

Decision **PROPOSED DECISION OF ALJ KIM** (Mailed 9/29/2009)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of the 2009-2011 Low Income Energy Efficiency and California Alternate Rates for Energy Programs and Budget (U39M).

Application 08-05-022
(Filed May 15, 2008)

And Related Matters.

Application 08-05-024
Application 08-05-025
Application 08-05-026

**DECISION CORRECTING ERRORS IN
ATTACHMENT OF DECISION 08-11-031**

1. Summary

This decision corrects four erroneous entries on Attachment F of Decision (D.) 08-11-031, in the Southern California Edison Company (SCE) Cost-Effectiveness Table (Attachment F). Attachment F incorrectly shows the replacement central air conditioner measure¹ in four particular instances as passing the cost-effectiveness tests in climate zone 13 when, in fact, the measure failed the tests. These errors are misleading because these erroneous reportings suggest that the measure is approved in the Low-Income Energy Efficiency

¹ The corrections in this decision do not relate to or affect the room air conditioner replacement or central air conditioner service measures for those household types which passed the cost-effectiveness tests and are presently permitted in SCE's climate zone 13 as separate and approved cost-effective LIEE measures.

(LIEE) program as cost-effective LIEE measure in those instances when, in fact, the measure is not approved because the measure failed the tests. Therefore, we correct Attachment F to reflect the correct cost-effectiveness analysis results, and we further take this opportunity to clarify the Commission's cost-effectiveness analysis in D.08-11-031 and to provide additional guidance to the parties on the subject.

2. Background

Pursuant to the directives set forth in D.08-11-031,² the four large investor-owned utilities (IOUs) have revised and updated the 2006 Statewide Low-Income Energy Efficiency Policy and Procedures Manual (2006 P&P Manual) to reflect the Commission's LIEE policies and procedures consistent with the Commission's more recent LIEE decisions and directives therein, including D.08-11-031 and D.09-06-026. On May 5, 2009, the IOUs filed their proposed revisions to the 2006 P&P Manual reflecting some of the IOUs' updates. The Commission's Energy Division (Energy Division) has since reviewed and revised that document further and produced what, in this proceeding, has been commonly referred to as the Draft Manual.

On June 2, 2009, the Administrative Law Judge (ALJ) issued a ruling circulating the Draft Manual to parties and solicited comments thereto. Parties thereafter filed comments to the Draft Manual. In reviewing those comments, it has come to our attention that Attachment F to D.08-11-031 contains four errors which should be corrected promptly.

² Ordering Paragraph (OP) 97 of D.08-11-031 directed the IOUs to prepare an updated P&P Manual.

3. Discussion

3.1. Correction to Attachment to D.08-11-031

The errors that appear on Attachment F concern the replacement central air conditioner measure in climate zone 13 and involve only single family homes serviced electrically for 2011 and mobile homes serviced electrically for 2009-2011. Attachment F incorrectly shows, in those particular instances, that the replacement central air conditioner measure passed the cost-effectiveness tests when, in fact, it failed.

In D.08-11-031, the Commission adopted a methodology “for determining whether specific measures are cost-effective (taking into account the housing type as well as climate zone) and set forth an approach to screening all measures going forward” as follows:

1. Measures that have both a Modified Participant Cost (PCm) and a Utility Cost Test (UCT) benefit-cost ratio greater than or equal to 0.25 (taking into consideration the housing type and climate zone for that measure) for a utility shall be included in the utility’s LIEE program. This rule applies for both existing and new measures.
2. Existing measures that have either a PCm or a UCT benefit-cost ratio less than 0.25 shall be retained in the program.
3. Existing and new measures with both PCm and UCT test results less than 0.25 for a utility may be included in that utility’s LIEE program for all climate zones if they consist of furnace repair and replacement or water heater repair and replacement. Air conditioning and evaporative cooling measures may be included in the LIEE program in hot climates (in accordance with the measure guidelines of the 2007-08 LIEE program, which disallowed cooling measures in temperate climate zones), subject to new reporting requirements. Heating and water heating measures in

landlord-owned property may not be installed with LIEE funds, as landlords' legal habitability obligations require them to pay for such amenities.

Applying the three above rules, the Energy Division calculated the benefit-cost ratios and then prepared the cost-effectiveness tables (reflecting the results of the cost-effectiveness analysis) for each of the LIEE measures proposed by the four IOUs for the Commission's use in D.08-11-031. Those tables, including an SCE Cost-effectiveness Table, were then adopted by the Commission as part of D.08-11-031, as Attachment F thereto. Attachment F shows the results of the Commission's cost-effectiveness analysis following the above methodology and indicates (1) which measures, (2) in which types of household, and (3) in which climate zones were approved in the LIEE program as cost-effective measures. However, in four instances identified below, the entries incorrectly reflect the results of the cost-effectiveness analysis outlined in Section 4.2.2 of D.08-11-031. The attached Revised Attachment F reflects the following corrections to Attachment F to D.08-11-031:

- The replacement central air conditioner measure for electrically serviced mobile homes in climate zone 13 should read "Fail" for years 2009, 2010, and 2011, not "Pass" as it reads in Attachment F; and
- The replacement central air conditioner measure for electrically serviced single family homes in climate zone 13 should read "Fail" for year 2011, not "Pass" as it reads in Attachment F.

All four corrections involve the same measure, the replacement central air conditioner measure in climate zone 13, though in two different household types. For each household type and year listed above, the measure passes the UCT test

for the year at issue, but fails the PCm test (below 0.25). As such, the measure uniformly fails the first rule in all four instances, as the Commission discussed in Section 4.2.2 of D.08-11-031, *see* above. Additionally, for each household type and year, the measure also fails the second rule outlined in Section 4.2.2 of D.08-11-031, because, as discussed below, the measure is not an existing measure the Commission previously authorized. Lastly, the measure does not pass the third rule because there is nothing in the record to show that this measure was permitted as an exceptional added back measure “subject to new reporting requirements.”

Therefore, Attachment F is corrected as discussed herein. The relevant excerpts of the Revised Attachment F reflecting the four corrections are shown below:

			Utility Cost Test			Modified Participant Test			Total Resource Cost Test			PASS/FAIL		
Type	Measure	Climate zone	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Mobile Home, Electric	Central Air Conditioner Replacement	Climate zone 13	0.28	0.29	0.30	0.17	0.19	0.21	0.23	0.23	0.23	Fail	Fail	Fail

Type	Measure	Climate zone	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Single Family, Electric	Central Air Conditioner Replacement	Climate zone 13	0.24	0.25	0.25	0.12	0.13	0.15	0.20	0.20	0.21	Fail	Fail	Fail

3.2. CLARIFYING GUIDANCE ON COST-EFFECTIVENESS TESTS AND REPLACEMENT CENTRAL AIR CONDITIONER MEASURE IN SCE’S CLIMATE ZONE 13

In addition to the confusion stemming from the four errors corrected by this decision, the record in this proceeding also shows a broader confusion

related to the replacement central air conditioner measure in SCE's climate zone 13. We therefore take this opportunity to clarify the Commission's cost-effectiveness analysis pursuant to D.08-11-031 relating to that measure and to provide further guidance.

The Association of California Community and Energy Services (ACCES), The Community Action Agency of San Mateo County, Inc., The East Los Angeles Community Union and the Maravilla Foundation (Maravilla) (collectively ACCES et al.) filed a joint comment to the Draft Manual (ACCES Comment) which suggests that the replacement central air conditioner measure, in all household types, either has been or should have been approved for SCE's climate zone 13, as an approved LIEE measure under D.08-11-031. Subsequent comment by Division of Ratepayer Advocates (DRA) (DRA Comment) agrees with that position.

