - Energy efficiency markets will not suffer significant or irreparable harm by a brief gap in the funding of IUA programs.
 - A "program quiet period" in early 1999 can be used to assess and review functions needed to transition and de-couple IUA activities to independent and competitive energy efficiency services delivery. By carefully limiting IUA activities to certain

¹ Southern California Edison filed Advice Letter 1348-E on November 16, 1998. Pacific Gas and Electric Company filed Advice Letter 1819-E/2117-G on November 17, 1998. Southern California Gas Company filed Advice Letter 2760 on November 16, 1998. San Diego Gas & Electric filed Advice Letter 1132-E/1124-G on November 16, 1998.

core functions, and requiring more detailed reporting and profiling of what constitutes the core IUA administrative and program planning functions, the Commission will then have the basis it needs to gauge the role it deems useful for IUA's in the months ahead.

- Principles for bridge funding include:
 - Services and programs, actually delivered or out-sourced, should be based on 1998 program design.
 - Funding should be limited to 1998 public goods charge (PGC) collections, unless IUAs file core function budgeting disclosures described below.
 - Bridge funding should be for a calendar quarter period of January, February, and March 1999.
 - Funding of program staff, consultants and certain specific program services should be permitted. Funding of other services should only occur on certain specific conditions.
 - IUAs should be required to file a detailed financial report, identifying all expenditures for the bridge period. Such a financial report will provide the necessary basis for engaging in zero-based budgeting analysis as energy efficiency programs are transitioned and divested from IUA supervision.
 - IUA Bridge funding should be no more than \$2.0 million per month for PG&E, \$.75 million per month for SDG&E, \$.75 million per month for SoCalGas and \$1.0 million per month for SCE.
 - Any funding from 1999 PGC funds and for any additional IUA program activities should await the outcome of Commission Decisions on general program year 1999 program filings, and the filing of additional advice letters for financial disclosure (as requested by REECH), and such other purposes as the Commission may deem necessary in this context.
 - It is inappropriate and improper for Sempra Energy to relay the CBEE's intention with respect to its advice letter.
2. The MarketPlace Coalition filed its protest on December 10, 1998, stating that:
- SCE should fully describe how it intends to spend its requested bridge funds.
 - Bridge funding should be limited to expenditures absolutely needed for minimal 1999 programs and only to continue those 1998 programs specifically identified in the utility advice letters.
 - Bridge activities should be funded first from unencumbered 1998 program year funds.
 - The CBEE is capable of expressing its own position. Utilities should not represent the views of CBEE members to the Commission.
 - It may file a revised protest prior to December 21, 1998 when the protest period for

SCE's AL 1354-E expires.

DISCUSSION

1. This Resolution is dated before the expiration of the protest period for SCE's advice letter. However, program continuance is in the public interest. Given this limited circumstance, it is appropriate for us to consider the requested relief. The merits of any subsequently filed timely protest(s) shall be considered in our Resolution on the subject of 1999 programs and budgets.
2. Over the past year, each of the utilities have been working in close collaboration with the CBEE and the Commission to realign the energy efficiency programs consistently on a statewide basis. This process is complex and requires considerable coordination efforts, but is becoming more streamlined and consistent among the utilities. The usual filing process for future year programs was delayed by six weeks under the ACR in R.98-07-037, dated September 23, 1998. Instead of requiring the utilities to file as usual on October 1, 1998, the Commission required the utilities to file these plans on November 16. This delay in processing has impacted the review and authorization of 1999 budgets and programs for energy efficiency, including the CBEE's budget. As discussed below, each of the utilities and the CBEE will be authorized to spend programs funds for 1999 starting January 1.
3. Anticipating that authorized energy efficiency budgets and programs will not be in place for the start of 1999, the utilities request that the Commission approve short-term funding for the 1999 program year in order to avoid program disruption. Each utility requests an effective date of January 1, 1999.
4. SoCalGas also described the need for "bridge" funding in the event Commission approval of 1999 energy efficiency programs, budgets, and performance incentives is not received by the end of 1998 in its AL 2752, addressed by Resolution E-3579 on December 17, 1998. SoCalGas requested Commission authorization to carry out and fund certain activities, assuming there would be no more than a one or two month delay in a Commission decision on its 1999 programs. In each of their current advice letters, SoCalGas, PG&E, SDG&E and SCE request this funding and state that if a longer delay appears imminent, then subsequent filings will be required to address the continuation of energy efficiency activities.
5. SoCalGas relates and the CBEE confirms that the concept of "bridge" funding was discussed at a recent board meeting.² It is SoCalGas' understanding that most of the CBEE

