

Decision 08-11-057 November 21, 2008

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Southern California Edison Company's
Application for Approval of Embedded Energy
Efficiency Pilot Programs for 2007-2008.

Application 07-01-024
(Filed January 16, 2007;
reopened February 19, 2008)

And Related Matters.

Application 07-01-026
Application 07-01-029
Application 07-01-030

**DECISION ADDRESSING PETITIONS FOR MODIFICATION OF
DECISION 07-12-050**

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Appendix – Description of Petition’s Operational Energy Efficiency Programs

**DECISION ADDRESSING PETITIONS FOR MODIFICATION OF
DECISION 07-12-050**

1. Summary

This decision denies the Petition of the California Water Association (CWA) for Modification of Decision (D.) 07-12-050 (Petition) on procedural grounds. The Commission on our own motion authorizes the programs contained in the Petition.

D.07-12-050 approved numerous pilot programs, evaluations and studies totaling \$6.37 million for the major gas and electric investor owned utilities. The Petition requests an additional \$1.33 million for pilot operational energy efficiency programs to be undertaken with Commission regulated water utilities.

We find that the programs have merit, are consistent with our energy efficiency objectives, and are worthwhile to help us understand embedded energy in the use of water. We further find that these programs will significantly move us forward in our goal of determining whether less energy intensive water measures should be funded with electric utility energy efficiency dollars.

This decision approves the unopposed Petition of Southern California Edison Company to modify D.07-12-050 to cancel a pilot program, the Lake Arrowhead Water Conservation Project.

2. CWA Petition

2.1. Background

D.07-12-050 approved numerous pilot programs, evaluations and studies within the energy utilities' energy efficiency programs also known as "embedded energy efficiency." D.07-12-050 noted that California must both

conserve water and reduce the amount of energy needed in the use of water. The Commission's Water Action Plan¹ commits this agency to strengthen water conservation programs to a level comparable to the energy efficiency achieved by the energy utilities we regulate. The Water Action Plan specifically calls out for a 10% reduction in energy consumption by water utilities, emphasizes the importance of reducing the amount of energy needed by water utilities for water pumping, purification systems, and other water processes such as desalination, and encourages programs to reduce energy waste by water utilities from causes such as system leaks, poorly maintained equipment, defective meters, unused machines left idling, and improperly operated systems.

In D.07-12-050, we set forth a three-prong energy efficiency strategy that we wanted to achieve: (1) conserve water, (2) use less energy-intensive water, and (3) make delivery and treatment systems more efficient. This strategy was developed by the parties through workshops and comments filed. Of the 12 programs adopted by the decision, ten fell under the first strategic goal of water conservation, two programs fell under the second strategic goal and no programs were proposed for the third strategic goal.

In D.07-12-050, we approved one-year pilot programs for Southern California Edison Company (SCE) and Pacific Gas and Electric Company (PG&E) through which they will develop partnerships with public water agencies, undertake specific water conservation programs, and measure the results. The decision approved approximately \$6.4 million in programs with

¹ ftp://ftp.cpuc.ca.gov/PUC/hottopics/3water/water_action_plan_final_12_27_05.pdf

municipal water agencies in California.² While the pilot programs in total represent only two-thirds of the targeted budget, the decision found that the merits of the activities themselves outweigh this target. We anticipated that the results of this pilot process would inform later decisions about the incorporation of water conservation efforts in the energy efficiency programs for 2009-2011 and beyond.

In comments on the proposed decision leading up to D.07-12-050, CWA - representing a group of regulated water utilities - had sought to have energy utilities pursue energy efficiency opportunities with the regulated water companies, not just municipal water agencies. However, the decision found that the Commission did not have enough information to consider such programs. Instead, the Commission directed the energy utilities to contact Class A and B regulated water companies that are their customers and meet with each company, as required, to determine the potential for improving the efficiency of energy use for treatment and delivery of water by that utility. The Commission also directed the energy utilities to "establish a plan and schedule for pursuing those energy efficiency opportunities that can be accomplished within the bounds of existing energy efficiency programs" and to "identify opportunities for efficiency improvements that each water utility can pursue on its own, and those which may require a new or augmented energy utility program offering." The energy utilities were to accomplish these tasks within 90 days, or by approximately March 20, 2008.

² In directing the utilities to file proposals for pilot programs, the Assigned Commissioner suggested that they aim for developing a statewide budget of approximately \$10 million.

In an April 30, 2008 filing styled as a "Request," CWA confirmed that PG&E and SCE each filed reports with the Commission on March 19, 2008, describing their respective meetings with one or more of CWA's water utility members as directed by D.07-12-050. In its Request, CWA sought approval of a number of operational energy efficiency programs between six water companies and either PG&E or SCE.

