BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of Southern California Gas Company (U-904-G) for Approval of Palm Desert Partnership Program Funding Levels For 2010-2012	Application 10-07-006 (Filed July 2, 2010)

PROTEST OF THE UTILITY REFORM NETWORK TO APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR APPROVAL OF PALM DESERT PARTNERSHIP PROGRAM FUNDING LEVELS FOR 2010-2012

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PROTEST OF THE UTILITY REFORM NETWORK TO APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR APPROVAL OF PALM DESERT PARTNERSHIP PROGRAM FUNDING LEVELS FOR 2010-2012

Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure, The Utility Reform Network (TURN) submits this protest to Southern California Gas Company (SoCalGas)'s application[1] for approval of the Palm Desert Demonstration Partnership (PDDP) for the 2010-2012 energy efficiency program cycle. Rule 2.6 requires that protests be filed within 30 days of the date the notice of the filing of the application first appeared in the Commission's Daily Calendar. Notice of the instant application first appeared on July 7, 2010. TURN's protest is thus timely filed.

I. Introduction

In D.09-09-047, the Commission provided limited funding for the PDDP through June 30, 2010, despite its concerns regarding the lack of innovative measures, the extraordinarily high per capita cost of the program, and the failure to adequately evaluate the pilot program's performance. The continued funding came with a directive that any extension beyond that date would require a separate application. In an April 22, 2010 petition for modification of that earlier decision, Southern California Edison Company (SCE) and Southern California Gas Company (SoCalGas) sought an open-ended extension of the PDDP beyond June 30, 2010, until the Commission issues a decision on a PDDP-specific application that the utilities claimed would be forthcoming.

The Commission extended the PDDP in a more limited fashion than the utilities had sought, and scaled back the authorized funding to 50% of the amount requested ($289,000 per

[1] Because Applications A.10-07-004 and A.10-07-006 contain nearly identical terms in the testimony submitted in support of each application, this protest is closely related to the protest TURN is serving today in A.10-07-004.

month for SCE, and $36,000 per month for SoCalGas). This level of funding was made available to the utilities as long as they filed an application by July 16, 2010.

In its July 2nd Application, SoCalGas seeks to continue funding for the PDDP throughout the program cycle ending in 2012. Although SoCalGas contends that these funds "have already been collected from customers," this Commission needs to recognize that permitting the utilities to spend these authorized funds on PDDP means less funds to be spent on more cost-effective and meritorious residential programs. A shift of $2.1 million from other more effective residential energy efficiency programs is not insignificant in these lean economic times.

The larger issue before the Commission is recognizing that PDDP's past achievements and articulated plans do not warrant continued funding at proposed levels. Ensuring California's judicious investment in *the most* cost-effective and innovative energy efficiency programs is what is at stake here.

II. Grounds for Protest

A. The Commission Must Balance Cost-Effectiveness and the Reasonable Use of Ratepayer Funds with Strategic Plan Objectives and Measurable Results.

Under Public Utilities Code Section 454.5(b)(9)(c), Commission must ensure that utility energy efficiency portfolio programs are cost-effective and represent a reasonable use of ratepayer funds.[2] At the same time, the Commission's decisionmaking process must balance principles of cost-effectiveness with ratepayer benefits. Indeed, as noted in D.09-09-047, "ratepayer or societal benefits" must exceed overall costs. The benefits to ratepayers from energy efficiency programs like Palm Desert were outlined as goals in the Strategic Plan. Moreover, in Decision (D).04-09-060, the Commission emphasized the importance of

[2] In D.09-09-047, "Decision Approving 2010 to 2012 Energy Efficiency Portfolios and Budgets," the Commission recognized that "[o]ur legal duty is to ensure cost-effectiveness and reasonable use of ratepayer monies."

demonstrating *tangible* milestones and metrics: the "achievement of the goals must reflect actual installations of energy efficiency measures, not simply commitments to install them."[3]

In order to demonstrate that continued ratepayer funding is warranted, the merits of the Palm Desert Demonstration Partnership must comply with the specific guidelines outlined in D.09-09-047. Generally, the Commission expects that the budgets it has adopted for utilities' energy efficiency portfolios generate "quality energy efficiency programs, consistent with the Strategic Plan" and EM&V results.[4] When it authorized the IOUs' 2010-2012 energy efficiency program portfolios, the Commission did so with the understanding that the pilot programs would "advance the core objectives of the Strategic Plan and our Zero Net Energy targets through innovative program design and delivery."[5]

B. SoCalGas's Application is Characterized by a Dearth of Unique, Successful Programs Warranting Replication.

In D.09-09-047, the Commission made it clear that future funding requests for the PDDP would depend on whether SoCalGas could point to achievements "that are unique, highly successful and warrant dissemination to other programs."[6] Thus, evaluations that focus on the uniqueness of PDDP's initiatives relative to existing SoCalGas programs deserve careful scrutiny. The Palm Desert Partnership & Demonstration Program Implementation Assessment affirmed that a "core objective" of the PDDP is to determine how well its "unique" aspects can achieve the 30 percent energy use reductions goal, provide cost-effective savings, and stimulate

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[3] D.04-09-060 at 11.