² CBEE Minutes of the Board meeting held November 18, 1998.

members recognize the need for this funding and support this approach, subject to review of specific details.

6. The objections of REECH and the MarketPlace Coalition to a utility relating to us the intentions of CBEE members are well taken. We prefer to receive the CBEE's comments and recommendations directly. As noted on page 9 of this Resolution, the CBEE submitted comments on December 16 only addressing concerns regarding SCE's AL 1354-E. In the future, we expect the CBEE to submit comments and recommendations on any advice letter or application submitted with regards to the programs under its oversight.

7. The relief granted here is for a limited two month period, beginning January 1, 1999 and ending February 28, 1999. It should not be construed as tacit approval of 1999 energy efficiency programs and budgets, which will be given thorough review in a subsequent Resolution. We grant the subject relief solely to ensure uninterrupted continuation of Commission approved programs. We agree with REECH and the MarketPlace Coalition that expenditures should be strictly limited to currently authorized programs and that funds should not be used for new program "ramp-up" or "roll-out". That is, programs may not be enhanced or expanded, but must be delivered at existing 1998 levels. For these limited purposes, it is not necessary for the utilities to submit additional financial reporting and program justifications.

8. SDG&E proposes to first utilize unencumbered 1998 program funds before expending requested but not yet authorized 1999 program funds. We concur with the recommendation by the MarketPlace Coalition that SoCalGas, SCE and PG&E should also fully encumber 1998 program funds before expending 1999 program funds.

Southern California Gas Company

9. SoCalGas requests authorization to perform certain activities related to 1999 energy efficiency efforts for the retention of program staff, adding that program and design activities for 1999 programs represents a significant effort next year, since the majority of SoCalGas' proposals for 1999 are programs that are new or substantially revised. SoCalGas also requests authorization to fund delivery of certain energy efficiency services and programs in 1999. One of these programs involving residential new construction is intended to continue from 1998 through 1999, and disruption of funding would make it virtually impossible to continue market transformation efforts in the Southern California. Certain crucial market intervention activities must be implemented during the first months of 1999 to ensure this program's success. SoCalGas states that there are no customer incentives as part of this program and that all non-labor dollars will be used for information efforts.

10. SoCalGas proposes to continue the above described Residential New Construction Information Program (Energy Advantage Home), explaining that a gap in the availability of services for new construction projects will result in lost opportunities to create awareness of cost-effective residential energy efficiency options within the key new home builder, lender and buyer communities for installation of energy efficient technologies exceeding Title 24 standards.

11. SoCalGas estimates that the funding necessary for its requested activities will be approximately \$1.9 million for a two month period. This represents roughly one-fifteenth of its proposed 1999 budget, excluding shareholder incentives. In its proposed 1999 Budget under AL 2760, SoCalGas estimates \$28.066 million for Program Year 1999 (PY99) program-related expenses. The total proposed budget, including a shareholder incentive, is \$31.276 million. SoCalGas requests the short-term funding authorization be made effective on January 1, 1999, to ensure that there is no hiatus in services provided, and so that program planning and design can be undertaken to ensure a successful deployment of energy efficiency programs in 1999.

San Diego Gas & Electric Company

12. SDG&E requests similar funding authorization to cover certain activities related to the retention of program staff, associated support services, such as building rents and computers. SDG&E states that it will need to continue program planning and design activities for the 1999 programs. The new year represents a significant effort for SDG&E, since the majority of SDG&E's proposals for 1999 are programs that are new or substantially revised. SDG&E states that it also will be involved in a number of significant statewide programs, which will entail close work with the other utilities, and which cannot go forward if a decision on the 1999 programs is delayed.

