ATTACHMENT A

20. Commitment of Funds for Long-Term Projects and Fund Shifting

20.1. Introduction

Each IOU has requested flexibility in making funding commitment for long-term projects and shifting authorized LIEE and CARE funds with limited Commission supervision. In addition, the dual-commodity IOUs (PG&E and SDG&E) have requested permission to shift funds between their LIEE electric and gas programs, which historically has required the filing of an Advice Letter.[1] We have addressed similar budget flexibility requests many times over the past decade,[2] and decide the issue consistently with prior decisions to allow partial but not full flexibility. We do not expand the IOUs' ability to shift funds.

In summary, we decide the following:

COMMITMENT OF FUTURE FUNDING FOR LONG TERM PROJECTS: For those long-term projects that require funding beyond the current budget program cycle and that will not yield savings in the current cycle, if applicable, the IOUs may anticipatorily commit funds for such projects for expenditure during the next program cycle, under strict limitations as follows:

(1) The IOUs shall seek authorization for such long-term projects and current and future cycle funding commitment by itemization of each long-term project in the utility portfolio plan, including an estimate of the total costs broken down by year and an estimate of associated energy savings, if any;

---

[1] We approve the IOUs' requests for budget allocations across their electric and gas programs of 62/38 electric/gas for PG&E (LIEE) and 80/20 (CARE) and 50/50 for SDG&E.

[2] *See, e.g.,* Resolution E-3586 (1999), D.01-05-033, D.02-12-019, D.05-04-052, D.05-12-026 D.06-12-038 and D.07-12-051.

(2) The IOUs shall seek authorization and commitment of all funding for long-term projects in the current program cycle and actually encumber such funds in the current program cycle;

(3) All contracts with any and all types of implementing agencies and businesses must explicitly allow completion of long-term project related work beyond the current budget program cycle;

(4) The amount of next cycle funds encumbered for long-term projects may not exceed 20% of the current program cycle budget;

(5) The IOUs shall separately track and report all long-term projects and obligations, including all information regarding funds encumbered and estimated date of project completion until such project is completed; and

(6) Energy savings for projects with long lead times shall be calculated by defining the baseline as the codes and standards applicable at the time the building permit for the project is issued.

LIEE FUND SHIFTING AND LIMITATIONS: IOUs are permitted to shift funds under the following conditions in the LIEE program.

(1) Within 2009-2011 Budget Cycle: Except for the shifting of funds described in subsection (3) below, IOUs are permitted to shift funds from one year to another within the 2009-11 cycle without prior approval.

(2) Fund Shifting Between 2009-2011 Budget Cycle and Future Budget Cycle:

i. "Carry back" Funding: Except for the shifting of funds described in subsection b(3) below, IOUs are permitted to shift and borrow from the next budget cycle, without prior approval of such fund shifting, if (a) the next cycle budget portfolio has been approved by the Commission; and (b) such fund shifting is necessary to avoid interruptions of those programs continuing into the next cycle and for start-up costs of new programs; and

ii. "Carry forward" Funding: IOUs are permitted to carry over all remaining, unspent funds from program year to program year or budget cycle to budget cycle and shall include all anticipated carry over funds in the upcoming budget applications.

(3) Administrative Law Judge's Prior Approval: For any shifting of funds, within or out of cycle, except for "carry forward" funding considered by the Commission through budget applications, the Administrative Law Judge's prior written approval is required if any of the following applies:

i. Shifting of funds into or out of different program categories including, but not limited to: (a) administrative overhead costs, (b) regulatory compliance costs, (c) measurement and evaluation, and (d) the costs of pilots and studies;

ii. Shifting of funds into or out of Education subcategory;

iii. Shifting of funds between gas/electric programs; and/or

iv. Shifting of funds totaling 15% or more of the total current annual LIEE program budget.

(4) The IOUs shall secure prior written approval of the fund shift from the Administrative Law Judge when required by subsection (3) above, by filing a motion pursuant to Article 11 of the Commission's Rules of Practice and Procedure. Upon showing of good cause, the Administrative Law Judge may issue a ruling approving the requested fund shift. IOUs, in the motion, must show good cause by setting forth the following:

i. The reason(s) why such fund shifting is necessary;

ii. The reason(s) why such motion could not have been brought sooner; and

iii. Justification supporting why the proposed shifting of funds would promote efficient, cost effective and effective implementation of the ~~CARE or~~ LIEE program.

(5) IOUs shall track and maintain a clear and concise record of all fund shifting transactions and submit a well-documented record of such transactions in their monthly and annual reports relevant to the period in which they took place.

CARE FUND SHIFTING AND LIMITATIONS: The IOUs are permitted to shift CARE funds in the same manner as they did in the 2006-08 budget cycle, but shall report all such shifting.

The Commission may also consider and allow the fund shifting requests concerning unspent funds from prior budget cycle, if the IOUs include in them in their budget applications. SoCalGas proposes to partially fund the 2009 budget requirements of $53.599 million by using $13.0 million in unspent LIEE program funds from previous years. For ratemaking purposes, SoCalGas is only seeking recovery of the net amount of $40.599 million. We grant this request.

20.2. Parties' Positions

In general, all IOUs:

- Request authorization to carry forward and carry back funding into 2009, 2010, and 2011; dual-fuel utilities look to transfer funds between gas and electric program departments, and.
- Request authority to shift funds among program categories.

20.3. Discussion

Each IOU has requested flexibility in making funding commitment for long-term projects and shifting authorized LIEE and CARE funds with limited Commission supervision. IOUs seek such tools to enhance the planning process, minimize program interruptions and further fluid continuity in various programs. The Commission and the utilities recognize that in both general energy efficiency proceeding (D.07-10-051) and in LIEE proceeding (D.07-10-032), such tools may be useful to "avoid program interruptions that might result from budgeting conventions."[3]

20.3.1. Definitions

We adopt the following definitions to make our decision clear:

1. **Program –** organizational name given to LIEE and CARE.

2. **Program Categories** – organizational name given to budget elements that represent major activities for which funds are to be used. For example:

    - LIEE Program Categories: Energy Efficiency, Training Center, Inspections, Marketing, etc.

    - CARE Program Categories: Subsidies and Benefits, Pilots, M&E, General Administration, etc.

3. **Subcategories** – organizational name given to further detailed budget levels falling within a Program Category. For the current budget applications, only Energy Efficiency is split out into subcategories, which includes items like Gas and Electric Appliances, Weatherization Measures, Pilots, etc.

4. **Program Department** – Specifically relevant to dual-fueled utilities PG&E and SDG&E (SCE and SoCalGas have only one fuel, and therefore one Program Department), electric and gas make up two program departments that fall under one LIEE Budget. The program departments split the authorized LIEE Budget based on a preauthorized or newly requested ratio submitted by the utilities and based on projected need.

[3] D.07-12-051 at 51.

The LIEE table template below, from Attachment A-1 to the IOUs' applications, illustrates the distinction between these terms.

	Authorized PY 2008	Planned			3-Year Request PY 2009 - 2011
		PY 2009	PY 2010	PY 2011	
LIEE Program:	**-- Program --**				
Energy Efficiency	**-- Category --**				
- Gas Appliances	**-- Subcategories --**				
- Electric Appliances					
- Weatherization					
- Outreach & Assessment					
- In Home Education					
- Education Workshops					
- Pilot					
Training Center	**-- Categories --**				
Inspections					
Marketing					
M&E Studies					
Regulatory Compliance					
General Administration					
CPUC Energy Division					

20.3.2. Funding Commitment for Long-term Projects

IOUs correctly point out that it would, in certain instances, be prudent for the IOUs to have the ability to commit funds in the current cycle for certain longer-term energy efficiency investments that will be carried out in next budget cycle. We agree and adopt the below funding commitment rule adopted in D.07-10-032, general energy efficiency proceeding, and D.07-12-051, LIEE proceeding, as follows:

> …we will allow the utilities to commit funds from the next program cycle to fund programs that will not yield savings in the current cycle. Long-term funding commitments will be subject to the following conditions:

- Long-term projects that require funding beyond the three-year program cycle shall be specifically identified in the utility portfolio plans and shall include an estimate of the total costs broken down by year and associated energy savings[,if any];
- Funds for long-term projects must be actually encumbered in the current program cycle;
- Contracts with all types of implementing agencies and businesses must explicitly allow completion of work beyond the end of a program cycle;
- Encumbered funds may not exceed 20% of the value of the current program cycle budget to come from the subsequent program cycle, except by approval in an advice letter process;
- Long-term obligations must be reported and tracked separately and include information regarding funds encumbered and estimated date of project completion; and
- Energy savings for projects with long lead times shall be calculated by defining the baseline as the applicable codes and standards at the time of the issuance of the building permit.

We adopt the above rule for the LIEE programs and direct the utilities to include a proposal in their 2009-2011 portfolio plans for encumbering funds from the next program cycle for long-term projects, subject to the conditions above.[4]

20.3.3. Fund Shifting

Each IOU asks for a varying types and degree of fund shifting authority. We see value in some limited fund shifting authority which could allow the IOUs

[4] D.07-10-032, p. 97.

to administer the programs more efficiently, effectively and with minimal interruption and continuity in various programs. We therefore adopt the following fund shifting guidelines which is generally consistent with those authorized in the broader Energy Efficiency program in D.07-10-032.

"Carry-Forward" or "Carry-Over" Funding

"Carry forward" funding involves the ability of IOUs to carry over remaining funds from program year to program year, within a budget cycle and effectively from budget cycle to budget cycle. Most recently, D.06-12-038, echoing previous Commission decisions,[5] allowed the utilities to carry over funding from year to year (and effectively cycle to cycle), with some limitations.[6]

Likewise, for 2009-11, the policy allowing IOUs to carry funds from year to year and between budget cycles within the same program department budget (gas to gas, electric to electric) should continue, with certain limitations. In so doing, the IOUs should properly document these amounts, including interests, and report them in their annual reports and future budget applications.

"Carry forward" funding also entails the transfer of surplus funds in one program department (electric) over to balance the budget of another program department (gas), and vice versa. We disallow such transfers without prior written authorization from the Commission or Administrative Law Judge.

PG&E and SDG&E provide both electric and gas services to their customers, and devise a percentage split of their LIEE funding to go into separate gas and electric department funds. They occasionally adjust these percentage

---

[5] D.05-04-052.

[6] D.06-12-038, OP 15.

splits based on forecasted need.[7] Because the allocations are based on forecasts, over- and under-spending of funds can occur on both the gas and electric side. When this occurs, previous decisions have required the utilities to file Advice Letters before initiating any sort of transfer between the program departments,[8] which PG&E did most recently in a 2007 filing for 2006, the process of which is detailed in a Commission audit issued in February 2008.[9]

We believe that these duel-fuel utilities should secure prior Commission or Administrative Law Judge's approval for any shifting of funds to or from gas and electric programs. We have disallowed cross-subsidization of gas and electric programs because their funding comes from separate ratepayer populations. In addition, PG&E, in its response to the aforementioned audit, agreed that as a "process improvement" it would set up triggers within its process and control system that monitor for pending over-expenditures in either category to allow them to initiate any fund shifting request in a timeframe that allows continuity in LIEE program delivery.[10] This improvement, if properly implemented, should minimize the effects of the gas/electric shifting issue. We will require both PG&E and SDG&E to follow this process.

In formulating a course of action for this process, PG&E and SDG&E should keep in mind the period we are talking about falls at the end of the

---

7 For example, D.05-04-052, p. 26.

8 D.05-12-026, p. 21; D.01-05-033, p. 10.

9 California Public Utilities Commission – Division of Water and Audits, *Regulatory Compliance and Financial Audit of the California Alternative Rates for Energy Program Administrative Costs and the Low Income Energy Efficiency Program of Pacific Gas and Electric Company (PG&E) (U-93-E),* February 29, 2008, pp. 28-31.

10 *Id.* p. 29 & Appendix B.

calendar year in November and December. This means that near the end of September of each year, the utilities should have a good idea of whether they have spent close to 75% of their authorized budget in each program department for the current program year. If there is potential for a serious shortfall in either category, no more than 5% over budget, a timely and forthcoming request for written approval of fund shifting should be filed at the beginning of October or as soon as such shortfall becomes foreseeable.

The Commission understands that full accounting of year-end activities could still be inaccurate given that LIEE activities can slow down, stop, or speed up around the end/beginning of each calendar year, and full costs of a project may not be realized until months after December of the previous year. PG&E and SDG&E should, if necessary, file fund shifting requests by April 1 of each year to account for any balancing that must be done between the two program departments. Through the foregoing process, once in the fall and once in the spring, the utilities should be able to maintain successful continuity in program delivery.

"Carry-Back" Funding

"Carry-back" funding involves borrowing of funds from next budget year or next budget cycle. We allowed "carry back" funding (spending of next year funds in current year or next cycle funds in the current budget cycle) in D.07-12-051 and allow it under the similar conditions here. "Carry-back" fund shifting will be permitted (to spend next-cycle funds in the current budget cycle), once the next-cycle portfolio has been approved to avoid interruptions of those programs continuing into the next cycle and for start-up costs of new programs.

We authorize the utilities to borrow funding without Commission approval up to 15% of the current program cycle budget. Beyond that amount, the utilities are required to seek approval by securing prior written approval of the Administrative Law Judge. The utilities should tap into the next-cycle funds only when no other energy efficiency funds (*i.e.*, unspent, uncommitted funds from previous program year or years or budget cycle) are available to devote to this purpose. This requirement is consistent with the Commission's treatment in D.05-09-043 of "carry-back" funding.

Shifting Funds Among Program Categories

We established LIEE fund shifting rules among program categories in D.06-12-038:

> The utilities may shift funds between LIEE programs so as to promote the efficient and effective implementation of the LIEE program but may not shift additional funds to administrative overhead costs, regulatory costs or the costs of studies as set forth herein.[11]

[11] D.06-12-038, OP 17.

This policy should continue through the 2009-11 budget cycle. To ameliorate any confusion going forward, the Commission interprets "[t]he utilities may shift funds between LIEE programs" to mean LIEE program categories, as defined at the beginning of this discussion; it should not be interpreted to mean shifting funds between program departments (electric and gas) or between LIEE and other low income programs like CARE.

We will require the IOUs to secure a prior written approval of the Administrative Law Judge to transfer funds into or among the General Administration, Regulatory Compliance, and Measurement and Evaluation[12] as these are program categories requiring higher level of oversight.

The utilities may shift funds within each category, or between subcategories, as defined above, with the additional exception of moving funds into or out of the Education subcategory of the Energy Efficiency program category. Any shifting of funds into this subcategory requires that the IOUs first secure the prior written approval of the Administrative Law Judge.

All shifting of funds are subject to reporting and other condition set forth in this decision. The Commission expects these transactions to remain well-documented and reported on in monthly reports relevant to the period in which they took place.

---

[12] *See* D.06-12-038, Sect. II. H and OP 6.

20.3.4. Fund Shifting for the CARE Program

The IOUs also request maximum flexibility in shifting funds between CARE program categories during the 2009-11 budget cycle.[13] D.06-12-038 allowed for this flexibility,[14] and we continue it here. All fund shifting, regardless of whether the Commission reviews it or not, must be well documented and reported in IOUs' monthly and annual reports as well as in future budget applications.

[13] We use the same definitions of terms Program, Program Category, and Program Subcategory in this discussion as we do for the LIEE program.

[14] D.06-12-038, OP 16.

Document comparison by Workshare Professional on Tuesday, October 12, 2010 8:32:29 AM

Input:	
Document 1 ID	PowerDocs://CPUC01/433059/1
Description	CPUC01-#433059-v1-A0805022_et_al.__Kim_Attachment_A
Document 2 ID	PowerDocs://CPUC01/434972/1
Description	CPUC01-#434972-v1-A0805022_et_al._Kim_Attachment_A_Revision_1
Rendering set	standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	6
Deletions	4
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	10