Administrative Law Judge (ALJ) Gamson issued a Ruling on June 27, 2008 finding that CWA, its water utility members, and the affected energy utilities had followed the Commission's guidance, and finding value to the public in considering the programs which CWA proposed (while not forming any judgment as to the merits of the programs themselves). While rejecting CWA's Request as procedurally improper, the Ruling allowed CWA to re-file its request as a Petition for Modification of D.07-12-050 in order to consider the substance of the matter.

2.2. Positions of Parties

On July 9, 2008, CWA filed a Petition for Modification of D.07-12-050 on behalf of six Commission-regulated water utilities.³ CWA proposes operational energy efficiency programs to demonstrate potential improvements in wire-to-water operational efficiency when the appropriate combination of induction motors, pumps, variable frequency drives and Supervisory Control and Data

³ The water utilities are Alco Water Systems, San Jose Water Company, California Water Service, Golden State Water Company, Del Oro Water and East Pasadena Water Company. San Jose Water Company, Alco Water Service and Del Oro Water Company are in PG&E service territory, East Pasadena Water Company is in SCE service territory, and Golden State Water Company and California Water Service are in both PG&E and SCE service territory.

Acquisition (SCADA) systems are operated at their optimal efficiency levels. The overall goal is to achieve and document at least a 10% differential optimal energy efficiency, in line with the goal set forth in the Water Action Plan.

CWA states that the water utilities strongly believe that the programs they propose will help the energy utilities achieve their energy efficiency goals and mandates. If program goals are met and results are deemed promising, CWA says the results can be applied to other pumping facilities in order to achieve comparable and more comprehensive results.

CWA requests initial funding for the programs of \$1.33 million, spread among the six water utilities. The energy utilities would provide the initial capital for the programs. CWA claims such an arrangement is justified because these test programs may demonstrate energy savings that will, when the program ultimately is expanded, benefit all of the energy utilities' ratepayers throughout California. Further, CWA asserts that the water utilities do not have the funding mechanisms available to the energy utilities for such programs because the only funding mechanisms available to the water utilities are the once-in-three-years general rate cases.

PG&E and SCE, filing jointly (Joint Utilities), believe the CWA Petition should be denied because:

- CWA's proposed projects are not designed to conserve energy through conserving water, but to conserve energy regardless of water usage. This result can in large part be accomplished through existing energy efficiency programs;
- CWA's proposals would unjustifiably impose all costs on energy customers;
- CWA's proposals lack credible estimates of energy savings and cost effectiveness, as required by D.07-12-050; and
- The Petition does not comply with the requirements of Rule 16.4.

On the other hand, Joint Utilities comment that, should the Commission decide to grant the Petition, the proposal should be modified so that energy utilities receive credit for any energy efficiency that results from the proposed projects, and CWA should demonstrate that its projects will result in meaningful energy savings, subject to Commission evaluation, measurement and verification. Further, the Joint Utilities would limit the number of projects, reduce their costs, and have the Commission identify a funding source for any approved projects.

The Commission's Division of Ratepayer Advocates (DRA) and The Utility Reform Network (TURN), filing jointly (DRA/TURN), advocate that the Commission should deny the CWA Petition. DRA/TURN contend that CWA fails to explain why the proposed projects should be funded by energy ratepayers as part of the pilot programs adopted in D.07-12-050. Further, DRA/TURN believe CWA's proposal does not provide accountability for energy ratepayer's dollars, because the water utilities have already been funded through their general rate cases to make the capital improvements they now request energy ratepayers subsidize.

2.3. Discussion

CWA filed a Petition for Modification of D.07-12-050 on behalf of six Commission-regulated water utilities – three of its larger Class A water utility members and three of its Class B utility members. CWA proposes eight operational energy efficiency programs to demonstrate potential improvements in wire-to-water operational efficiency when the appropriate combination of induction motors, pumps, variable frequency drives and Supervisory Control and Data Acquisition (SCADA) systems are operated at their optimal efficiency

levels. Five programs are in the PG&E service territory and three programs in the SCE service territory.

In compliance with D.07-12-050, the energy utilities met with representatives of certain regulated water companies and filed reports on their discussions. CWA reports that these parties have continued to meet to discuss the programs proposed in the Petition. We find that our directive to the energy utilities to meet with certain regulated water utilities has been fulfilled. We appreciate the efforts of CWA, its member companies, and the energy utilities to engage in discussions and to pursue possible energy efficiency programs together.

By bringing forth its Petition for Commission consideration, the Commission is afforded an opportunity to evaluate the merits of the operational energy efficiency programs and determine whether they advance the strategic goals we set forth in D.07-12-050.