13. Some of the programs SDG&E hopes to continue in 1999 are Residential Audit Services and Lighting Fixtures Programs, both important now due to the winter weather and the fact that the winter season is when lighting purchases peak. In addition, SDG&E plans to increase emphasis on audit services for small commercial customers. A continuing non-residential new construction program is vital to avoid lost opportunities and to continue incentives for the installation of energy efficiency measures.

14. Under AL 1132-E/1124-G, SDG&E calculated that it has \$34.6 million in program funds for 1999, based on the CBEE's estimate of available funds, including unspent 1998 funds and funds allocated to the CBEE's 1999 activities. SDG&E estimates the "bridging" funding necessary for these requested activities is \$1.5 to \$2 million for a two month period.

15. SDG&E requests that these efforts in 1999 first be funded from unspent 1998 funds, if any are remaining after covering 1998 program activities, and then from 1999 funds. SDG&E recognizes that some of the employees covered under this funding estimate will also be working on activities related to 1998 programs as described in the October 15, 1998 Advice Letter 1128-E/1122-G, also addressed by the Commission on this date. SDG&E will separately account for all activities undertaken in 1999, as they pertain to the 1998 close-outs and reporting of 1998 programs, the processing of projects from 1998 program commitments and the additional 1999 activities requested here, to ensure that the various activities will be charged to the appropriate funding source. (1998 unspent funds or 1999 funds.)

Pacific Gas and Electric Company

16. PG&E requests authority for funding a portion of PG&E's 1999 Customer Energy Efficiency (CEE) Programs in the event that there is no ruling on its 1999 Energy Efficiency Programs and Budget AL 1819-E/2117-G. PG&E states that "continuity in program delivery provides an uninterrupted presence in the marketplace and a strong and consistent message on the importance of CEE to all market actors. The Commission's goal of transforming these markets to increase the sustainable delivery of energy efficiency products and services requires sustainable commitment in the private sector: manufacturers set production goals, builders and designers develop plans, vendors market goods and services, and retailers order stock. All of these decisions rely on continuity in the programs and any break in that continuity will cause losses in the private sector. This will discourage the very market players who we are relying on to lead their competition into the adoption of energy efficiency products and practices. Once these decision makers have been hurt by breaks in the program support, they are much less likely to participate in a future program. The need for continuity has been a message to the CPUC from all participants, including the CBEE, whenever the future of energy efficiency programs has been at issue..."

17. The funding PG&E requests would cover basic expenses such as administrative labor, rent, phones and other basic services. PG&E states that the employees working on energy efficiency programs are not presently funded elsewhere by PG&E.

18. PG&E replies that it will continue additional design and development of the 1999 programs, but will not deploy these programs until the primary advice letter containing its 1999 programs and budget (AL 1819-E/2117-G) is approved. For PG&E, the 1999 programs represent a significant shift from previous programs. Because the planning period was greatly compressed and significant design and start-up work must continue into the first part of 1999,

December 17, 1998

this funding will also be devoted to brochures, marketing materials, and the development of training and program policy guides.

19. PG&E requires limited funding to undertake certain program delivery activities in order to ensure that there is continuity in service to these customers and the various upstream program participants. For example, during the winter heating season, residential customers need access to the energy efficiency information they receive through PG&E's Smarter Energy Line or telephone audits. Also, PG&E would like to continue participation in a statewide contract to deliver energy efficient residential lighting. In addition, it is vital to maintain key vendor networks to deliver efficient equipment to residential customers (appliances) or small commercial customers. Each of these activities will benefit from the "bridge" funding in early 1999.

20. Out of the \$114 million program funding request of the 1999 proposed budget, PG&E commits not to spend or commit more than \$4 million in January and an additional \$4 million in February, if necessary. If the CPUC approves AL 1819-E/2117-G during the two month period, PG&E would be able to begin implementation of the programs as proposed. If not, PG&E will amend its filing, since it would no longer be possible to implement the programs or meet the deadlines proposed in that filing. PG&E requests an effective date of January 1, 1999.