In sum, the ACCES Comment and DRA Comment (Comments) argue that the replacement central air conditioner measure was an existing measure approved prior to D.08-11-031 and therefore passes the cost-effectiveness tests under the second rule outlined in D.08-11-031, as a non-cost-effective measure which otherwise had been previously approved. ACCES et al. claim that SCE offered this measure in the climate zone 13 in 2007 and 2008, implying that it must have done so because the Commission had approved the replacement central air conditioner measure for climate zone 13 of its territory in the Commission's decision adopting 2007-2008 LIEE program funding.

DRA states that SCE requested in its application (A.) 06-07-001 to undertake a variety of different activities, including installation of certain replacement central air conditioners in climate zone 13. DRA argues that the Commission, in D.06-12-038, authorized SCE to install replacement central air

conditioners in climate zone 13 by its approval of SCE's budgets for 2007-2008 as proposed. DRA further suggests that the Commission, in D.08-11-031, continued that supposed prior authorization for SCE to continue to install replacement central air conditioners in climate zone 13, because the replacement central air conditioner measure would have been considered an existing measure previously approved by D.06-12-038 and therefore would have passed the D.08-11-031 cost-effectiveness tests under the second rule as a non-cost-effective measure which otherwise had been previously approved.

As discussed below, we do not agree with the foregoing reasoning and interpretation that the Commission, in D.06-12-038, authorized SCE to install replacement central air conditioners in climate zone 13. Likewise, we also do not agree with the interpretation that the Commission, in D.08-11-031, continued that supposed prior authorization for SCE to continue to install replacement central air conditioners in climate zone 13. The Commission decisions do not reflect any such approval for 2007 or 2008 in climate zone 13, as discussed below.

SCE's application for 2007-2008 did request that the Commission approve the replacement central air conditioner measure as well as many other measures for low-income customers residing in climate zone 13 and other climate zones. Thereafter, in D.06-12-038, the Commission approved SCE's overall LIEE budget for 2007-2008 while ordering that the budget be expended consistent with the findings of fact and conclusions of law in that decision. The findings of facts and conclusions of law in D.06-12-038 are general, and the decision does not explicitly list any individual approved measures for any of the climate zones. However, D.06-12-038 did explicitly reaffirm the cost-effectiveness principles adopted and outlined in D.05-12-026, which continue to this day in D.08-11-031.

The question therefore remains, did the Commission approve the replacement central air conditioner measure for the low-income customers residing in climate zone 13 in D.06-12-038 by approving the general budget? The answer is “no.” To interpret and understand D.06-12-038, we must examine it within the context of the related preceding and other decisions, particularly D.05-12-026 and D.08-11-031.

In D.05-12-026, Section III-C-1, the Commission deliberated the issue of whether to approve the replacement central air conditioner measure as a cost-effective LIEE measure. Ultimately, the Commission reviewed and adopted a detailed recommendation of the Commission’s Standardization Team³ which found that the replacement central air conditioner measure in climate zone 13 was not cost-effective in any of the household types. Therefore, the Commission, in D.05-12-026, did not authorize replacement central air conditioners as an approved measure in climate zone 13.

Only a year after D.05-12-026, the Commission issued D.06-12-038, which DRA argues authorized the replacement central air conditioner measure in climate zone 13, by way of the decision’s general budget approval language. That interpretation would mean that within a one-year period, without any analysis, reasoning or discussion, the Commission decided to do the following:

- Reverse the decision, in D.05-12-026, to adopt the Standardization Team’s recommendations;

³ D.05-12-026, p. 29 and OP 18.

- Abandon the cost-effectiveness principles and standards adopted in D.05-12-026 as one of the cornerstone principles in the LIEE program; and
- Reverse the decision, in D.05-12-026, finding central air conditioner replacement in climate zone 13 to be a non-cost-effective measure in climate zone 13.

The proper interpretation of D.06-12-038 is that it did not reverse the prior decision but instead it approved the general budget for the period 2007-2008, consistent with that and other LIEE decisions, principles and policies in effect. D.06-12-038 and its general language approving the budget should therefore be read as approving measures proposed by SCE that were cost-effective and consistent with D.05-12-026. The Commission did not find the replacement central air conditioner measure to be cost-effective in climate zone 13, in D.05-12-026. Moreover, there is nothing in D.06-12-038 to indicate that the Commission intended to reverse the prior decision (D.05-12-026). There is likewise nothing in D.06-12-038 to indicate that the Commission intended to discard the cost-effectiveness tests adopted in D.05-12-026 as well as its explicit conclusion that the replacement central air conditioner measure fails the cost-effectiveness tests in climate zone 13 and is therefore not approved. We therefore do not accept ACCES et al. and DRA's proposed interpretation of D.06-12-038.

D.08-11-031 reaffirms the cost-effectiveness principles the Commission has followed for years but also provides that central air conditioner and evaporative cooling measures may be included in the LIEE program in hot climates, under the health, safety and comfort exception to the cost-effectiveness tests and as

“add back” measures⁴ with additional reporting requirements. D.08-11-031, Attachment F, specifically identifies the LIEE measures approved by the Commission, including those add back measures which the Commission approved under the health, safety and comfort exception with the additional reporting requirement. Attachment F shows that, in D.08-11-031, the Commission did not identify the replacement central air conditioner measure as such an exceptional “add back” measure.

In reaching that conclusion in D.08-11-031, the Commission followed our commitment to an economically efficient LIEE program so that the ambitious energy efficiency goals the Commission set out in the California Energy Efficiency Strategic Plan (Strategic Plan) can be realized. The Commission could not ignore the fact that implementation of the replacement central air conditioner measure, which is one of the most costly LIEE measures, would benefit a limited number of customers at the expense of many customers who might benefit from the implementation of a far larger number of less costly, and more cost-effective, LIEE measures. For instance, Attachment A-2 of SCE's 2009-2011 LIEE budget application, A.08-05-026, shows the overall costs for the proposed replacement central air conditioner measure as \$40,942,786 over 3-year-period out of SCE's total proposed budget of \$185,216,942. This is 22% of SCE's proposed program budget for this single non-cost-effective measure.

One other clarification in response to ACCES Comment is required here. The issue concerns ACCES et al.'s implication which improperly suggests a connection between the replacement central air conditioner measure issue,

⁴ D.08-11-031, OP 17 and 18.

discussed above, with the proffered health risks in SCE's climate zone 13. The ACCES Comment contends, for instance:

- "The risk of death during the Heat Storm is reduced for people with working air conditioning."
- "By prohibiting SCE from installing this cooling measure in climate zone 13, the Commission puts the health and safety of SCE's low-income and elderly customers at greater risk than PG&E's customers."

The Commission's LIEE program, under D.08-11-031, is designed to provide the room air conditioner or central air conditioner measures only to customers who already have a working, albeit inefficient, air conditioner. The LIEE program is not and was never intended as a free air conditioner giveaway program to all low-income customers. In D.08-11-031, the Commission expressly determined that the LIEE program is an energy resource program to increase energy efficiency. Providing free air conditioners to all eligible low-income customers would be directly contrary to our directives in D.08-11-031 and the Strategic Plan, because such a program would increase energy load in a given household and push us back further from the energy efficiency targets the Commission set out in our Strategic Plan.

Moreover, while D.08-11-031 did not allow the replacement central air conditioner measure in climate zone 13 as a non-cost-effective measure, the Commission allowed the cost-effective room air conditioner replacement

measure⁵ and also provided funding for cooling centers, as discussed below, to address the heat storm issue in SCE's climate zone 13.

ACCES Comment states that SCE's climate zone 13, while not labeled an Extreme Climate zone, "is routinely extremely hot and in 2006 it got hot enough in Climate zone 13 to kill at least 46 low-income elderly people." In both D.06-12-032 and D.08-11-031, the Commission reaffirmed our ongoing cost-effective commitment to relieving the worst-case health, comfort, or safety scenarios that occur during such extremely hot periods by authorizing SCE to spend an estimated \$2.3 million⁶ during 2009-2011 to run its Cool Centers Program - which is specifically designed to help the most at-risk low-income, disabled, and elderly customers. D.08-11-031 also provides funding for SCE to expand its Cool Center Program to the San Joaquin Valley, which is in climate zone 13.

4. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

⁵ The replacement of room air conditioners in SCE's climate zone 13 passed the cost-effectiveness tests in all household types as reflected in Revised Attachment F; thus, that measure is and continues to be an approved LIEE measure under D.08-11-031.

⁶ In SCE's 2009-2011 LIEE budget application, A.08-05-026, SCE proposed "to spend up to \$777,000 in 2009, \$742,000 in 2010 and \$792,000 in 2011 on Cool Center Program...." OP 102 of D.08-11-031 authorized SCE's proposal to run the Cool Center Program, as proposed. (See also pp. 194 and 201, D.08-11-031.)

5. Assignment of Proceeding

Dian M. Grueneich is the assigned Commissioner and Kimberly H. Kim is the assigned ALJ in this proceeding.

Findings of Fact

1. In D.08-11-031, the Commission adopted a methodology “for determining whether specific measures are cost-effective (taking into account the housing type as well as climate zone) and set forth an approach to screening all [LIEE] measures going forward.”

2. In Attachment F of D.08-11-031, the SCE’s Cost-Effectiveness Table incorrectly shows the results of the cost-effectiveness analysis under the adopted cost-effectiveness methodology and thus incorrectly shows the replacement central air conditioner measure in four particular instances as passing the cost-effectiveness tests in climate zone 13 when, in fact, the measure failed the tests in those instances.

3. The errors only appear on Attachment F and involve only the single family homes serviced electrically for 2011 in SCE’s climate zone 13 and the mobile homes serviced electrically for 2009-2011 in SCE’s climate zone 13.

4. These errors on Attachment F, and in particular SCE’s Cost Effectiveness Table, are misleading because they suggest that the measure was approved in the LIEE program as being cost-effective in those instances when, in fact, the measure was not approved because the measure failed the tests.

Conclusions of Law

1. Attachment F should be revised to correctly show the results of the cost-effectiveness analysis using the methodology adopted in D.08-11-031 that

the replacement central air conditioner measure, in four particular instances, as discussed in this decision, failed to pass the tests in those instances in climate zone 13 of SCE's service territory.

2. This proceeding should remain open so that the Commission may continue to monitor the progress of pilots and conduct compliance reviews of the various reports D.08-11-031 requires from the four large IOUs.

O R D E R

IT IS ORDERED that:

1. Attachment F to Decision (D.) 08-11-031 is corrected as specified below:
 - a. The Southern California Edison Company (SCE) Cost-Effectiveness Table is corrected to show that the replacement central air conditioner measure in four particular instances failed the cost-effectiveness tests, under D.08-11-031, in climate zone 13, as follows:
 - i. The replacement central air conditioner measure for electrically serviced mobile homes in climate zone 13 is corrected to read "Fail" for cycle years 2009, 2010, and 2011; and
 - ii. The replacement central air conditioner measure for electrically serviced single family homes in climate zone 13 is corrected to read "Fail" for cycle year 2011.
 - b. The Revised Attachment F attached hereto as Appendix 1 reflects the corrections adopted in this decision and supersedes Attachment F to Decision 08-11-031.

2. These proceedings shall remain open so that the Commission may continue to monitor the progress of pilots and conduct compliance reviews of the various reports required by D.08-11-031.

This order is effective today.

Dated _____, at San Francisco, California.