[4] D.09-09-047 at 76. On p. 2, the Commission stated, "The programs and budgets we authorize in this decision will make significant progress toward our Strategic Plan goals and our adopted Big, Bold Energy Efficiency Programmatic Initiatives, including taking the next steps towards achieving zero net energy homes in California as standard practice by 2020 and zero net energy commercial buildings by 2030." Also, at p. 7, the Commission says that it is "committed to ensuring ratepayer funded utility programs align with the Strategic Plan and reflect current conditions and our EM&V results."

[5] D.09-09-047 at 8.

[6] D.09-09-047 at 269.

program participation.[7] Unfortunately, SoCalGas did provide required information for its component of the PDDP to Energy Division in time for the Program Assessment.[8]

The question now before the Commission (and that remains unanswered even after issuance of the Program Assessment) is this: has SoCalGas demonstrated that it has definitively made the most of authorized ratepayer funds by generating unique and successful initiatives since PDDP's beginnings, and if not, should the PDDP be sustained until the end of the program cycle? The Commission's approval and authorization of more than $3 billion for IOUs' energy efficiency portfolio proposals in D.09-09-047 accompanied the expectation that expenditures would align with the Commission's Strategic Plan. To expend additional ratepayer funds on existing or *conventional* program concepts that have not even been fully explicated or evaluated is not a reasonable use of ratepayer monies.

SoCalGas's component of the PDDP has not seen the light of scrutiny at this point, with little or no indication of whether there are any programs are worth replicating at ratepayer cost. Where millions of dollars of ratepayer funds have been committed to a utility's proposals, the authorization of additional monies cannot be done under such murky conditions.

C. PDDP Programs Described by SoCalGas Do Not Impart Tangible Results

1. Ambiguous Role in Assembly Bill 811 and Local Infrastructure Development

SoCalGas's testimony claims that AB 811 resulted from the PDDP's efforts and that it is the PDDP's "most significant accomplishment."[9] However, SoCalGas has not provided any

[7] Palm Desert Partnership & Demonstration Program Implementation Assessment ("Program Assessment"), California Public Utilities Commission, Summit Blue Consulting, June 1, 2010, at 34.
[8] Program Assessment at 21: "Because the complete results for the SoCalGas PDP&D were not provided to ED by the March 2009 deadline established by the Energy Division for IOUs to submit their final 2006-2008 program tracking databases, the SoCalGas component of the pilot program is excluded from this evaluation. Essentially there was nothing presented by SoCalGas to evaluate."
[9] Frank Spasaro Testimony at 15.

specific details on *how* the PDDP contributed to the development of AB 811. SoCalGas's testimony mentions the provision of technical support to "help the City fund loans for energy efficiency equipment," but does not elaborate any further on what other "support" PDDP provides AB 811. SoCalGas's testimony discusses at great length the interest generated by AB 811-type financing , which it credits to Palm Desert's leadership, yet it is unclear what role PDDP plays or has played in Palm Desert's AB 811 loan program. SoCalGas goes further to credit the PDDP with peer-to-peer sharing generated since the City of Palm Desert launched the AB 811 program. However, this again seems to blur the lines between the City's or individual leaders' efforts, and the *unique* programmatic contributions sought by the Commission. Without further specificity, the connection drawn between the PDDP and AB 811 are, at best, tenuous.

SoCalGas also credits the PDDP with the City's creation of its Office of Energy Management (OEM) and expansion of staff. SoCalGas describes this office's functions and its role in developing the Palm Desert Ordinance (Frank Spasaro Testimony, page 8), which has tightened the City's energy efficiency requirements. However, the City's "plans" to "to further strengthen this Ordinance, maintaining its solar ready and solar sales aspects" echoes the same vague language used throughout SoCalGas's application and testimony. Such nebulous statements cannot buttress such a significant outlay of funds.

Furthermore, while national and international attention certainly is important in inspiring communities and utilities to strive for innovative energy efficiency solutions, it does not in itself denote the project's success as a whole.

2. Inconclusive Results: Too Little, Too Late

SoCalGas's testimony offers PDDP's "residential behavioral change program" and "customized incentives and services" as accomplishments. SoCalGas states that the project has developed more than 40[10] new incentives between SCE and SoCalGas, focusing on "air conditioning, pool pumps, pool heaters, furnaces, water heaters, insulation, and other significant energy reduction measures."[11] The "behavioral change program" provides monthly energy usage reports to customers, which would "enable them to identify inefficiencies in their homes."[12] While the disclosure of one's home energy usage is no doubt helpful in facilitating efforts to reduce usage or invest in energy efficiency practices, SoCalGas does not yet provide information on the effectiveness of this particular practice. Further, the practice of displaying monthly consumption or usage is not altogether "unique" in light of other industries' practices (e.g. cell phone bills provide details on usage, timing of usage, etc).

SoCalGas's testimony also discusses its marketing/outreach efforts, describing the PDDP's branding (which includes a new "look and feel" aspect and a website) as "unique".

Clearly, SoCalGas's plans for a "new portfolio of projects" to "enable the program to reach its full capacity and ensure opportunities for replication," as well as plans to tie into SoCalGas's core programs, overshadow the fairly conventional initiatives it has developed and the "supportive" but vague roles it has played in local government energy efficiency measures and AB 811 loan financing.[13] SoCalGas has described numerous opportunities it sees in this next round of programmatic funding; however, for the most part, these proposals seem more like "catch-up" efforts for the PDDP, rather than concrete ideas to improve demonstrably effective energy efficiency innovations.

III. Effect of the Application on Protestant

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[10] SCE's Application noted there are 22 new incentives between SCE and SoCalGas. Application of Southern California Edison Company for Approval of Its Palm Desert Demonstration Partnership for the 2010-2012 Energy Efficiency Program Cycle, at 12.
[11] Frank Spasaro Testimony at 11.
[12] Frank Spasaro Testimony at 1.
[13] Frank Spasaro Testimony at 24.

TURN is a non-profit consumer advocacy organization, and has a long history of representing the interests of residential and small commercial customers of California's utility companies before this Commission. TURN's articles of incorporation specifically authorize our representation of the interests of residential customers. The instant application affects the interests of SoCalGas's residential and small commercial ratepayers, whose interests TURN represents, by seeking authorization to continue the Palm Desert Demonstration Partnership and shift funds from other energy efficiency programs to the Partnership.

IV. No Need for Evidentiary Hearings

In Resolution ALJ 176-3257 (July 8, 2010), the Commission preliminarily determined that this proceeding should be categorized as "ratesetting" and that evidentiary hearings will be necessary. While concurring with the characterization of this proceeding as "ratesetting", TURN does not seek evidentiary hearings. Although SoCalGas is requesting that ratepayer funds be allocated to the PDDP, it has not provided any tangible, concrete results supporting replication or continuation of the Palm Desert program. Not surprisingly, the Energy Division's final evaluation assessment of the partnership could find no basis for determining whether SoCalGas's initiatives were successful or innovative. SoCalGas has not provided sufficient documentation to gauge the Partnership's success or innovativeness because, as it acknowledged, it does not have that level of data for such a showing.[14] Further hearings and testimony will only absorb time and resources in addition to those already committed to this pilot program. We emphasize that SoCalGas has now had three heavily funded years to demonstrate that their pilot project is cost-effective, and they have not shown this in their application or in any previous requests. Thus, there are no disputed issues of material fact requiring resolution.

[14] Frank Sparaso Testimony at 22: "[T]he program reporting captured information on a more macro level than the Evaluators were seeking."

V. Conclusion

The fact that SoCalGas can spend more money in a targeted geographical area than it spends elsewhere in its service territory does not mean the spending is cost-effective. And the fact that targeting a geographical area renders approaches that may be labeled "unique" does not demonstrate that the approaches are unique in a good way or, more importantly, cost-effective. All that SoCalGas's application and testimony firmly establish is that the utility has spent substantial amounts to date on its PDDP efforts, and it seeks to continue to spend more on future PDDP efforts. The utility has failed to provide the type of information necessary to permit the Commission to conduct the type of review called for in past decisions, particularly D.09-09-047.

Both EM&V studies of the PDDP and past Commission decisions have come to the conclusion that PDDP has not been successful in generating certain desired outcomes for energy efficiency. In fact, the Program Assessment was very clear when it observed that the level of funding afforded the PDDP was not met with a comparative level of rigor in the program's design, documentation and demonstration. It further stated, "as [the PDDP] is currently operated it is unlikely that the $48.8 million in requested funding between 2007 and 2012 will be cost effective or yield program design innovations that can be clearly defined, measured, and replicated elsewhere."[15] TURN's examination of SoCalGas's application and testimony lead to a similar conclusion; therefore, we ask that the Commission not authorize SoCalGas's proposed level of funding be shifted towards the PDDP for the 2010-2012 program cycle.

[15] Program Assessment at 3.

Date: August 6, 2010 **Respectfully submitted,**

By: __________/s/______________

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<u>CERTIFICATE OF SERVICE</u>

I, Larry Wong, certify under penalty of perjury under the laws of the State of California that the following is true and correct:

On August 6, 2010, I served the attached:

PROTEST OF THE UTILITY REFORM NETWORK TO APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR APPROVAL OF PALM DESERT PARTNERSHIP PROGRAM FUNDING LEVELS FOR 2010-2012

on all eligible parties on the attached list **A.10-07-006** by sending said document by electronic mail to each of the parties via electronic mail, as reflected on the attached Service List.

Executed this August 6, 2010, at San Francisco, California.

___/S/________
Larry Wong

Service List for A.10-07-006

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