Decision **ALTERNATE PROPOSED DECISION OF COMMISSIONER LORETTA LYNCH (Mailed 9/15/2003)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 M) for Authority to Continue Funding of LEV Programs.	Application 02-03-047 (Filed March 25, 2002)
Application of Southern California Edison Company (U 338-E) to Extend the Operation of its Electric Vehicle Adjustment Clause Mechanism and Related Accounts Until the Date of the Commission's Final Decision in SCE's Test Year 2003 General Rate Case Proceeding.	Application 02-03-048 (Filed March 25, 2002)
Application of Pacific Gas and Electric Company for Review of and Authorization for Recovery of Costs Relating to Its Low Emission Vehicle (LEV) Program for 2002 through 2005. (U 39 E)	Application 02-03-049 (Filed March 25, 2002)

DECISION ON FUNDING FOR LOW EMISSION VEHICLES

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DECISION ON FUNDING FOR LOW EMISSION VEHICLES

1. Summary

This decision acts on applications by Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), and Pacific Gas and Electric Company (PG&E) (collectively, utilities or IOUs) for funding for the discretionary aspects of their Low Emission Vehicle (LEV) programs.

We continue to support the environmental benefits of programs designed to develop and support motor vehicles powered by electricity and natural gas, but we are disappointed with the meager filings provided by the utilities. PU Code §740.1 and previous Commission decisions require that utility discretionary LEV programs should provide ratepayer benefits, have a reasonable probability for success, avoid duplication with existing research, and improve safety and reliability. The utilities proposal may promote our goal of encouraging the use of LEVs in the state, but in reviewing the record in this proceeding, we are concerned that the discretionary programs may not be the best use of ratepayer dollars. The IOUs should be aware that we are unlikely to continue funding these programs after the year is over unless they make a far better showing than they have to date.

The ratepayer-funded LEV activities fall into three key areas. First, the IOUs share information they have gained as operators of their own LEV fleets with other actual or potential fleet owners. This information sharing is the key focus of the IOUs' "customer education" activities. Second, they evaluate new LEV products to determine their impact on the energy grids they operate. This appears to be their principal activity aimed – at least allegedly – at enhancing system reliability. Third, they provide information on safe fueling and charging

techniques to third parties who use IOU-owned fueling stations and charge electric vehicles.

We have disallowed two utility programs that spend ratepayer RD&D funds on projects for commercial use, in contravention of D.95-11-035. Some programs appear to provide value but fall short of providing the documentation required, so we approve several projects with the stipulation that the utility file an advice letter demonstrating the programs' contribution to the Commission's LEV goals.[1]

This decision allows[2]:

- $1,100,000 for SoCalGas' proposed programs;
- $445,000 for PG&E's proposed programs; and
- $72,882 for SCE's proposed programs.

Subject to advice letter approval, this decision allows[2]:

- $889,000 for SDG&E's proposed programs;
- $3,957,000 for PG&E's proposed programs; and
- $109,297 for SCE's proposed programs.

Two projects were disallowed because they proposed to use ratepayer RD&D funds to develop projects for commercial use:

- $935,000 for SoCalGas' NGV RD&D project; and
- $624,000 for PG&E's small scale natural gas liquefier demonstration project.

[1] Should the Advice Letter fail to demonstrate how it meets our criteria it shall be denied. Denial by advice letter will automatically disallow the program.

[2] Tables describing allowed and disallowed projects are provided in Section 3-H, titled: "Allowed Funding."

To get a better understanding of how we can most effectively promote LEV technologies we order the Division of Strategic Planning to prepare a report on the effectiveness of the programs approved by this decision. This report will compare the cost-effectiveness of the utility's mandatory LEV programs (as approved in the IOU's General Rate Cases) with the discretionary projects approved in this decision. This report will be completed by January 30th, 2004, and will be delivered to the state legislature to meet the requirements of PUC Code §740.3(b).

2. Background

A. Market for LEVs

The market for pure electric vehicles (EV) is quite small. While nearly all EVs are in California,[3] there are only 2,300 battery EVs on California's roads.[4] A report SCE and PG&E submitted to the Commission states that "according to vehicle manufacturers, expected California light-duty[5] EV [2002] sales are currently estimated at about 400 vehicles."[6] There are currently no plug-in hybrid vehicles – vehicles with both an electric motor and an internal combustion engine that are cable of operating completely with the electric motor and a

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3 2 RT 230-31. References to the Reporter's Transcript are abbreviated as "RT." Thus, 2 RT 230-31 refers to Volume 2 of the Reporter's Transcript at pages 230-31.

4 Testimony of Analisa Bevan for California Air Resources Board (Commission Hearing Exhibit [Exh.] 1200), at 1.

5 Light-duty EVs include passenger cars and trucks.

6 *Report on the Electric Vehicle Markets, Education, RD&D and the California Utilities' LEV Programs,* March 22, 2002 (Exh. 100), at 2-2.

battery system charged from the electric grid – available on the market in the U.S.[7]

Fuel-cell technology is just beginning to find its way into vehicles, and may be a driver of natural gas demand in the future. Fuel cell powered vehicles consume hydrogen to create electricity, which is used to power electric motors for locomotion. Currently, the most efficient means of producing hydrogen is based on natural gas (just as gasoline is made from crude oil). Although full-scale commercialization of fuel cell technology is not anticipated until at least 2010 due to "significant engineering and technology challenges [that] lie ahead,"[8] we note that the emerging fuel cell technology will be dependant on utility infrastructure.

On the natural gas side, the picture is slightly better. There are approximately 100,000 natural gas vehicles (NGVs) in the United States, 20% of which are in California. There are approximately 200 liquid natural gas vehicles operating in California.[9]

Most of the increases in LEV production (except the production of internal combustion engine/electric hybrid vehicles that do not require electric charging) have been driven by regulatory requirements.

B. History of IOU LEV Funding

We approved IOU ratepayer funding for LEVs in 1993 in Decision (D.) 93 07-054, after the Legislature enacted Pub. Util. Code § 740.3 *et seq.* The

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[7] *Id.* at 2-4 – 2-5.

[8] *Id.* at 2-5.

[9] 4 RT 523.

statute provides that the Commission should work with other state agencies, air quality management districts, the motor vehicle industry and the IOUs to facilitate the use of electric power and natural gas to fuel LEVs. The statute prohibits the Commission from passing funding for such programs through to ratepayers unless they are in the ratepayers' interest. In 1999, the Legislature amended Pub. Util. Code § 740.8 to provide that "interests of ratepayers, short- or long-term, mean direct benefits that are specific to ratepayers in the form of *safer, more reliable, or less costly gas or electrical service*."[10]

We decided D.93-07-054 prior to the enactment of the foregoing definition, and therefore developed our own guidelines to determine whether ratepayers should pay for LEV programs. Those guidelines provided for ratepayer LEV funding "if the utilities can demonstrate that" the programs promote 1) reliable and efficient utility service, 2) safe service, 3) environmentally and socially responsible utility service or 4) reasonable rates.[11] Thus, the IOUs bear the burden of proof in these proceedings.

We imposed four additional requirements in D.93-07-054: compliance with statutory guidelines related to research and development and demand side management; consultation with the rest of the industry; consistency with other agencies; and preservation and accommodation of competition.

First, we required that ratepayer-funded LEV programs comply with statutory and Commission guidelines related to Research, Development and Demonstration (R&D or RD&D) and Demand Side Management. Second, the

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[10] Emphasis added.

[11] D.03-07-054, 1993 Cal. PUC LEXIS 574, at *21-29 and *32-33.

IOUs had to demonstrate that they had reviewed programs of the motor vehicle industry, state, regional and local agencies, other utilities and state and national electric and natural gas LEV research groups to ensure their programs did not unnecessarily duplicate and were complementary with the programs of these entities. This condition is germane to our discussion later in this decision. Third, we required the utilities to demonstrate that their programs are generally consistent with goals, policies and objectives of state and federal legislation and state and local agency action. Finally, utilities' programs could not unfairly compete with nonutility enterprises or interfere with the development of a competitive market. This requirement is also important to our discussion later in this decision.

We did not decide on funding for any particular LEV activities in D.93-07-054, but instead directed the IOUs to file 6-year program applications. In 1995, we issued D.95-11-035, our decision acting on those applications. We found that some of the IOUs' proposed programs satisfied the guidelines, but that others were not in the ratepayers' long-term interest. Among other things, we prohibited ratepayer funding to develop products for commercial use and to market LEVs. These limitations are highly relevant to our discussion below.

We also made clear in D.95-11-035 that ratepayer funding of LEV programs would not continue indefinitely:

> Where direct benefits to captive ratepayers are insufficient to support ratepayer funding of utility ventures, utilities are strongly encouraged to undertake new market activities of a broader scope, *but should do so at shareholder expense*. . . . This not only protects captive consumers from subsidizing new business ventures, it also

allows utilities to reap the rewards of successes and swallow the penalties of economic losses.[12]

We reiterated this point in our 1998 decision denying rehearing of D.95-11-035: "[T]he Legislature and the Commission intended funding for these essentially experimental programs for a specific six-year period, not an open-ended one."[13]

We also stated in D.95-11-035 that the LEV statute does not obligate us to fund any IOU LEV programs. While the law "encourage[s] this Commission to approve utility programs that support the development of a market for [LEVs] . . . , no ratepayer funds can be expended unless the program will provide direct benefits to ratepayers in the form of safer, more reliable or less costly gas or electric service."[14] Thus, for the Commission to approve IOU programs, the IOUs must demonstrate that their ratepayer-funded LEV programs provide such direct ratepayer benefits.

We also prohibited the utilities from undertaking ratepayer-funded research to develop new products.[15] We made clear that while utilities could engage in new product evaluation in order adequately to plan and manage the electric vehicle recharging load, ratepayers should not fund the development of new products. This restriction will become relevant when we discuss PG&E's and SoCalGas' use of ratepayer funding in partnership with the Idaho National

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[12] D.95-11-035, 1995 Cal. PUC LEXIS 978, at *15 (emphasis added).

[13] D.98-12-098, 1998 Cal. PUC LEXIS 918, at *3-4.

[14] D.95-11-035, 1995 Cal. PUC LEXIS 978, at *131.

[15] *Id.* at *32.

Engineering and Environmental Laboratory (INEEL), a laboratory operated for the United States Department of Energy (DOE) by Bechtel Corporation.

D.95-11-035 authorized funding for utility LEV programs for six years. The funding expired on December 21, 2001. We extended the funding through December 31, 2002 in Resolution G-3322, and through our final decision on these applications in D.02-12-056. We explained in D.02-12-056 that, "We do not prejudge the utilities' applications for any additional funding or new program activities, or whether continued funding of existing LEV program activities pursuant to our final decision is appropriate."[16]

D.95-11-035 provided that the utilities would record their LEV program expenses in "one-way" balancing accounts. The accounts are so labeled because their usage requires the utilities to refund to ratepayers funds reflected in rates but left unspent, but does not allow them to recover from ratepayers any expenditures in excess of the authorized accounts.[17]

D.02-12-056 also made clear that we would be considering only "discretionary" LEV program activities, such as customer service, training, research and development and other "non-mandatory" LEV programs, in this proceeding.[18] These discretionary programs are not the subject of statutory clean air requirements, but rather are carried out by the IOUs at their own discretion. This decision acts only on the IOUs' discretionary funding requests.

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[16] D.02-12-056, *mimeo.*, at 7.

[17] D.95-11-035, 1995 Cal. PUC LEXIS 978, at *138.

[18] *See Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge,* June 26, 2002.

We explained that we would review "mandatory" LEV program activities in each utility's general rate case (GRC) or cost-of-service proceeding.[19] We identified as "mandatory" activities the acquisition of alternative fuel use fleet vehicles pursuant to federal law, operation and maintenance costs associated with use of alternative fuel use fleet vehicles and associated infrastructure, infrastructure (fueling facilities and related equipment) needed to support alternative fuel use fleet vehicles, employee training and instruction necessary for the use of alternative fuel use fleet vehicles, and accounting for the costs of these mandatory activities. These activities are therefore outside the scope of this decision. To the extent the IOUs have included requests for mandatory funding in their applications – even interim funding pending the outcome of their GRCs or cost-of-service proceedings – we do not act on them here. They will have to seek interim funding in those other proceedings.

C. The IOUs' Applications

In this decision, we act on each IOU application consistently, rather than allowing the IOUs different procedural options. For each program, we extend funding for one year, to expire one year from the effective date of this decision, and impose several conditions for continued IOU funding. Due to the concerns we express in this decision, we approve no funding for the period after this one-year period ends. The IOUs shall file quarterly reports as directed elsewhere in this decision.

[19] *Id.*

1. SoCalGas/SDG&E's Applications

SoCalGas and SDG&E filed a joint application seeking $2,924,000 in total discretionary LEV funding. This amount breaks down as follows:

SoCalGas	
Item	**Requested Funding (annual)**
Customer information, education and training	$1,100,000
NGV R&D	$935,000
Subtotal SoCalGas	$2,035,000
SDG&E	
NGV customer information program	$450,000
EV customer information program	$439,000
Subtotal SDG&E	$889,000
Total SoCalGas/SDG&E	$2,924,000

2. PG&E's Application

PG&E seeks $5,026,000 in total discretionary LEV funding. Using PG&E's chart, this amount breaks down as follows:

Program Activities		**Program Description**	**$ (Million)**
Customer Education			
I.	LEV Vehicle Safety and Infrastructure Training	Fueling, Vehicle, and Infrastructure Safety training for PG&E employees as well as outside fleet operators and individuals	$0.496
II.	LEV Technology and Infrastructure Introduction; Regulatory Requirements	Matching technology with PG&E fleet requirements; participating on LEV industry boards to ensure coordination and non-duplication of efforts; sharing "learnings" with customers	$1.799

Program Activities	Program Description	$ (Million)
and Funding Availability Education; Emissions Benefits; and Industry Participation		
III. PG&E Tariff Availability and Eligibility; and Interconnection Services	Answer customer inquiries regarding applicable LEV-related gas and electric tariffs, including use of off-peak electric rates to minimize peak	$0.340
Customer Education Subtotal		**$2.635**
RD&D		
IV. Small Scale Natural Gas Liquefier Demonstration	Demonstrate INEEL technology to test its ability to safely deliver low-cost liquefied natural gas to PG&E fleet to reduce fleet operation costs. LNG may also be provided, under an experimental rate, to other customers; also, evaluate use of LNG to help reduce gas distribution system costs and avoid	$0.624
V. Small Specialty EV Charging Architecture Development	Support development of common, global charging systems for on-road and off-road EVs	$0.184
VI. Fuel Cell Vehicle Station Demonstration	Provide support for a natural gas-to-hydrogen reformer demonstration by the CA fuel cell partnership to ensure safety and understand utility-specific system impacts and load management implications for the future	$0.540
RD&D Subtotal		**$1.348**
Technology Application Assessment		
VII. Distribution System Load	Evaluate EV and NGV load additions to minimize costs to distribution	$0.550

Program Activities		Program Description	$ (Million)
	Impact Assessments	system	
VIII.	Safety Codes and Standards Support	Minimize utility compliance costs and protect utility and customer interests as EV and NGV codes and standards are developed	$0.089
IX.	LEV Performance Assessments	Determine actual field performance of LEV technology in PG&E fleet applications to ensure safety and to lower fleet costs; share "learnings" with customers	$0.299
X.	Participate in Others' LEV Demonstrations	Gather LEV related performance knowledge through project cost-sharing, to reduce PG&E fleet	$0.105
Technology Application Assessment Subtotal			**$1.043**
TOTAL			**$5.026**

3. SCE's Application

According to its chart, SCE appears to seek only $182,160 in discretionary funding, although its request is not at all clear.

Activities Related To:	**Utility Role**	**Alleged Ratepayer Benefit**	**Budget**
Emergency response to EVs	SCE primary source of EV safety information concerning issues related to utility operations.	Safety awareness and emergency preparedness.	$ 27,342
Information Network.	Source for information on utility EV programs including time-of-use rates, etc.	Customer information source for EV load management information, safety hook-ups, etc.	$ 45,540
EV Loan program	Collects EV use profile data and assists in designing load management.	Load management, time-of-use, etc.	$ 36,432
Customer Outreach	Disseminate information to customers and public about EV fleets, rates, load management, etc.	Customer information sources for utility EV load management, safety, energy efficiency, etc.	$ 72,864
TOTAL			$182,160

D. Other Parties' Responses to the Applications

The Commission's Office of Ratepayer Advocates (ORA) protested the IOUs' applications, asking that the Commission discontinue ratepayer funding of LEV activities that are not directly related to utility obligations under various government mandates to purchase, operate and maintain LEVs. Specifically, ORA requests that we discontinue funding for LEV RD&D activities, which it alleges should be covered by existing RD&D funding derived from charges for Public Purpose Programs. It also asks us to discontinue funding for consumer information, education and training activities relating to commercially available LEV products and services.

The Southern California Generation Coalition (SCGC), consisting of the Los Angeles Department of Water and Power, the City of Burbank, the City of Glendale, the City of Pasadena, the Imperial Irrigation District, Williams Energy and Reliant Energy, protested the application of SoCalGas and SDG&E. SCGC recommends that the SoCalGas customer service function be limited to providing safe service to entities that directly fuel NGVs. It also alleges that government agencies or other organizations should provide NGV information to the public, rather than the utility. For NGV RD&D, it claims that ratepayers should not fund these activities because LEV product manufacturers are better suited to do so. Finally, it asserts that utility RD&D activities should be funded through the Natural Gas Public Purpose Program surcharge.

The Western States Petroleum Association (WSPA), a non-profit trade organization representing companies involved in the petroleum industry, protested the application of SoCalGas and SDG&E. WSPA is concerned that the proposed LEV programs exceed the parameters adopted in D.95-11-035 and that additional clarification is needed to fully understand the utilities' customer education and RD&D activities.

Liberty Fuels (Liberty), an equipment developer, opposes the utilities' applications. Liberty claims that the utilities have used ratepayer funds to monopolize the NGV market and that continued funding will provide the utilities with an unfair advantage over the private sector. In support of its allegations, Liberty says that past spending has been inappropriately devoted to lobbying and promotional efforts that are contrary to D.95-11-035. Additionally, Liberty claims, utility RD&D efforts have been directed toward developing new products that should be undertaken by private companies. As a case in point, Liberty suggests that natural gas compressor manufacturers are better suited to conduct RD&D for such products than the utilities.

The California Energy Commission (CEC), a state agency with an interest in the conservation and/or displacement of petroleum fuels and promotion of fuel diversity, supports the utilities' continued role in expanding the use alternative fuels. Its primary interest is to define the scope and scale of the utilities' LEV programs. In particular, CEC maintains that ratepayer funded RD&D is appropriate to support compliance with the EPAct, although public-private partnerships should be explored.

The California Air Resources Board (CARB), a state agency authorized to adopt regulations intended to meet clean air standards, supports the utilities' applications. CARB claims that the utilities' LEV programs have been and continue to be supportive of the agency's efforts to reduce transportation-related emissions. CARB also states the utilities have provided valuable input into developing guidelines for LEV incentives and promoting the availability of grants. According to CARB, utility training and education activities based on their fleet experience is important in fostering the public's acceptance of zero emission vehicles. Additionally, the utilities' continued participation in CARB's Infrastructure Working Group is important for developing infrastructure standards.

The South Coast Air Quality Management District (SCAQMD), a public agency with air quality regulatory authority over the South Coast Air Basin, supports the utilities' applications. It claims that the proposed utility LEV programs, including public information and RD&D components, are vitally necessary to assist the agency with its expedited implementation of its air quality management plan. SCAQMD also says that utility public information programs help users understand a myriad of governmental certification categories and equipment options. Furthermore, issues related to fuel specifications concerning the agency benefit from utility involvement. Utility participation in SCAQMD's Technology Advancement Office promotes non-duplicative LEV RD&D efforts and certain other enhancements.

CALSTART, an organization that works with industry and government to develop advanced transportation technologies to improve air quality, supports the utilities' applications. Since 1992, CALSTART has "launched over $150 million dollars in [advanced transportation] technology … [RD&D] programs" with "funding from over 20 different government entities"[20] as well as private companies such as General Motors, Volvo, and PG&E. CALSTART claims that ratepayer funding is needed for LEV RD&D because manufacturers are unwilling to make investments in this area and there are government spending

[20] Boesel Testimony (Exh. 800) at 10.

shortfalls. The group also cites a need for utility involvement in the development of natural gas hybrid electric vehicles.

The Environmental Coalition (Environmental Coalition or Coalition), consisting of the National Resources Defense Council, the Coalition for Clean Air, the Planning and Conservation League, and the American Lung Association of California, supports the utilities' applications. The Coalition disputes the characterization that some elements of the utilities' programs are "discretionary" and claims that all aspects of the IOUs' programs are necessary. According to the Coalition, utility LEV programs benefit ratepayers by playing a key role in improving air quality, sharing LEV related information with customers and promoting safety. In its view, unless these programs are extended, the ratepayers' investment in the utilities' past activities and experience with LEVs would be lost.

E. IOUs' Current Staffs and Fueling Stations

As best we can discern, the IOUs currently have the following staffs handling LEV activities:

- SoCalGas/SDG&E have downsized their staff from 39 to 7 employees.

- PG&E has approximately 10 full time equivalent staff persons (FTEs) performing the customer service function,[21] 3 FTEs in the RD&D area, and 2-1/2 FTEs in the Technology Application Assessment group.[22]

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[21] 2 RT 238.

[22] 2 RT 239.

- SCE did not provide relevant information.

The IOUs have the following fueling stations for LEVs:

- SoCalGas has 20 or 21 NGV fueling stations.[23] Fourteen are open to the public. SDG&E has 3 fueling stations.[24]

- PG&E has 22 NGV fueling stations.[25]

- SCE has no NGV fueling stations since it is an electricity-only utility.

3. Discussion

A. Introduction

It is axiomatic that improved air quality is a societal benefit. We support the goal, but the question before us is not whether we should endorse better air quality, but whether utility ratepayers should bear the cost of their LEV programs. We stated in D.95-11-035 that "we cannot approve . . . utility programs solely because they may help improve air quality. . . ."[26] The IOUs bear the burden of proving that their programs meet the criteria we have adopted in our LEV decisions.

The IOUs' applications suffer consistently from a lack of detail. One struggles to determine how they are spending LEV dollars, and the ratepayer benefits of such expenditures. The IOUs bear the burden of proving that we should continue to fund their programs, and in several instances, we require the

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[23] 1 RT 50, 73.

[24] 1 RT 60.

[25] 1 RT 144.

[26] 1995 Cal. PUC LEXIS 978, at *91.

utilities to file advice letters that provide adequate detail and justification for specific programs to receive funding.

B. Activities Disallowed in D.95-11-035 – Technology Development for Commercial Use

We find that PG&E's and SoCalGas' proposed INEEL projects would continue certain activities that our prior decisions have expressly disallowed. We describe them here to demonstrate why we believe IOU funding should continue only for one additional year, be subject to stricter reporting requirements, and be narrowed to exclude disallowed activities.

The IOUs have spent ratepayer R&D funds on products intended for commercial use, in contravention of D.95-11-035. PG&E requests $624,000 to support its development, in conjunction with DOE laboratory INEEL, of a natural gas liquefier demonstration project. We deny this request. PG&E has already spent between $1.6 and $2.1 million on this project to date. SoCalGas has spent $1 million on the project, although it plans to expend no additional funds until "the demonstration unit is up and operational."[27]

The evidence demonstrates that the INEEL project is aimed at developing a liquefied natural gas product for commercial use. SoCalGas' witness stated that "the liquefier . . . is a technology that will hopefully . . . come to the market . . . ."[28] PG&E prepared a draft business plan for commercial development of the natural gas liquefier.[29] PG&E intended the product for

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[27] 1 RT 88-89.

[28] 1 RT 97.

[29] 2 RT 170-71. The PG&E employee who developed the draft business plan had never done so before for any other product, so such plans were not routine. 4 RT 518.

commercial development; according to its witness, "We think ultimately some product developer, commercialization partner that INEEL will choose will bring a product to market complete with all of the bells and whistles that products have to have to be successful in the market."[30]

Furthermore, PG&E has an agreement with INEEL providing for revenues from commercialization of the liquefier to accrue to ratepayers.[31] PG&E picked the INEEL technology and rejected others because, among other things, none of the latter "offered substantial evidence that they had a clear path to commercialization …"[32] PG&E also "sp[oke] to the commercialization potential of the technology in its response to the [California Energy Commission's] request for proposals to join the INEEL project."[33]

While the IOUs claim their role in the liquefier project was not for purposes of commercialization, even one of the supporters of their programs disagreed, characterizing IOU programs "as an essential component of the process of innovation inherent in the commercialization of alternative fuel technology."[34]

While this sort of project may be worthwhile, it runs counter to D.95-11-035's prohibition on activities designed to lead directly to the development of new commercial products. As we stated in that decision, "Their

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[30] 2 RT 169.

[31] 4 RT 464-65.

[32] 4 RT 466.

[33] 4 RT 471.

[34] Testimony of Paul Wuebben for SCAQMD (Exh. 1000), at 12.

development should be supported by the firms that could profit from their commercialization."[35] Here, the evidence supports the conclusion that the project runs afoul of the foregoing prohibition.

Furthermore, "the use of regulated monopoly funds for the development of a private business in this emerging market raises the potential for unfair competition."[36] For example, in D.95-11-035, we ordered the utilities to divest themselves of any fuel stations not built on their own land to support their own fleets, due in large part to concerns that such stations would compete unfairly with third parties "interested in competing in the market for the construction and operation of refueling stations at customer or other private sites."[37] The liquefier competes with other products in the market,[38] giving us concern that ratepayer funds are unfairly subsidizing a competitive product.

In addition, PG&E is charging a below-cost rate related to the liquefier project, further raising concerns that it is competing unfairly. PG&E has received Commission approval of an experimental liquefied natural gas (LNG) rate, in which it proposes to charge a "liquefaction fee" to LNG retailers.[39] However, the tariffed rate is not cost based; for example, it does not recoup PG&E's research costs: "We are unusual in the regulated utility that our budget for this project is ratepayer provided. So to turn around and charge ratepayers again for the cost

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[35] D.95-11-035, 1995 Cal. PUC LEXIS 978, at *126.

[36] *Id.* at *140-41.

[37] *Id.* at *124-25.

[38] 2 RT 171.

[39] 2 RT 233-34.

of our research project in [the tariffed] price isn't fair."[40] PG&E set the tariff price to recover a capital cost of $630,000[41] even though it spent far more than this ($1.6 to $2.1 million) on the demonstration project.[42] This below-cost rate is evidence that PG&E is using LEV funding to compete unfairly with nonutility enterprises or interferes with the development of a competitive market.[43]

Past spending in this area is inappropriate for the same reasons. SoCalGas' witness stated that his company has spent $1 million to date on the INEEL liquefier demonstration,[44] and PG&E has spent between $1.6 and $2.1 million to date.[45] PG&E did not apply to the Commission to fund the INEEL project.[46] Rather, it shifted funds allocated to other RD&D to this project, relying on D.95-11-035's provision allowing fund shifting.[47] The IOUs shall make the balancing accounts whole with shareholder funds.

The IOUs are prohibited from spending ratepayer monies on programs aimed at commercialization. Thus we disallow PG&E's INEEL liquefied natural gas (LNG) project, and SoCalGas' LNG Research and Development project.

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[40] 4 RT 483.

[41] 4 RT 481.

[42] 4 RT483.

[43] D.03-07-054, 1993 Cal. PUC LEXIS 574, at *15.

[44] 1 RT 89.

[45] 4 RT 432-64.

[46] 4 RT 470.

[47] *Id.*

C. Activities Allowed

1. Programs That Provide Information to Customers and Enhance Safety

Many of the programs proposed by the IOUs are designed to provide potential LEV customers with general information about LEV technologies (including the costs of operating LEVs) and promoting LEVs to the public. These activities in combination should promote our goal of promoting the use of LEVs in California.

Utilities are a first point of contact for LEV customers. Customers take advantage of the IOU's knowledge of tariff schedules as well as their first-hand experience on using LEV technologies as their fleet vehicles.

In addition, consumers have learned to look to the utilities for information on how to refuel their LEVs safely. As noted by the Environmental Coalition, no other entity has the obligation to ensure that refueling is done in a safe manner. In this decision, we allow the IOUs to use funds to provide information to consumers that promotes the use of LEVs as well as to educate customers on how to safely fuel and charge their vehicles.

2. Programs That Enhance Reliability

The IOU funding directed at ensuring "reliable" service focuses on assessment of the load impacts of various LEV types, such as electric, natural gas, and fuel cell vehicles. These technologies rely on utility infrastructures to deliver the energy they need to provide environmentally friendly locomotion.

We were struck by how little information the IOUs furnished about how they spend ratepayer funding to assess load impacts. We therefore allow IOU funding in this area to continue, contingent upon the approval of an Advice

Letter demonstrating the linkage between the proposed LEV load impact assessment programs and the IOU's obligation to enhance grid safety.

D. Funding Requests Allowed Contingent Upon Advice Letter Approval

Finally, many of the IOU funding requests insufficient justification based on the § 740.8 requirements of safer, more reliable or less costly gas or electric service to be approved as submitted. For these programs, the utilities shall file an Advice Letter requesting approval for program funds. The Advice Letter must demonstrate how it meets our criteria or it shall be denied and the program funding shall be disallowed. It is because of our desire to see more LEVs in use in California that we provide the utilities with this uncharacteristic "second bite at the apple." We reflect these items in the tables in Section H of this decision.

F. Summary of Allowed and Disallowed Funding

In summary, we allow each IOU the following discretionary LEV funding for the period of one year from the effective date of this decision.

SoCalGas			
Item	**Requested Funding (annual)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
Customer information, education and training	$1,100,000	Allowed (IOU required to file Advice Letter clarifying request)	

NGV R&D	$935,000	Disallowed	Prohibited by D.95-11-035; development of commercial product
Subtotal SoCalGas	Requested $2,035,000	Allowed $1,100,000	Disallowed $935,000
SDG&E			
NGV customer information program	$450,000	Allowed (IOU required to file Advice Letter clarifying request)	
EV customer information program	$439,000	Allowed (IOU required to file Advice Letter clarifying request)	
Subtotal SDG&E	Requested $889,000	Allowed $889,000	Disallowed 0
Total SoCalGas/SDG&E	$2,924,000	$1,989,000	$935,000

PG&E				
Program Activities	**Program Description**	**$ (Million)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
Customer Education				
XI. LEV Vehicle Safety and Infrastructure Training	Fueling, Vehicle, and Infrastructure Safety training for PG&E employees as well as outside fleet operators and individuals	$0.496	Allowed (IOU required to file Advice Letter demonstrating this project's link to safety)	
XII. LEV Technology and Infrastructure Introduction; Regulatory Requirements and Funding Availability Education; Emissions Benefits; and Industry Participation	Matching technology with PG&E fleet requirements; participating on LEV industry boards to ensure coordination and non-duplication of efforts; sharing "learnings" with customers	$1.799	Allowed (IOU required to file Advice Letter demonstrating this project's link to safety)	
XIII. PG&E Tariff Availability and Eligibility; and Inter-connection Services	Answer customer inquiries regarding applicable LEV-related gas and electric tariffs, including use of off-peak electric rates to minimize peak	$0.340	Allowed	

PG&E				
Program Activities	**Program Description**	**$ (Million)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
Customer Education Subtotal		**Requested $2.635**	**Allowed $2.635**	**Disallowed $0**
RD&D				
XIV. Small Scale Natural Gas Liquefier Demonstration	Demonstrate INEEL technology to test its ability to safely deliver low-cost liquefied natural gas to PG&E fleet to reduce fleet operation costs. LNG may also be provided, under an experimental rate, to other customers; also, evaluate use of LNG to help reduce gas distribution system costs	$0.624	Disallowed	Prohibited by D.95-11-035; development of a commercial product
XV. Small Specialty EV Charging Architecture Development	Support development of common, global charging systems for on-road and off-road Evs	$0.184	Allowed (IOU to file Advice Letter demonstrating link to safety, reliability, and less costly service)	

PG&E				
Program Activities	**Program Description**	**$ (Million)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
XVI. Fuel Cell Vehicle Station Demonstration	Provide support for a natural gas-to-hydrogen reformer demonstration by the CA fuel cell partnership to ensure safety and understand utility-specific system impacts and load management implications for the future	$0.540	Allowed (IOU to file Advice Letter demonstrating link to safety, reliability, and less costly service)	
RD&D Subtotal		**Requested $1.348**	**Allowed $0.744**	**Disallowed $0.624**
Technology Application Assessment				
XVII. Distribution System Load Impact Assessments	Evaluate EV and NGV load additions to minimize costs to distribution system	$0.550	Allowed (IOU to file Advice Letter demonstrating link to safety, reliability, and less costly service)	

PG&E				
Program Activities	**Program Description**	**$ (Million)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
XVIII. Safety Codes and Standards Support	Minimize utility compliance costs and protect utility and customer interests as EV and NGV codes and standards are developed	$0.089	Allowed (IOU to file Advice Letter demonstrating link to safety, reliability, and less costly service)	
XIX. LEV Performance Assessments	Determine actual field performance of LEV technology in PG&E fleet applications to ensure safety and to lower fleet costs; share "learnings" with customers	$0.299	Allowed (IOU to file Advice Letter demonstrating link to safety, reliability, and less costly service)	
XX. Participate in Others' LEV Demonstrations	Gather LEV related performance knowledge through project cost-sharing, to reduce PG&E fleet	$0.105	Allowed	
Technology Application Assessment Subtotal		**Requested $1.043**	**Allowed $1.043**	**Disallowed $0**
TOTAL		**Requested $5.026**	**Allowed $4.402**	**Disallowed $0.624**

SCE					
Activities Related To:	**Utility Role**	**Ratepayer Benefit**	**Budget**	**Allowed/ Disallowed**	**If Disallowed, Reason**
Emergency response to Evs	SCE primary source of EV safety information concerning issues related to utility operations.	Safety awareness and emergency preparedness.	$27,342	Allowed	
Information Network.	Source for information on utility EV programs including time-of-use rates, etc.	Customer information source for EV load manage-ment in-formation, safety hook-ups, etc.	$45,540	Allowed	
EV Loan program	Collects EV use profile data and assists in designing load management.	Load manage-ment, time-of-use, etc.	$36,432	Allowed (IOU to file Advice Letter demonstrati ng link to safety, reliability, and less costly service)	

Customer Outreach	Disseminate information to customers and public about EV fleets, rates, load management, etc.	Customer information sources for utility EV load management, safety, energy efficiency, etc.	$72,864	Allowed (IOU to file Advice Letter demonstrating link to safety, reliability, and less costly service)	
TOTAL			$182,160		

G. Other Issues

1. Change in Funding Source

SCGC urges us to change the funding source for natural gas LEV programs from the dedicated funds collected from ratepayers and accounted for in a one-way balancing account, to the Natural Gas Surcharge, a public goods charge embodied in Pub. Util. Code § 890. That statute, enacted in 2000, provides, in relevant part, for a ratepayer surcharge to fund "cost-effective energy efficiency and conservation activities and pubic interest research and development authorized by Section 740 not adequately provided by the competitive and regulated markets." SCGC claims that LEV programs in part fit the "public interest research and development authorized by Section 740" category.

SCGC may be correct that such programs meet the statutory standard, which provides essentially for R&D that "provides a reasonable probability of providing benefits to ratepayers" and supports objectives such as environmental improvement, public and employee safety and conservation.[48] ORA, for example, claims that IOU RD&D related to LEVs should be paid for out of existing RD&D funding derived from charges for public purpose programs. (ORA also asks us to discontinue funding for consumer information, and education and training activities related to commercially available LEV products and services.)

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[48] Pub. Util. Code § 740.1(a) & (e)(1), (2) & (3).

It is no coincidence that SCGC's members do not currently pay the § 90 Natural Gas Surcharge, and would benefit financially if we were to change the funding source for RD&D LEV funding. We do not believe the statute requires us to make this change, however, or that we are precluded from funding LEV-related RD&D from sources other than Public Purpose Program funding. Given that we are curtailing the RD&D funding substantially, and only allowing funding for another year, we will leave the funding stream as is.

2. Utility Proposals to Incorporate LEV Programs into Other Proceedings

The IOUs generally favor abolishing separate review of LEV programs in proceedings such as this one, and support moving up-front review of funding to their respective GRCs or cost-of-service proceedings. While we have moved the mandatory aspects of their LEV programs to the GRCs, we do not believe that we should consider the discretionary LEV programs in that forum. PG&E justifies its request on the ground that its programs have developed and grown more integrally related to PG&E's traditional utility functions.[49]

However, we never intended ratepayer-funded LEV programs to be permanent or become part of the IOUs' entrenched operations:

> [O]ur intent at the time we issued the current authorization was to fund the utilities' programs for a set period of time *with the expectation that at some point further subsidization of the LEV market by utility ratepayers would not be warranted.* As stated in Findings of Fact No. 3 in D.93-07-054, "It is not clear how long a utility

[49] PG&E Opening Brief at 2.

> presence is needed to provide a bridge to a sustainable competitive market for LEVs."[50]

Indeed, SoCalGas and SDG&E recognized that ratepayer funding was not a guarantee:

> We do not believe the utility's role needs to be ratepayer funded up to the full point of sustainability….[51]

We decline to move LEV discretionary funding into the IOUs' GRCs or cost of service proceedings, especially given our concerns with how the utilities are spending ratepayer dollars, our limited one-year funding authorization, and our quarterly reporting requirement.

4. Reporting Requirements

Commencing 90 days from the effective date of this decision, and continuing every 90 days thereafter, the IOUs shall file and serve the IOU Low Emission Vehicle (LEV) Programs Quarterly Report, attached hereto as Appendix A, covering the previous 90-day period of program activity. The Quarterly Report requires that the IOUs identify how each program activity relates to safety, reliability or less costly gas or electric service, report on how many people were served, submit program materials, and otherwise establish that they are meeting the requirements of D.95-11-035 and this decision.

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[50] Resolution G-3322, Jan. 23, 2002, at 9, available at http://www.cpuc.ca.gov/PUBLISHED/FINAL_RESOLUTION/12757.htm (emphasis added).

[51] *SoCalGas/SDG&E Application* at 52.

As we note above, the IOUs should be aware that we are unlikely to continue funding these programs after the year is over unless they make a far better showing than they have to date.

5. Comments on Alternate Decision

The Alternate decision of Commissioner Lynch in this matter was mailed to the parties in accordance with Section 311(d) of the Public Utilities Code and Rule 77.1 of the Rules of Practice and Procedure. Comments were filed on ________________, and reply comments were filed on ___________________.

6. Assignment of Proceeding

Carl Wood is the Assigned Commissioner and Myra Prestidge is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The market for LEVs is quite small.

2. The IOUs have the following fueling stations for LEVs, only a subset of which are public access stations:

   - SoCalGas has 20 or 21 NGV fueling stations. Fourteen are open to the public. SDG&E has 3 fueling stations.
   - PG&E has 22 NGV fueling stations.
   - SCE has no NGV fueling stations since it is an electricity-only utility.

3. The IOUs' applications suffer consistently from a lack of detail.

4. The INEEL project, in which PG&E and SoCalGas have participated (and PG&E proposes to participate in the future), is aimed at developing a liquefied natural gas product for commercial use.

5. PG&E has already spent between $1.6 and $2.1 million on the INEEL project to date, and SoCalGas has spent approximately $1 million on the project.

6. The INEEL liquefier competes with other products in the market.

7. PG&E is charging a below-cost rate related to the INEEL liquefier project.

8. The California Fuel Cell Partnership, for which PG&E requests $540,000, gives fleet purchasers free services that they otherwise would have to pay for.

9. SoCalGas uses ratepayer funding to promote the use of natural gas over other fuels.

10. PG&E conducted two marketing studies related to LNG.

11. PG&E's witness was not familiar with several LEV programs.

12. Several witnesses associated with government and nonprofit LEV programs could not identify specific ratepayer benefits from the IOU programs that did not extend to the broader population as a whole.

13. Most of the IOUs' customer education function involves maintaining customer service staffs to field contacts from potential fleet purchasers.

14. Potential purchasers of LEV fleet vehicles include school bus operators, transit districts, government entities, garbage companies, shared ride shuttle operators, utilities and taxicab companies who generally are acting in response to statutory or air quality management district requirements

15. The IOUs' customer service staffs, among other things, tell potential fleet purchasers or fleet owners of the utilities' experience with their own fleets, furnish callers lists of LEV-related vendors and written information on new products, and provide free grant-writing assistance to third parties seeking to obtain grants and other incentives for LEV purchases. This customer service function involves gathering literature about LEVs, maintaining websites, attending trade shows and conferences, participation in industry boards and committees, and fielding customer inquiries.

16. No party introduced evidence that it had polled other obvious sources of LEV information such as automakers to determine if it is correct that IOUs are usually the first point of contact for anyone considering investing in LEVs.

17. The entire natural gas fueling training exercise appears to be limited to educating a small number of public users at a small number of unattended fueling stations.

18. CALSTART and SoCalGas acknowledged that natural gas fueling is now safe.

19. Much of the IOU funding directed at ensuring "reliable" service focuses on assessment of the load impacts of electric LEVs.

20. The impact of LEVs on PG&E's electric grid is minimal.

21. Many of the IOU funding requests contain insufficient justification based on the § 740.8 requirements of safer, more reliable or less costly gas or electric service.

22. The CEC urges this Commission to consider non-IOU-ratepayer sources for funding LEV programs, including public-private partnerships.

23. SCGC's members do not currently pay the § 890 Natural Gas Surcharge.

24. PU Code §740.3(b) requires the Commission to provide the legislature with a progress report on programs and policies adopted by the Commission that facilitate the use of electricity and natural gas in fueling low-emission vehicles.

Conclusions of Law

1. Pub. Util. Code § 740.3 *et seq.* prohibits the Commission from passing funding for LEV programs through to ratepayers unless the programs are in the ratepayers' interest.

2. Ratepayers should not fund IOU LEV programs unless such programs meet the requirements set forth in PU Code §740.8.

3. The IOUs bear the burden of proving that we should continue to fund their programs, and in several instances, we require the utilities to file advice letters

that provide adequate detail and justification for specific programs to receive funding. To receive ratepayer LEV funding, the IOUs must demonstrate that they have reviewed programs of the motor vehicle industry, state, regional and local agencies, other utilities and state and national electric and natural gas LEV research groups to ensure their programs do not unnecessarily duplicate and are complementary with the programs of these entities.

4. Utilities' LEV programs may not unfairly compete with nonutility enterprises or interfere with the development of a competitive market.

5. D.95-11-035 prohibited ratepayer funding to develop products for commercial use and to market LEVs.

6. D.95-11-035 and D.98-12-098 made clear that ratepayer funding of LEV programs would not continue indefinitely.

7. D.02-12-056 made clear that we would be considering only "discretionary" LEV program activities, such as customer service, training, research and development and other "non-mandatory" LEV programs, in this proceeding. This decision acts only on the IOUs' discretionary funding requests.

8. D.02-12-056 provided that we would review "mandatory" LEV program activities in each utility's GRC or cost-of-service proceeding. "Mandatory" LEV activities involve the acquisition of alternative fuel use fleet vehicles pursuant to federal law, operation and maintenance costs associated with use of alternative fuel use fleet vehicles and associated infrastructure, infrastructure (fueling facilities and related equipment) needed to support alternative fuel use fleet vehicles, employee training and instruction necessary for the use of alternative fuel use fleet vehicles, and accounting for the costs of these mandatory activities. These activities are outside the scope of this decision.

9. The IOUs have in some cases funded programs that violate the guidelines set forth in relevant Commission decisions.

10. The INEEL project, for which PG&E requests $624,000, and for which PG&E has already spent between approximately $1.6 and $2.1 million and SoCalGas has already spent approximately $1 million, violates D.95-11-035's proscription on LEV funding for projects aimed at developing products for commercial use.

11. PG&E's below-cost INEEL rate helps establish that PG&E is using LEV funding to compete unfairly with nonutility enterprises or interfere with the development of a competitive market.

12. The use of ratepayer funds to educate customers on how to fuel and charge their vehicles safely on its face meets the requirement that LEV funding enhance customer safety.

13. While Pub. Util. Code § 890 Public Purpose Program surcharge revenue may be an appropriate funding source for IOU RD&D programs, we should deny SCGC's and ORA's request to shift funding to this source given that we are only extending the IOU programs for one additional year.

14. We should deny the IOUs' request to incorporate discretionary LEV funding into their GRCs or cost-of-service proceedings.

O R D E R

IT IS ORDERED that:

1. We grant in part and deny in part the applications by Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), and Pacific Gas and Electric Company (PG&E) (collectively, utilities or IOUs) for funding for the

discretionary aspects of their Low Emission Vehicle (LEV) programs as set forth below.

SoCalGas			
Item	**Requested Funding (annual)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
Customer information, education and training	$1,100,000	Allowed (IOU required to file Advice Letter clarifying request)	
NGV R&D	$935,000	Disallowed	Prohibited by D.95-11-035; development of a commercial product
Subtotal SoCalGas	Requested $2,035,000	Allowed $1,100,000	Disallowed $935,000
SDG&E			
NGV customer information program	$450,000	Allowed (IOU required to file Advice Letter clarifying request)	
EV customer information program	$439,000	Allowed (IOU required to file Advice Letter clarifying request)	
Subtotal SDG&E	Requested $889,000	Allowed $889,000	Disallowed 0
Total SoCalGas/SDG&E	$2,924,000	$1,989,000	$935,000

PG&E				
Program Activities	**Program Description**	**$ (Million)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
Customer Education				
XXI. LEV Vehicle Safety and Infrastructure Training	Fueling, Vehicle, and Infrastructure Safety training for PG&E employees as well as outside fleet operators and individuals	$0.496	Allowed (IOU required to file Advice Letter demonstrating this project's link to safety)	
XXII. LEV Technology and Infrastructure Introduction; Regulatory Requirements and Funding Availability Education; Emissions Benefits; and Industry Participation	Matching technology with PG&E fleet requirements; participating on LEV industry boards to ensure coordination and non-duplication of efforts; sharing "learnings" with customers	$1.799	Allowed (IOU required to file Advice Letter demonstrating this project's link to safety)	
XXIII. PG&E Tariff Availability and Eligibility; and Inter-connection Services	Answer customer inquiries regarding applicable LEV-related gas and electric tariffs, including use of off-peak electric rates to minimize peak	$0.340	Allowed	

PG&E				
Program Activities	**Program Description**	**$ (Million)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
Customer Education Subtotal		**Requested $2.635**	**Allowed $2.635**	**Disallowed $0**
RD&D				
XXIV. Small Scale Natural Gas Liquefier Demonstration	Demonstrate INEEL technology to test its ability to safely deliver low-cost liquefied natural gas to PG&E fleet to reduce fleet operation costs. LNG may also be provided, under an experimental rate, to other customers; also, evaluate use of LNG to help reduce gas distribution system costs	$0.624	Disallowed	Prohibited by D.95-11-035; development of a commercial product
XXV. Small Specialty EV Charging Architecture Development	Support development of common, global charging systems for on-road and off-road Evs	$0.184	Allowed (IOU to file Advice Letter demonstrating link to safety, reliability, and less costly service)	

PG&E				
Program Activities	**Program Description**	**$ (Million)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
XXVI. Fuel Cell Vehicle Station Demonstra-tion	Provide support for a natural gas-to-hydrogen reformer demonstration by the CA fuel cell partnership to ensure safety and understand utility-specific system impacts and load management implications for the future	$0.540	Allowed (IOU to file Advice Letter demonstrating link to safety, reliability, and less costly service)	
RD&D Subtotal		**Requested $1.348**	**Allowed $0.744**	**Disallowed $0.624**
Technology Application Assessment				
XXVII. Distribution System Load Impact Assessments	Evaluate EV and NGV load additions to minimize costs to distribution system	$0.550	Allowed (IOU to file Advice Letter demonstrating link to safety, reliability, and less costly service)	

PG&E				
Program Activities	**Program Description**	**$ (Million)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
XXVIII. Safety Codes and Standards Support	Minimize utility compliance costs and protect utility and customer interests as EV and NGV codes and standards are developed	$0.089	Allowed (IOU to file Advice Letter demonstrating link to safety, reliability, and less costly service)	
XXIX. LEV Performance Assessments	Determine actual field performance of LEV technology in PG&E fleet applications to ensure safety and to lower fleet costs; share "learnings" with customers	$0.299	Allowed (IOU to file Advice Letter demonstrating link to safety, reliability, and less costly service)	
XXX. Participate in Others' LEV Demonstra-tions	Gather LEV related performance knowledge through project cost-sharing, to reduce PG&E fleet	$0.105	Allowed	
Technology Application Assessment Subtotal		**Requested $1.043**	**Allowed $1.043**	**Disallowed $0**
TOTAL		**Requested $5.026**	**Allowed $4.402**	**Disallowed $0.624**

SCE					
Activities Related To:	**Utility Role**	**Ratepayer Benefit**	**Budget**	**Allowed/ Disallowed**	**If Disallowed, Reason**
Emergency response to Evs	SCE primary source of EV safety information concerning issues related to utility operations.	Safety awareness and emergency preparedness.	$27,342	Allowed	
Information Network.	Source for information on utility EV programs including time-of-use rates, etc.	Customer information source for EV load manage-ment in-formation, safety hook-ups, etc.	$45,540	Allowed	
EV Loan program	Collects EV use profile data and assists in designing load management.	Load manage-ment, time-of-use, etc.	$36,432	Allowed (IOU to file Advice Letter demonstrating link to safety, reliability, and less costly service)	

Customer Outreach	Disseminate information to customers and public about EV fleets, rates, load management, etc.	Customer information sources for utility EV load management, safety, energy efficiency, etc.	$72,864	Allowed (IOU to file Advice Letter demonstrating link to safety, reliability, and less costly service)	
TOTAL			$182,160		

2. For each approved IOU program, we extend funding for one year, to expire one year from the effective date of this decision.

3. Commencing 90 days from the effective date of this decision, and continuing every 90 days thereafter, the IOUs shall file and serve the IOU Low Emission Vehicle (LEV) Programs Quarterly Report, attached hereto as Appendix A, covering the previous 90 day period of program activity. The Quarterly Report requires that the IOUs identify how each program activity relates to safety, reliability or less costly gas or electric service, report on how many people were served, submit program materials, and otherwise establish that they are meeting the requirements of D.95-11-035 and this decision.

4. To the extent the IOUs have included requests for mandatory funding in their applications – even interim funding pending the outcome of their general rate cases (GRCs) or cost-of-service proceedings – we do not act on them here. They must seek interim funding in those other proceedings.

5. PG&E's and SoCalGas' past spending on the Idaho National Engineering and Environmental Laboratory (INEEL) project violates the Commission's proscription of LEV ratepayer funding for new commercial products. These

IOUs shall make their respective LEV balancing accounts whole with shareholder funds.

6. We deny PG&E's request for funding for the INEEL project on the ground it does not serve the ratepayers' interest.

7. We deny the request of the Southern California Generation Coalition (SCGC) and the Office of Ratepayer Advocates (ORA) to shift funding for LEV research and development (RD&D) to Pub. Util. Code § 890 public purpose surcharge funding, given that we are only approving continued funding for one additional year.

8. The IOUs are prohibited from using this for programs aimed at commercialization. Thus we disallow PG&E's INEEL liquefied natural gas (LNG) project, and SoCalGas' LNG Research and Development project. The Division of Strategic Planning shall prepare a report that compares the cost-effectiveness of the utility's mandatory LEV programs (as approved in the IOU's General Rate Cases) with the discretionary projects approved in this decision. This report will be completed by January 30th, 2004, and will be delivered to the state legislature to meet the requirements of PUC Code §740.3(b).

9. This proceeding is closed

This order is effective today.

Dated ___________________, at San Francisco, California.

STATE OF CALIFORNIA GRAY DAVIS, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

IOU Low Emission Vehicle (LEV) Programs
Quarterly Reports Narrative Template

How and To Whom to Submit Quarterly Reports

- **To the CPUC Energy Division:** You must send both hard copies and electronic submittal

  - **Hard Copies to CPUC:**

    - 3 printed copies (at least one unbound) of the Quarterly Report Narrative and the Quarterly Report Workbook (You need only print areas with cells containing data)

    - **Attachments:** 2 copies of all materials and sample forms used in the program

    - Send hard copies and attachments to:
      Energy Division Director
      California Public Utilities Commission
      505 Van Ness Avenue, 4th Floor
      San Francisco, CA 94102

- **To the Service List (e-mail only)**

You should download and use the current service list each time you serve. The current list is available at http://www.cpuc.ca.gov/published/service_lists/A0203047_39807.htm

- ***Notification of Availability*** of your Quarterly Report.
    - Your e-mail notification subject heading should follow the naming convention described below:
        - Low Emission Vehicle Quarterly Report [program implementer name] [quarter covered by report].
    - Your e-mail notification body should contain the following
        - Description of what is being made available
        - Instructions on how to obtain the quarterly report electronically or by mail.
        - URL or Hyperlink to the section of your webpage where the report is posted.

IOU Low Emission Vehicle (LEV) Programs
Quarterly Reports Narrative Template

Program Implementer Name:	
Quarter:	
Period Covered by this Report:	

Section I. Program Overview

Provide a brief description of LEV program activities for the quarter (one or two paragraphs)

Section II. Program Summary Data

Provide a list or table that summarizes program budget, expenditures, goals and achievements by end of reporting period. The list or table should include the following, as applicable:

1. Program Expenditures

- Total program budget and total expenditures by end of reporting period (actual and committed displayed separately and totaled)

2. Safety Related Expenditures

For each safety related activity, provide the following data:

- A description of each activity (subject matter, delivery method, material **provided**, how it relates to safety, etc.)
- Number and description of persons (*e.g.*, fleet customer, residential customer, **noncore** customer, etc.) to whom safety information delivered
- Number of staff persons involved in each **activity** and time spent on each
- To the **Energy Division** care **of Energy Division Director** submit two copies of all **material**, including but not limited to safety instructions, flyers,

brochures, posters, program announcements, newsletters, website posting, websites, etc. (**NOTE:** Websites and website postings need not be printed and sent to ED, but please provide list of URLs and brief description of each website and web posting)

- Quantity produced of each piece of **material**
- Method(s) of distribution and approximate **quantities** distributed by each method
- Expenditures on each activity and totaled

3. Reliability Related Expenditures

For each reliability related activity, provide the following data:

- A description of each activity (**subject** matter, description of how activity relates to reliability of electric or gas system, materials developed or obtained, etc.)
- Number of staff persons involved in each activity and time spent on each
- To the **Energy Division** care of **Energy Division Director** submit two copies of all materials developed or **obtained**, including but not limited to studies or analyses of impact of new LEV technology on load, grid or reliability
- Expenditures on each **activity** and totaled

4. Expenditures for Activity Leading to Less Costly Gas or Electric Service

For each activity that will lead to less costly gas or electric service, provide the following data:

- A description of each activity (subject matter, delivery method, material provided, how it will lead to less costly gas or electric service, etc.)
- Number of staff persons involved in each activity and time spent on each
- To the **Energy Division** care of **Energy Division Director** submit two copies of all materials developed or obtained, including but not limited to studies or analyses of how program activity will reduce rates

- Expenditures on each activity and totaled

5. Other Expenditures

- A description of accomplishments not captured within the foregoing section and how they relate to safer, more reliable, or less costly gas or electrical service.

- A description of each activity (subject matter, delivery method, material provided, how it will accomplish Commission-articulated goals for ratepayer-funded IOU LEV programs, etc.)

- Number of staff persons involved in each activity and time spent on each

- To the **Energy Division** care of **Energy Division Director** submit two copies of all materials developed or obtained, including but not limited to studies or analyses of how program activity will accomplish Commission-articulated goals for ratepayer-funded LEV programs, etc.

- Expenditures on each activity and totaled

Section III. Additional Items

Please use this section to report issues, information and data not included in the main body of the report, but deemed relevant and important by the program implementer. You may organize this section as you see fit.