Southern California Edison Company

21. SCE requests authority for funding a portion of its 1999 Customer Energy Efficiency (CEE) Programs in the event that there is no ruling on its 1999 Energy Efficiency Programs and Budget contained in AL 1348-E.

22. SCE explains that these funds are necessary to transition and initiate 1999 programs during January and February 1999. SCE requests this relief funding to avoid adverse impacts on customers and other market participants.

23. SCE's budget estimate under AL 1348-E for 1999 is \$95.761 million and includes a performance award. Under AL 1354-E, SCE estimates it will need approximately \$13 million for up to a two month period to support its energy efficiency programs. This request is based on one-sixth of its energy efficiency program funding for 1999, or \$78.276 million.

24. On December 15, 1998, SCE responded to the protestants' claim that its filing was inadequate. In its comments, SCE explains that it proposes to use its bridge funding for activities consistent with the scope proposed by other Interim administrators.

25. SCE believes that its request to expend 1/12th of its 1999 program budget is administratively efficient and provides reasonable limitations on the amount of funds available during the bridge period. SCE attached a letter dated December 14 to CBEE to provide additional clarification of the activities the bridge funding would be used for. These activities include:

- Continuation of 1999 program planning and design
- Extension of key 1998 programs critical to avoid disruption of energy efficiency services or loss of momentum in the marketplace.
- Labor and associated charges for energy efficiency employees who are involved with the implementation of energy efficiency programs and related activities.

26. Contrary to REECH's claim that a program quiet period will have beneficial auditing effects, SCE believes disruptions to the energy efficiency marketplace would send mixed messages to customers and cause harm to new market participants that are vital to transforming the energy efficiency marketplace.

California Board for Energy Efficiency

27. The CBEE budget relies on each of the utilities' budgets, and, is incorporated by reference into the requests for "bridge" funds for activities continuing into the 1999 program year. The CBEE budget is contained in its AL 1-E/1-G filed October 16, 1998. In this filing, the CBEE estimates that it will have between \$1.3 and \$1.8 million in 1998 budget funds. Carryover of these funds into the 1999 year should allow the CBEE to continue its board meetings and energy efficiency activities without disruption. We will authorize the carryover of 1998 funds for continued 1999 CBEE operations and expenditures, subject to the pending approval of its AL 1-E/1-G.

28. On December 16, 1998, CBEE submitted comments to SCE's AL 1354-E, stating that at its December 11, 1998 public meeting, it had recommended to SCE that it reduce its request from \$13 million to \$8 million. The CBEE explains that the \$8 million funding level for SCE is consistent with (1) the intent of the transition funding for certain key energy efficiency activities (not all activities), and (2) the bridge funding requested by the other utilities. The CBEE points out that the December 14, 1998 letter from SCE addresses the CBEE's request for additional information on the nature and scope of activities contemplated but neglects to request the lower level of bridge funding. We will adopt the CBEE's recommendation. SCE is authorized to expend \$8 million, rather than its requested \$13 million, on energy efficiency activities for the

two month bridge period.

Conclusion

29. The above paragraphs describe the utilities' proposals for the use of the requested bridge funding. They will, however, be authorized to use the funding only to continue 1998 programs at existing levels and to continue planning for 1999 programs. The bridge funding may not be used for new 1999 program "ramp-up" or "roll-out".

FINDINGS

1. In mid- to late November, each of the utilities filed by advice letter proposed 1999 Energy Efficiency Program Plans, Budgets, and Performance Award Mechanisms, as required by the Assigned Commissioner's Rulings in Rulemaking (R.)98-07-037, dated September 23, 1998 and October 1, 1998.
2. Current programs will expire after December 31, 1998.
3. In order to avoid disruption of personnel, programs, and related issues, the utilities request "bridging" funds for 1999 programs until the Commission can address each of the mid- to late November filings fully.
4. An advance of monies for 1999 Energy Efficiency Program and Budget approvals is necessary to avoid disruption of these continuing programs. Each utility's proposed advice letter 1999 Program and Budget is subject to additional Commission approval of their respective advice letters filed in mid- to late November.
5. Timely protests were received from Residential Energy Efficiency Clearing House, Inc. (REECH) and the MarketPlace Coalition, consisting of Residential Service Companies' United Effort (RESCUE), Insulation Contractors Association of California (ICA) and SESCO, Inc. REECH's protest was filed December 8, 1998. The MarketPlace Coalition's protest was filed December 10, 1998.
6. SCE submitted comments to the protests on December 15, 1998.
7. CBEE submitted comments concerning the SCE comments on December 16, 1998.
8. This Resolution is dated before the expiration of the protest period for SCE's advice

letter. However, for the limited circumstances described herein, it is appropriate to grant the requested relief. The merits of any subsequently filed timely protest(s) shall be addressed in our Resolution on the subject of 1999 programs and budget.

9. Southern California Gas Company estimates that the funding necessary for its requested activities will be approximately \$1.9 million for a two month period.

10. San Diego Gas and Electric Company estimates that the funding necessary for these requested activities is \$1.5 to \$2 million for a two month period.

11. Pacific Gas and Electric Company commits not to spend or commit more than \$4 million in January and an additional \$4 million in February, if necessary, for these activities.

12. Southern California Edison estimates that the funding necessary for its requested activities will be approximately \$13 million for a two month period. The CBEE recommends that it be authorized \$8 million.

13. CBEE estimates that \$1.3 to \$1.5 million remains from 1998 utility funds set aside for its operations. Carryover of these funds into the 1999 year should allow the CBEE to continue its board meetings and energy efficiency activities without disruption. The Commission should authorize continued 1999 CBEE operations and expenditures until AL 1-E/1-G can be approved.

THEREFORE, IT IS ORDERED THAT:

1. Southern California Gas Company is authorized to spend up to \$1.9 million of its 1999 Energy Efficiency Program Budget over a two month period, until the Commission can authorize full 1999 program funding under an approval of its AL 2760 proposed budget.

2. San Diego Gas & Electric Company is authorized to spend up to \$2 million of its 1999 Energy Efficiency Program Budget over a two month period, until the Commission can authorize full 1999 program funding under an approval of its AL 1132-E/1124-G proposed budget.

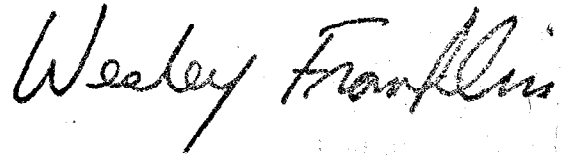
3. Pacific Gas and Electric Company is authorized to spend up to \$8 million of its 1999 Energy Efficiency Program Budget over a two month period, until the Commission can authorize full 1999 program funding under an approval of its AL 1824-E/1132-G proposed budget.

4. Southern California Edison is authorized to spend up to \$8 million of its 1999 Energy Efficiency Program Budget over a two month period, until the Commission can authorize full 1999 program funding under an approval of its AL 1348-E proposed budget.
5. The California Board for Energy Efficiency is authorized to spend up to \$1.5 million from 1998 carryover funds for 1999 operations and expenditures over a two month period, until the Commission can authorize full 1999 program funding under an approval of its AL 1-E/1-G proposed budget.
6. Pacific Gas and Electric Company AL 1821-E/2118-G, San Diego Gas and Electric Company AL 1133-E/1125-G, Southern California Gas Company AL 2766, and Southern California Edison Company AL 1354-E, are approved as modified, effective January 1, 1999.
7. Bridge funding shall be used only to continue 1998 programs at existing levels and to continue planning for 1999 programs. Bridge funding may not be used for new 1999 program "ramp-up" or "roll-out". 1998 program funds shall be fully encumbered, before 1999 program funds may be expended.
8. This Resolution is effective today.

Resolution E-3581
PG&E AL 1821-E/2118-G; SCE AL 1354-E
SoCalGas AL 2766; SDG&E AL 1133-E/1125-G/awp

December 17, 1998

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 December 17, 1998, the following Commissioners voting favorably thereon:



WESLEY M. FRANKLIN
Executive Director

RICHARD A. BILAS
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER