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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)

Application of Pacific Gas and Electric  
Company Seeking Approval of Water-  
Embedded Energy Savings Pilot Program  
(U 39 M).

Application 07-01-026  
(Filed January 16, 2007)

San Diego Gas & Electric Company  
(U-902-E) for Approval of Energy & Water  
Efficiency Partnership and Budget for Years  
2007 Through 2008.

Application 07-01-029  
(Filed January 16, 2007)

Southern California Gas Company  
(U-904-G) for Approval of Energy & Water  
Efficiency Partnership and Budget for Years  
2007 Through 2008.

Application 07-01-030  
(Filed January 16, 2007)

**THE DIVISION OF RATEPAYER ADVOCATES' REPLY COMMENTS ON  
OPINION APPROVING PILOT WATER CONSERVATION PROGRAMS WITHIN  
THE ENERGY UTILITIES ENERGY EFFICIENCY PROGRAMS**

**I. INTRODUCTION**

The Division of Ratepayer Advocates (DRA) submits these reply comments on the Proposed "Opinion Approving Pilot Water Conservation Programs within the Energy Efficiency Programs" (PD), pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure. DRA supports the PD and believes that the Commission staff's revisions to the proposed pilot applications of Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE) and Southern California Gas Company (SoCalGas)<sup>1</sup> streamline the pilot process. The revised pilot programs will pursue the data and analysis needed to determine whether water conservation programs cost-effectively save energy and are therefore able to compete for funding in Utility energy efficiency portfolios. With the exception of the points described below in response to issues raised in the opening comments of the Utilities, the Natural Resources Defense

<sup>1</sup> DRA's Reply Comments refer to PG&E, SDG&E, SCE and SoCalGas collectively as "Utilities."

Council (NRDC), The Reform Network (TURN) and the California Water Association (CWA), DRA respectfully requests that the Commission adopt the PD as written.

## II. DISCUSSION

### A. **DRA supports an implementation timeline that allows ED to set baselines that capture all needed data.**

PG&E and SCE request flexibility in the timeline for implementing the pilot programs.<sup>2</sup> DRA supports flexibility in order to encourage maximum participation, as long as the pilot programs roll-out on a schedule that allows all necessary baseline data to be collected in advance of program implementation, since such data collection is essential to the success of the pilot program. Energy Division in its oversight and implementation of collecting such evaluation data is in the best position to understand the needs of the pilot. DRA therefore advocates leaving discretion with the Energy Division to determine a pilot schedule that best meet both the objectives of collecting foundational data and a timely pilot completion date.

### B. **EM&V plan process**

The PD revised some of the EM&V studies proposed by the utilities, and directed Energy Division staff to undertake two new foundational studies investigating energy embedded in water, in order to determine “whether future embedded energy in water programs should be added to the energy efficiency portfolio.”<sup>3</sup> The Utilities’ opening comments criticize the evaluation, measurement and verification (EM&V) process described in the PD as potentially not cost-effective, not citing a literature review, and not having been subject to public comments.<sup>4</sup>

NRDC recommends the development of a stakeholder advisory group for the studies that Energy Division staff will undertake pursuant to this PD.<sup>5</sup>

DRA agrees that the plan for EM&V studies could benefit from additional input, but it is unnecessary to dictate the parameters as requested by the Utilities and NRDC. Obtaining comments on the EM&V plan does not require a workshop. Allowing informal questions and written comments to the Energy Division should serve the same purpose as long as interested parties have the opportunity to review the EM&V plans, ask clarifying questions, and comment on the EM&V plan. If Energy Division staff determines that a workshop would be the most productive means of obtaining input, then the ALJ or Assigned Commissioner could issue a ruling once the need for a workshop becomes clear.

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<sup>2</sup> PG&E Opening comments, pp. 2-3; SCE Opening comments p. 6.

<sup>3</sup> PD, p. 80.

<sup>4</sup> PG&E Opening Comments pp. 5-6; SCE Opening Comments, p. SDG&E Opening Comments pp. 5-7. SoCalGas Opening Comments, pp. 8-10.

<sup>5</sup> NRDC Opening Comments, pp. 4-8.

Nor is the creation of a formal advisory group necessary. The Commission recognized in D.05-01-055 that obtaining outside expertise on EM&V issues would sometimes prove useful to the Energy Division, but that a flexible, ad hoc approach was more appropriate than “the formal standing measurement advisory groups proposed by various parties.”<sup>6</sup> Using an informal, ad hoc approach is more efficient than setting up an advisory group, and avoids potential legal issues inherent with the Commission’s creation of an advisory group, including compliance with the Bagley-Keene act.<sup>7</sup>

### **C. The role of SoCalGas in the Lake Arrowhead pilot program**

DRA supports TURN’s concerns regarding the PD’s denial of SoCalGas’ proposal to partner with SCE on the Lake Arrowhead pilot.<sup>8</sup> As TURN explains, DRA and TURN worked with SoCalGas to find programs that would measure gas savings through water conservation so that it could appropriately participate in the pilot program. DRA and TURN believe that water imported to the Lake Arrowhead Community Service District is lifted by natural gas-powered pumps. DRA therefore believes it makes sense for SCE and SoCalGas to collaborate in targetting their respective customers in Lake Arrowhead. In DRA’s experience it has been beneficial to the success of gas energy efficiency (EE) programs for SoCalGas and SCE to collaborate in the complementary services they provide to customers in their overlapping territories. If the Commission finds, however, that it is more cost-effective for the purposes of this pilot to measure the energy savings to natural gas pumps solely through implementation by SCE, then DRA would request that the Commission ensure that SCE has sufficient budget to implement the program if SoCalGas budget dollars are removed.

### **D. Process Evaluation**

The PD would allow Utilities to spend up to 2% of funds allocated to a pilot program on process studies in order to evaluate programs the manner in which programs are implemented.<sup>9</sup> PG&E requests that it be allowed to spend 2% of the total pilot budget on process studies, allocated to various programs at the discretion of PG&E, with a corresponding decrease in the amount allocated to impact study.<sup>10</sup> DRA opposes the blanket relief requested by PG&E, but recommends instead that the Commission authorize the Utilities to request additional money for process studies in the event that for

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<sup>6</sup> D.05-01-055, p. 109.

<sup>7</sup> See Government Code Section 11211(c).

<sup>8</sup> TURN Opening Comments, p. 3.

<sup>9</sup> PD, p. 74.

<sup>10</sup> PG&E Opening Comments, p. 4.

a particular program, 2% of the program budget is inadequate to assess “whether a larger program, operated differently, could be more cost- effective.”<sup>11</sup>

**E. The California Water Association (CWA) comments do not address the Commission’s objective of developing a pilot that utilizes water conservation to save energy that for the benefit of energy investor-owned ratepayers.**

CWA proposes that the Commission direct the Utilities to partner with private water companies to implement a variety of energy efficiency programs for inclusion in the water conservation pilot program. CWA, however, appears to misunderstand the purpose of the water conservation pilot programs within the energy efficiency proceeding. The entire purpose of the pilot program is ascertain whether water conservation programs, which are currently not allowed in the EE portfolios,<sup>12</sup> can be used to save Utilities’ energy within the respective service territory. The answer to that question will determine whether water conservation programs will be allowed to compete head-to-head with more traditional EE programs.<sup>13</sup> The list of sample programs CWA describes in its opening comments are direct energy saving programs can already be included in EE portfolios and therefore do not need to be a part of this pilot program designed to evaluate water conservation.

Moreover, unlike the currently proposed pilot programs in the PD, which are equally funded by the water partners, CWA does not appear to propose matching funding by the private water companies. If there is no “matching funds” provision, then the CWA proposal would underwrite the costs of energy efficiency programs to defray operating costs for the water utilities, but would not benefit to the energy ratepayers who would pay for those costs.

DRA commends CWA’s recognition of the need to address energy efficiency in the water industry and the efforts by the private water companies to identify the myriad of energy efficiency opportunities. Throughout this phase of the energy efficiency proceeding to explore the relationship of conserving water to energy efficiency, DRA has encouraged private water companies to engage in the proceeding as well as for the energy Utilities to explore opportunities that would prove beneficial to their energy ratepayers.

The original pilot programs were submitted by the energy Utilities nearly a year ago in January 2007 with very similar proposals. Since CWA did not raise its current concerns at that time or in subsequent comments or public hearings, the Commission was not able to assist the private water

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<sup>11</sup> PG&E Opening Comments, p. 4; SCE requests that the Commission “clarify” that the budget for process studies is “2% of the total pilot budget (programs and CPUC-managed EM&V) not just 2% of the program budget.” SCE Opening Comments, p. 5

<sup>12</sup> This is in contrast to direct energy savings energy efficiency programs in which water companies can already participate.

<sup>13</sup> February 16, 2007 Assigned Commissioner Ruling in this proceeding.

companies in shaping proposals that more appropriately fit into the pilot. Ultimately, DRA believes that the Commission should consider in a separate and more appropriate forum CWA issues related to potential improvements in the energy efficiency practices of private water companies, given that

- the pilot was to have originally commenced in July 2007;
- it would take months to even explore any kind of relevant water conservation partnership with the energy Utilities;
- the energy efficiency programs that CWA describes can already be implemented in the EE portfolios; and
- the PD already approves a well-constructed pilot program that serves to sufficiently address the Commission's needs to evaluate how water conservation impacts energy savings around the state.

While important, CWA's belated proposal does not fit with the goals and aims of the energy efficiency water conservation pilot and so should not be included in that pilot. DRA encourages the energy Utilities and private water companies to begin discussing how cost-effective energy efficiency programs that target appropriate water companies in their service territories might be implemented in the 2009-11 energy efficiency portfolios, if not sooner.

### III. CONCLUSION

As noted in opening comments, discussions were held with stakeholders on June 27, 2007, as an effort to find a common ground of agreement for the design of water conservation pilot programs.<sup>14</sup> DRA believes that these discussions were beneficial in improving and streamlining pilot proposals that would deliver a wide range of non-duplicating data. DRA applauds the efforts that the Commission has undertaken in the PD to further refine the pilot proposals in order to obtain the best possible data for evaluating whether water conservation can be utilized to save energy. In this regard, DRA agrees with TURN's assessment that the PD provides a solution for rectifying the shortcomings of the Utilities' pilot proposals.<sup>15</sup> Accordingly, DRA respectfully requests that the Commission adopt the PD with the minor revisions as described above.

Respectfully submitted,

/s/ DIANA L. LEE

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December 10, 2007

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<sup>14</sup> SCE Opening Comments, p. 2.

<sup>15</sup> TURN opening comments, p. 3.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of “**THE DIVISION OF RATEPAYER ADVOCATES’ REPLY COMMENTS ON OPINION APPROVING PILOT WATER CONSERVATION PROGRAMS WITHIN THE ENERGY UTILITIES ENERGY EFFICIENCY PROGRAMS**” in **A.07-01-024 et al.** by using the following service:

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Executed on December 10, 2007 at San Francisco, California.

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/s/ Nelly Sarmiento  
Nelly Sarmiento

**N O T I C E**

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