CWA's Petition contains detailed descriptions for all eight proposed programs including (1) location by well or booster pump description, (2) costs broken down in detail, (3) in-service target dates, (4) estimated energy savings in kWh per year, and (5) operating efficiency targets. The total costs of these programs is \$1.33 million as shown in the following table:

Water Utility	Initial capital cost - Well Pump	Initial capital cost - Booster Pump
Alco Water Service (Salinas District) / PG&E	\$194,000	\$53,000
Del Oro Water (PG&E)	N/A	\$100,000
California Water Service (PG&E)	\$110,000	\$95,000
Golden State Water Company (PG&E)	N/A	\$100,000
San Jose Water Company (PG&E)	\$95,000	\$100,000
California Water Service (SCE)	\$110,000	N/A
Golden State Water Company (SCE)	\$100,000	\$60,000
East Pasadena Water Company (SCE)	\$139,500	\$75,000
TOTAL	\$748,500	\$583,000

These eight operational energy efficiency programs are designed to demonstrate potential improvements in wire-to-water operational efficiency. They include assembling the appropriate combination of induction motors, pumps, variable frequency drives and SCADA systems such that optimal efficiency levels are reached. All the programs include the installation of variable frequency drives (VFD) at the well and/or booster pump locations. VFDs allow the adjustment of the motor speed of the pump so that the pump can run at its optimum efficiency point while meeting the water system's pumping needs. In addition, existing pump motors are replaced with new higher efficiency motors. As necessary, SCADA system upgrades are made to monitor

energy usage and pump efficiency to enable the utility to operate the pump most efficiently. Estimated in service dates for the programs are mid-year 2009 or sooner. An estimate of the potential energy savings is provided based on projected efficiency improvements.

In each case, the existing pump will be replaced and the SCADA system enhanced. Since this existing equipment will not have reached the end of its useful life, it will be retired prematurely and will be taken out of ratebase. As such, the utility will be no longer be able to earn a return on this retired equipment. Therefore, for each program, CWA requests that the electric IOU provide full funding for the program. The Petition outlines a four Phase process where at each phase the efficiency will be measured as different equipment is added to the well/booster stations.

CWA states that it believes the programs described in the Petition will help the energy utilities achieve their energy efficiency goals and mandates. CWA explains that the test programs proposed may demonstrate energy savings that will, when the program is ultimately expanded, benefit all of the energy utility's ratepayers.

Attached to this order is an Appendix containing more information on each program.

2.3.1. Compliance with Rule 16.4(b)

Joint Utilities point out that the Petition does not comply with Rule 16.4(b) which requires that a Petition for Modification must propose specific wording to carry out all requested modifications to the decision.

Rule 16.4(b) states in full "A petition for modification of a commission decision must concisely state the justification for the requested relief and must propose specific wording to carry out all requested modifications to the decision.

Any factual allegations must be supported with specific citations to the record in the proceeding or to matters that may be officially noticed. Allegations of new or changed facts must be supported by an appropriate declaration or affidavit.”

The Joint Utilities are correct: CWA has provided no such wording in its Petition.

On April 30, 2008, CWA filed a “Request for approval of CPUC-regulated water utilities operational energy efficiency programs” in this docket. ALJ Ruling (dated June 27, 2008) found that “there is no provision in the Commission’s Rules of Practice and Procedure for such a request. However, it is reasonable to allow consideration of the issues raised by CWA in this filing.” While rejecting CWA’s Request as procedurally improper, the Ruling allowed CWA to re-file its request as a Petition for Modification of D.07-12-050 in order to consider the substance of the matter.

In its Petition, CWA does not propose specific wording to include the operational energy efficiency programs as part of D.07-12-050. Instead, it presents in detail each program and its expected energy savings. Procedurally, CWA’s Petition is not in conformance with Rule 16.4(b). We therefore must deny the Petition. However, our denial of the Petition, does not preclude us from evaluating the proposed pilot programs contained therein and modifying the original decision on our own accord.

2.3.2. Pilot Program Evaluation

In D.07-12-050 we set forth a three-prong energy efficiency strategy that we wanted to achieve; (1) conserve water, (2) use less energy-intensive water, and (3) make delivery and treatment systems more efficient. This strategy was developed by the parties through workshops and comments. However, the decision further stated, “We note, with some disappointment, that none of the

energy utilities proposed programs involving the third strategic category: improving the efficiency of water delivery and treatment systems. While activities in this category do not rely on an embedded energy rationale, they are an important factor in determining the amount of energy related to water use. We expect the utilities to design programs to address this issue as part of their planning for 2009-1011.” (Page 33, footnote 13.) The decision goes on to state that “When the pilots are completed, we want to be in a position to determine whether water conservation and less energy intensive water measures should be funded with utility energy efficiency dollars.”

D.07-12-050 approved programs for the largest regulated energy utilities through which they will develop partnerships with public water agencies, undertake specific water conservation programs, and measure the results. The proposed programs largely included water conservation measures such as toilet replacements, targeted audits and surveys for select industries, and evaluation of new technologies for saving water. Of the 12 programs adopted by the decision, ten fell under the first strategic goal of water conservation, two programs fell under the second strategic goal and no programs were proposed for the third strategic goal.

Nine Criteria: D.07-12-050 set forth nine criteria for considering the merits of approving pilot programs, and applied these criteria in making that assessment:

1. Reduce energy consumption related to water use in a manner that should prove to be cost-effective for all of the customers of the sponsoring energy utilities;
2. Create a methodology for calculating cost-effectiveness and evaluating water-derived energy efficiency programs;

3. Determine if, in fact, it is cost-effective to save energy through programs that focus on cold water;
4. Better understand how energy is used in the California water system;
5. Test a diverse set of water energy programs and measures, with particular emphasis on new technologies and low-income customers;
6. Better understand what programs and measures are likely to save water and energy;
7. Provide the basis for meaningful ex-post project assessment;
8. Stimulate new partnerships; and
9. Better understand the potential benefits of pursuing each of the strategies identified in the October 16, 2006 ruling in A.07-01-024 et al.:
 - a. Conserving water;
 - b. Switching to less energy-intensive water sources; and
 - c. Increasing the energy efficiency of current water delivery.

D.07-12-050 found that the proposed pilot program portfolios “would not produce cost-effective savings.” The decision went on to evaluate the proposed programs against each criterion and generally found that the proposed programs were not diverse enough and would not completely meet the objectives defined in all of the nine criteria. That said, the decision approved most of the proposed pilot programs to help the Commission determine “whether water conservation and less energy intensive water measures should be funded with utility energy efficiency dollars.”

In evaluating the operational energy efficiency pilot programs as put forth in CWA’s Petition against these nine criteria, we find that these pilot programs generally meet and help advance the nine criteria we set forth. These pilots help (1) diversify the program, (2) stimulate new partnerships, and (3) help us

understand how energy is used in water delivery. In cases, where these programs fall short of meeting the criteria such as cost effectiveness, they are comparable to the pilot programs already approved by D.07-12-050. As such, we find that the Petition's pilot programs are worthwhile pursuing.

Cost Effectiveness: The CWA Petition does not contain cost-effectiveness calculations. To test the cost effectiveness of a sample operational energy efficiency program, we can apply our calculator using some reasonable assumptions. For example, CWA proposes a program for Del Oro Water Company with an estimated savings of 45,000 kilowatt-hours/year, and an estimated program cost of \$100,000. Using the Commission's water embedded energy calculator, the program shows a cost-effectiveness (using the Total Resource Cost (TRC) test) of about 0.58, below the 1.0 level minimum level for cost-effectiveness. This number is based on assumption of no customer capital contribution, a net-to-gross ratio of 1.0, an expected useful life of 20 years, and the pump running during PG&E peak hours.

But TRC test value of less than one does not preclude a program from being considered. With the exception of the SoCalGas portion of the Lake Arrowhead/SCE water conservation partnership (a program that this order authorizes the utilities to drop), no other proposed program has a TRC above 1.0. In fact, as shown in Table 2 of D.07-12-050, PG&E's total program has a TRC of .28, whereas SCE's total program has a TRC of just .10. But D.07-12-050 waived the cost-effectiveness hurdle and approved these programs anyway. Had the programs proposed by CWA been included in these calculations for PG&E and SCE, they most likely would have increased the total program TRC.

Hence, we are not swayed by the Joint Utilities' contention that we must reject the Petition because it lacks "credible estimates of energy savings and cost

effectiveness ...” Nothing precludes the Commission or CWA from using the calculator now to determine the cost effectiveness of each program as we have done in the above example. DRA/TURN argue that the water utilities should conduct a cost-benefit analysis at the conclusion of any approved programs to determine the impact of water ratepayers.

We recently issued D.08-09-040, our California Energy Efficiency Strategic Plan (Strategic Plan). This forward-looking document provides a vision for energy efficiency programs through 2020 and beyond, anticipating long-term value for programs which may not immediately be cost-effective. The decision anticipates that certain Strategic Plan programs would be considered and implemented in our current energy efficiency proceeding for 2009-2011. Therefore, there is certainly value in considering certain CWA-proposed energy efficiency programs. Our policy is that not every energy efficiency program must be cost-effective, but that the energy efficiency portfolio for each energy utility must be cost-effective. This leaves room for programs which are not cost-effective, but which have other value.

Energy Savings: CWA claims the proposed programs in the Petition will demonstrate potential improvements in “wire-to-water operational efficiency” when certain mechanical and computer systems are operated at their optimal efficiency levels. For each program, CWA estimates potential energy savings in kWhs per annum. The Petition describes four phases for the proposed programs and proposes to measure the energy savings achieved. CWA states that if program goals are met and the results are deemed promising, the same procedure can be applied elsewhere to achieve comparable and more comprehensive results. While CWA’s estimates of energy savings lack

supporting calculations, we can certainly require that energy savings be documented and reported back to us.

Water Savings: With regard to the issue of water savings, both DRA/TURN and Joint Utilities point out that the Petition contains no discussion of water savings and therefore is not in conformance with D.07-12-050. While the majority of pilot programs approved by D.07-12-050 focus on water conservation measures, no programs were proposed to improve the efficiency of water delivery – one of three strategic objectives contained in the proceeding. Just because no energy savings programs were brought forth for consideration, does not mean that A.07-01-024 et al.’s sole focus was on water conservation measures alone.

There is value in seeking to improve operational efficiency for water utilities in order to reduce energy usage, just as there is for any other energy user. The whole basis for our energy efficiency initiatives over many years has been to reduce energy usage through cost-effective energy efficiency measures so as to avoid more costly and environmentally-problematic supply-side investments. The operational energy efficiency measures proposed by the Petition are consistent with our energy efficiency policies, and with D.07-12-050.

Funding: CWA requests initial funding for the programs of \$1.33 million, spread among the six water utilities. The energy utilities would provide the initial capital for the programs. CWA claims such an arrangement is justified because these test programs may demonstrate energy savings that will, when the program ultimately is expanded, benefit all of the energy utilities’ ratepayers throughout California. Further, CWA asserts that the water utilities do not have the funding mechanisms available to the energy utilities for such programs

because the only funding mechanisms available to the water utilities are the once-in-three-years general rate cases.

In each program's case, the existing pump (well or booster) will be replaced and the SCADA system enhanced. Since this existing equipment will not have reached the end of its useful life, it will be retired prematurely and will be taken out of ratebase. As such, the utility be no longer be able to earn a return on this plant. Therefore, for each program, CWA requests that the electric IOU provide full funding for the program.

The direct benefits, in the form of lower energy costs, of the programs would accrue to the water companies and to their ratepayers. Ratebase will decrease because of plant retirements – further accruing benefits to ratepayers but representing a loss of revenue for the water companies. As new equipment funded by this program would not be eligible to earn a return, water companies would in fact contribute to the program through lost revenues. If the water utilities achieve the stated goal in the Petition of 10% energy savings, energy utilities would gain an indirect benefit from a decreased demand for electricity.

The pilot programs adopted by D.07-12-050 were generally focused on water conservation measures the electric utilities could undertake with water agencies. Evaluations would then be performed by the electric utilities to evaluate program results. While the adopted pilot programs typically have a joint-funding component, this is not so in every case. For example, in the “Emerging Technologies to Improve Water System Efficiency,” we directed PG&E to spend \$341,000 to support three water agencies to include water flow and energy monitoring for their SCADA systems. We further allocate to PG&E \$100,000 evaluate this program. In comments PG&E states, “other than water

utility labor, no funding is required from the water utilities to participate in the ET Program.”

The Joint Utilities argue that existing energy efficiency programs require a benefit for energy customers, so CWA’s proposal cannot be solely funded by energy customers. This is a red herring. The intent of the pilot programs was to determine whether water conservation and less energy intensive water measures *should* be funded with utility energy efficiency dollars. There was no requirement to demonstrate benefit for energy customers. If there had been, most, if not all, of the pilot programs adopted by D.07-12-050 would not have qualified. And for this very reason, we allocate Evaluation dollars to measure the results of the pilot programs.

In directing the utilities to file proposals for pilot programs, the Assigned Commissioner suggested that they aim for a total budget of about \$10 million. D.07-12-050 ultimately approved a total budget of \$6.37 million. While both TURN and DRA expressed support for increasing program expenditures, the decision placed more weight on the merits of the proposals than the target budget. The proposed programs contained in CWA’s Petition, ask for a total \$1.33 million. Adding this amount to what we previously authorized results in a total of \$7.70 million – well below the original statewide target budget. We reject the notion that adding the Petition’s proposals to our existing program is excessive, or that the pilot programs are over funded. On the contrary, the pilot programs proposed by CWA fill a critical void in the third strategic category; improving the efficiency of water delivery and treatment systems.

Evaluation: In its Petition, CWA did not request any funding for Evaluations. For the other programs we have approved, we allocate Evaluation dollars so that we can measure the efficacy of the adopted programs and we

require the Energy Division to administer the evaluations. In this case, CWA states that once the well/booster pumps are replaced and a SCADA system upgrade is in place, real time energy efficiency can be measured. As outlined in its Phase IV step, CWA intends to “continuously document the differential energy efficiency achieved by operating the system at optimal efficiency and to submit the documentation on a monthly basis to the Commission and the energy IOUs.” Hence, as program evaluation will occur on a real time basis, no evaluation dollars are requested. In comments, DRA/TURN state that any energy ratepayer funds that subsidize water company capital improvements should be managed by the affected energy utilities, while evaluation, measurement and verification of any pilot program be managed by the Commission’s Energy Division.

We will direct the Commission’s Division of Water and Audits (DWA) to develop an Evaluation program to collect efficiency data for these pilot programs. DWA will then be required to report back the results to the Commission.

2.3.3. Summary

In D.07-12-050, we set forth a three-prong energy efficiency strategy that we wanted to achieve: (1) conserve water, (2) use less energy-intensive water, and (3) make delivery and treatment systems more efficient. Of the 12 programs adopted by the decision, ten fell under the first strategic goal of water conservation, two programs fell under the second strategic goal and no programs were proposed for the third strategic goal. The decision expressed its disappointment that the energy utilities did not propose any programs for the third strategy. The overall goal of the proceeding as expressed in the decision was “we want to be in a position to determine whether water conservation and

less energy intensive water measures should be funded with utility energy efficiency dollars.”

The pilot programs proposed by CWA fill a critical void in the third strategic category; improving the efficiency of water delivery and treatment systems. When the pilots are completed, we will be able to evaluate whether less energy intensive water measures are worthy of energy efficiency dollars.

In comments, the Joint Utilities state that the alternate decision does not specifically address their proposed modifications to CWA’s proposals. Since we find the programs put forth by CWA are worthwhile, we approve them without modification. The issue of whether the Joint Utilities are entitled to receive credit for any resulting energy savings was previously addressed in D.07-12-050. The Division of Water and Audits is directed to collect energy efficiency and cost effectiveness data for CWA’s programs.

Although on procedural grounds we must deny CWA’s Petition, we have determined that the programs advanced by CWA have merit, are consistent with our energy efficiency objectives, and are worthwhile to help us understand embedded energy in the use of water. These pilot programs move us significantly forward in our goal of determining whether less energy intensive water measures should be funded with electric utility energy efficiency dollars. We therefore approve them by modifying D.07-12-050 accordingly.

3. SCE/SoCal Gas Petition

On September 5, 2008, SCE and Southern California Gas Company (SoCalGas) filed a Petition for Modification of D.07-12-050. The SCE/SoCalGas Petition proposes to cancel the Lake Arrowhead Water Conservation Partnership (LAWCP) portion of the approved Water-Energy Pilot Program (Pilot). SCE/SoCalGas contend the LAWCP is no longer viable because the water

partner for this program, the Lake Arrowhead Community Services District (LACSD), no longer supports the program due to staff resource and time constraints. LACSD also recently adopted an ordinance which significantly affects the program by limiting irrigation to three days a week, thus negatively impacting the technology being tested in the Pilot. In addition, the Petition claims that alternatives have been investigated but no viable alternative exists. No responses were filed to this Petition.

It is unfortunate that this program cannot go forward. D.07-12-050 found that “relying on the Energy Division’s embedded energy and water calculator, only one program has a preliminary Total Resource Cost of 1 or above (the standard minimum threshold for finding that a proposed energy efficiency measure is cost beneficial). This is the SoCalGas portion of the Lake Arrowhead/SCE water conservation partnership. The SCE-funded electric aspect of this program has a cost-effectiveness value of 0.19” However, we agree that the circumstances do not allow it to continue.

We previously adopted \$176,500 for the SCE portion and \$150,000 for the SoCalGas portion of this program. We also included \$91,000 total for evaluations. SCE requests that its portion be added to its Water Leak Detection program. SCE/SoCalGas’ proposed changes to D.07-12-050 are reasonable. We will modify D.07-12-050 using SCE/SoCalGas’ proposed changes.

4. Comments on Alternate Proposed Decision

The proposed alternate decision of Commissioner Bohn was mailed to the parties in accordance with Pub. Util. Code § 311(g)(1) and Rule 77.6 of the Rules of Practice and Procedure.

Comments were filed on November 11, 2008, by CWA, DRA/TURN, and the Joint Utilities. Reply comments were received from DRA/TURN. To the

extent changes were necessary as a result of the filed comments; they were made in the body of the order.

5. Assignment of Proceeding

This proceeding was categorized as ratesetting. The assigned Commissioner is Dian M. Grueneich and the assigned ALJ is David M. Gamson.

Findings of Fact

1. The Commission's directive in D.07-12-050 to the energy utilities to meet with certain regulated water utilities and file a report has been fulfilled.
2. On April 30, 2008 CWA filed a "Request" seeking approval of an operational energy efficiency program.
3. On June 27, 2008, ALJ Gamson rejected CWA's "Request" as procedurally improper and instead directed CWA to file a Petition for Modification of D.07-12-050.
4. Rule 16.4(b) requires that a Petition for Modification must propose specific wording to carry out all requested modifications to the decision.
5. The CWA Petition does not propose specific wording to include each of the operational energy efficiency programs as part of D.07-12-050.
6. D.07-12-050 set forth a three-prong energy efficiency strategy; (1) conserve water, (2) use less energy-intensive water and (3) make delivery and treatment systems more efficient.
7. None of the programs approved by D.07-12-050 involve the third strategic category of making delivery and treatment systems more efficient.
8. The Petition's programs fit into the third strategic category.
9. D.07-12-050 found that the adopted programs would not produce cost-effective savings.

10. D.07-12-050 waived the cost effectiveness hurdle for the adopted programs.
11. The CWA Petition provides estimated energy savings for each of the proposed programs, but no cost-effectiveness information.
12. The Petition's programs generally meet the nine criteria set forth for evaluating the merits of the pilot programs.
13. A.07-01-024 et al. was focused on more than just water conservation measures.
14. CWA's Petition is solely focused on water pump programs to improve operational efficiency of water utilities.
15. CWA's goal is to demonstrate 10% energy savings in accordance with the Water Action Plan.
16. Not every program adopted by D.07-12-050 had a joint funding component.
17. CWA's proposed programs request full electric IOU funding.
18. Plant retirements due to the programs contained in the Petition will reduce revenues to water companies.
19. New equipment funded by the electric utilities would not be eligible to earn a return for the water utilities.
20. CWA's Petition does not request any funding for evaluations.
21. The Commission on its own accord may evaluate the Petition's programs and modify the original decision accordingly.
22. The Petition's pilot programs have merit and are consistent with our energy efficiency objectives.

23. The Petition's pilot programs move us significantly forward in our goal of determining whether less energy intensive water measures should be funded with electric utility energy efficiency dollars.

24. The Commission's Water Action Plan emphasizes the importance of reducing the amount of energy needed by water utilities for various purposes, as well as reducing energy waste.

25. The energy efficiency goals of the Water Action Plan and the Strategic Plan are consistent.

26. The LAWCP is no longer viable because (a) the water partner for this program can no longer support the program, (b) LACSD recently adopted an ordinance which significantly affects the program, and (c) no viable alternative exists.

27. SCE/SoCalGas proposed specific modifications to D.07-12-050.

Conclusions of Law

1. The Petition does not meet the requirements of Rule 16.4(b) and should be denied.

2. The Petition's programs have merit and are consistent with (a) the criteria established by D.07-12-050 and (b) the strategic goals of A.07-01-024 et al.

3. The Commission finds the Petition's programs reasonable and in the public interest.

4. Pursuant to Pub. Code 1708, the Commission should approve the Petition's programs.

5. The Lake Arrowhead Water Conservation Partnership should be cancelled.

6. SCE/SoCalGas' proposed modifications to D.07-12-050 are reasonable.

O R D E R

IT IS ORDERED that:

1. The July 9, 2008 Petition for Modification of Decision (D.) 07-12-050 filed by the California Water Association (CWA) is denied.

2. On its own motion the Commission amends D.07-12-050 to include the programs contained in Petition for Modification. D.07-12-050 is modified as follows:

1. Modify the text in Table (sic) 1, 6 and 7 on page 5, 85 and 101 respectively in the following manner:

Add: Under the SCE category, 2nd column "Operational Energy Efficiency - California Water Service" and 3rd column "\$110,000"

Add: Under the SCE category, 2nd column "Operational Energy Efficiency - Golden State Water Company" and 3rd column "\$160,000"

Add: Under the SCE category, 2nd column "Operational Energy Efficiency - East Pasadena Water Company" and 3rd column "\$214,500"

Add: Under the PG&E category, 2nd column "Operational Energy Efficiency - Alco Water Service" and 3rd column "\$247,000"

Add: Under the PG&E category, 2nd column "Operational Energy Efficiency - Del Oro Water Company" and 3rd column "\$100,000"

Add: Under the PG&E category, 2nd column "Operational Energy Efficiency - California Water Service" and 3rd column "\$205,000"

Add: Under the PG&E category, 2nd column "Operational Energy Efficiency - Golden State Water Company" and 3rd column "\$100,000"

Add: Under the PG&E category, 2nd column "Operational Energy Efficiency - San Jose Water Company" and 3rd column "\$195,000"

2. **Add:** Appendix C describing the Petition's operational energy efficiency programs.
3. **Modify** Ordering Paragraph 2 by including the following sentence at the end of the paragraph: "The Division of Water and Audits, the energy utilities and the California Water Association and its utility members shall work together to implement one-year pilot operational energy efficiency programs commencing March 1, 2009 or sooner, as described in Appendix C."
4. **Modify** Ordering Paragraph 6 by including the following sentence at the end of the paragraph: "We direct the Division of Water and Audits to develop an Evaluation Program to collect both efficiency and cost-effectiveness data for these pilot programs. DWA shall report back the results to the Commission by April 1, 2010."

3. The September 5, 2008 Petition for Modification of D.07-12-050 filed by Southern California Edison Company and Southern California Gas Company is approved. D.07-12-050 is modified as follows:

1. Modify section 6.9.1.2. on page 67 as follows:

"6.9.1.2 Lake Arrowhead Water Conservation – SCE proposes working with Lake Arrowhead to deliver indoor water-conserving devices to year-round residents and outdoor retrofits to the largest residential water consumers.

Delete the following language: ~~SCE considers Lake Arrowhead to be one of the highest water embedded energy districts in its service area, so this program has the highest likelihood of being cost effective. This program has the added advantage of having the utility collaborate directly with a retail water provider in a physically constrained area. We approve this program along with a rigorous impact analysis of its effect."~~

Add the following language: *The Commission is canceling this pilot program because of changes in the law, resource constraints of the water partner, and time constraints imposed by the pilot."*

2. Modify section 6.9.2.3. on page 70 as follows:

~~“Lake Arrowhead/SCE/SoCal Gas Water Conservation – SoCalGas proposes an Indoor/Outdoor Retrofit Program for residential homes in Lake Arrowhead, California with SCE and Lake Arrowhead.~~

~~**Delete the following language:** In the proposed decision, the assigned ALJ found that SoCalGas’ involvement in this program would be duplicative of SCE’s Lake Arrowhead water conservation program, and that it would be unlikely to provide us with further useful information. On this basis, he recommended not approving it. In comments on the proposed decision, SoCalGas, SCE, DRA, and TURN strongly disagreed, arguing that SoCalGas’ involvement is consistent with SCE’s and certainly complementary, but that it is in no way duplicative. Since the approved evaluation process will include measurement of gas savings resulting from this program, we can see merit to allowing the gas utility to participate. Thus, we approve this portion of SoCalGas’ proposed program.”~~

~~**Add the following language:** “The Commission is canceling this pilot because of changes in law ,resource constraints of the water partner, and time constraints imposed by the pilot.”~~

3. Modify the text of section 6.9.2.1. Evaluations on page 73 of D.07-12-050 by deleting the paragraph entitled “Residential Indoor/Outdoor for Lake Arrowhead” in its entirety:

~~“Residential Indoor/Outdoor for Lake Arrowhead (SCE). This evaluation study would use billing data to determine if the residential retrofits in this area do result in water savings. For reasons stated earlier, we approve this study.”~~

4. Modify the text of the Findings of Fact section on page 92 of D.07-12-050 by deleting paragraph 20 in its entirety:

~~“20. SCE considers Lake Arrowhead to be one of the highest water embedded energy districts in its service area, so its program has the highest likelihood of being cost effective.”~~

5. **Modify the text of the Findings of Fact section on page 92 of D.07-12-050 by deleting paragraph 24 in its entirety:**

~~“24. Since SoCalGas’ Lake Arrowhead water conservation proposal complements the SCE Lake Arrowhead water conservation program, it is (sic) reasonable to approve it.”~~

6. **Modify the text of the Findings of Fact section on pages 92, 93, and 94 of D.07-12-050 by consecutively renumbering all numbered paragraphs after paragraph 19.**

7. **Modify the text in Table (sic) 1, 6 and 7 on page 5, 85 and 101 respectively in the following manner:**

Delete: ~~Lake Arrowhead Water Conservation \$176,500~~ on line 3;

Change: the “CPUC Adopted \$” for SCE’s “Water Leakage” program from ~~\$300,000~~ to ~~\$476,500~~ on line 4;

Delete: ~~LASCD/SCE/SoCalGas Water Water (sic) Conservation \$150,000~~ on line 12;

Change: the total “CPUC Adopted \$” from ~~\$3,632,907~~ to ~~\$4,814,407~~ on line 13;

Delete: ~~Residential Indoor/Outdoor for Lake Arrowhead (SCE and SCG) \$91,000~~ on lines 24 and 25;

Change: the total “CPUC Adopted \$” from ~~\$967,000~~ to ~~\$876,000~~ on line 29;

Change: the “total evaluation and studies (EM&V)” from ~~\$2,737,300~~ to ~~\$2,646,300~~ on line 36; and

Change: the “Total Pilot (Pilot + Evals + Studies)” from ~~\$6,370,207~~ to ~~\$7,551,707~~.

8. **Modify the text in Table 8 under Ordering Paragraph 5 on Page 103 in the following manner:**

Change: SCG “Program Funding” from ~~\$586,407~~ to ~~\$436,407~~;

Change: SCE “Program Funding” from ~~\$809,500~~ to ~~\$1,294,000~~;

Change: PG&E “Program Funding” from ~~\$1,241,000~~ to ~~\$2,088,000~~;

Change: total “All IOUs” “Program Funding” from ~~\$3,632,907~~ to ~~\$4,814,407~~;

Change: total “All IOUs” “% of Evaluations and Studies” from ~~\$2,737,300~~ to \$2,646,300 and adjust the IOUs contributions accordingly; and

Change: “Total IOU \$” for “All IOUs” from ~~\$6,370,207~~ to \$7,551,707 and adjust the IOUs contributions accordingly.

4. Application (A.) 07-01-024, A.07-01-026, A.07-01-029, A.07-01-030, are closed.

This order is effective today.

Dated November 21, 2008, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners