PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ID#4770

ENERGY DIVISION **RESOLUTION E-3944**

July 21, 2005

R E S O L U T I O N

Resolution E-3944. Pacific Gas & Electric Company requests approval for recovery of its October 31, 2004 Self-Generation Incentive Program cost balance and September 30, 2004 Demand Responsiveness Program cost balance through 2005 electric rates.

By Advice Letter 2580-E Filed on November 5, 2004.

SUMMARY

This resolution approves PG&E's request for recovery of its 2004 Self-Generation Incentive Program (SGIP) and Demand Responsiveness Program (DRP) costs of $35,649,692 and $475,000 respectively. This cost recovery will be attained through 2005 electric rates.
Pacific Gas and Electric Company (PG&E) filed Advice Letter (AL) 2580-E on November 5, 2004, requesting Commission review and approval of the October 31, 2004 Self-Generation Incentive Program cost balance and September 30, 2004 Demand Responsiveness Program cost balance. These costs are tracked in PG&E's electric Self-Generation Program Memorandum Account (SGPMA) and electric Demand Responsiveness Program Memorandum Account (DRPMA). Approval of AL 2580-E allows PG&E to recover these program costs recorded through October 31, 2004 for its SGPMA and through September 30, 2004 for its DRPMA.

PG&E provided a verifiable justification for its cost recovery claims.
PG&E provided a sufficient justification for its cost recovery claims through its SGIP monthly progress reports and a DRP summary report detailing all of program activities and cost information associated with the DRP's California Energy Connection Web Site Pilot, in compliance with D.01-03-073. The publicly filed reports substantiate the cost claims included in PG&E's AL 2580-E.

AL 2580-E is approved effective today.
PG&E requests that approval of AL 2580-E be effective on July 21, 2005. AL 2580-E was not protested. This resolution approves AL 2580-E effective today.

BACKGROUND

The Self-Generation Incentive Program (SGIP) provides incentive payments to qualifying distributed generation projects in compliance with Assembly Bill (AB) 970.
The SGIP was implemented by the California Public Utilities Commission (the Commission) as required under AB 970 (Public Utilities Code 199.15(b)). AB 970 directed the Commission to provide "differential incentives for renewable or super clean distributed generation." Since 2001, the SGIP has

paid or reserved rebates up to $581 million for renewable and clean projects totaling 318 MW.[1] Current SGIP rebates are paid as dollars per watt incentive amounts. The Commission originally authorized funding for SGIP until December 31, 2004. AB 1685 extended the SGIP until January 1, 2008.

PG&E reports that it has spent a total of $35,649,692 in 2004 on the SGIP costs through October 31, 2004.

The DRP's California Energy Connection Web Site Pilot was created to comply with the Demand Responsiveness requirements of AB 970.

The California Energy Connection Web Site Pilot was authorized by the Commission in compliance with AB 970 as one of the program initiatives designed to promote energy conservation and to reduce demand for electricity. More specifically the California Energy Connection Web Site was designed to provide customers with information about electric consumption and cost, such as historical energy bill information, representative energy usage, cost information for common appliances, and tariff options. The program was intended to target approximately 10,000 to 15,000 customers, specifically: 1) residential customers with monthly consumption of more than 250 kWh, 2) residential customers known to have swimming pools, 3) homes and small businesses in San Francisco peninsula or in Silicon Valley, and/or 4) rural residences and small businesses.

Commission Decision (D.)01-03-073 designated PG&E as the program administrator and required PG&E to hire independent consultants for the web design and program evaluation. PG&E hired the services of EVERSE for the web design and Quantum Consulting for the program evaluation. Two evaluations of the web site were conducted by Quantum in 2003 and 2004, which focused on evaluating the web site usability and its effectiveness in helping customers save energy. These two reports have been provided to the Energy Division.

PG&E reports that it has spent a total of $8,729,707 on the California Connection Web site pilot program over a four year period: $1,617,661 in 2001, $2,951,561 in 2002, $3,685,485 in 2003 and $475,000 in 2004 through the month of September.

The Commission provided guidance to the utilities regarding cost recovery for program costs for SGIP and the DRP's California Energy Connection web site.

D.01-03-073, authorized funding for PG&E's self-generation and demand responsiveness programs of $240 million and $12 million respectively. This funding covered the four year period ending December 31, 2004. D.01-03-073 required PG&E to allocate SGIP costs between gas and electric customers based on the current allocation of energy efficiency programs between those customers. The 2004 allocation for energy efficiency programs was 89.4 percent for electric and 10.6 percent for gas.[2] D.02-02-026 clarified that the utilities were to create memorandum accounts in order to track program costs for future cost recovery. D.02-02-026 also directed the utilities to revise their demand responsiveness and

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1. [1] "Joint Staff Recommendations to Implement Governor Schwarzenegger's One Million Solar Roof Program", June 9, 2005, CEC/CPUC, p 7.

2. [2]

self-generation program memorandum accounts to specify the amounts recorded not exceed the total funding authorized in D.01-03-073 for these programs over the four-year period and specified that unused program funds shall carry over from one year to the next.

NOTICE

Notice of AL 2580-E was made by publication on the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

There were no protests to this advice letter.

DISCUSSION

PG&E filed a Biennial Cost Allocation Proceeding Application (BCAP) which included intent to recover a portion of SGIP costs through gas ratepayers in compliance with D.01-03-073.
Periodically, the utilities file a BCAP in which the Commission assigns gas costs to different customer classes and establishes transportation rates. Procurement rates for gas commodity, and other unbundled services are set monthly through advice letter filings.

PG&E filed a BCAP application on July 30, 2004. The application requests authorization to revise PG&E's tariffs and gas rates to address transportation rates associated with distribution-level base revenue and customer class charges for a two year period beginning July 1, 2005. Included in PG&E's BCAP application was a request to recover approximately 11% in SGIP expenses through a rate adjustment to PG&E's gas customers in compliance with D.01-03-073. D.01-03-073 requires the utility SGIP administrators to allocate costs for the SGIP to both gas and electric ratepayers "to reflect the public benefits (e.g., environmental) that will accrue to gas ratepayers as well."[3]

The Commission approved PG&E's BCAP on June 30, 2005 leaving only the portion of the October 31, 2004 SGIP cost balance to be recovered in 2005 rates from PG&E's electric customers.

PG&E satisfactorily justified October 31, 2004 SGIP cost balances. The Commission approves recovery of these costs in 2005 rates from PG&E's electric customers.
PG&E files monthly SGIP progress reports detailing the type, number, and amount of SGIP incentives. These reports are publicly posted on PG&E's SGIP website. Energy Division (ED) compared the data in these reports to PG&E's electric cost recovery claim for SGIP and found the numbers in PG&E's claim to be justifiable.

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3. [3] "Interim Opinion: Implementation of Public Utilities Code Section 399.15(b), Paragraphs 4-7; Load Control and Distribute Generation Initiatives", July 12, 2001, California Public Utilities Commission, p 13.

Due to the SGIP's miminum system size requirements of 30 kW, program applicants are almost completely commercial and industrial customers. Residential customers do not typically install units of this size. However D.01-03-073 directed that all utility customers (both gas and electric) obtain environmental benefits from SGIP and should share the cost associated with the program.

PG&E proposes an equal-cents-per-therm allocation for all retail customers as the method of recovering the gas share of the allocated SGIP expenses.

ED has reviewed PG&E's request to recover, in 2005 electric rates, its October 31, 2004 SGIP program cost balance of $35,649,692 and recommends approval of this request.

PG&E recommended terminating the California Connection Website Pilot because the information is redundant with the information PG&E currently provides through its current Web site (pge.com) and the pilot also had very low customer participation

On September 7, 2004, PG&E notified Energy Division of its intent to discontinue the California Energy Connection Web site pilot at the end of 2004. The primary reasons for reaching this decision are: 1) the program is redundant with the existing pge.com Web site which contains the same energy analysis tools and energy efficiency content; 2) low usage of the web site, approximately 25 customers accessed the web site between January through November 2004, down from 874 customers in 2003; 3) customers surveys indicate that customers find PG&E a credible source of the information provided via the California Energy Connection Web site.

PG&E has provided the necessary evidence to demonstrate that they have complied with the directive given in D.01-03-073 for cost recovery of its 2004 DRP balance.

On June 29, 2005, PG&E provided Energy Division with a summary report detailing all of program activities and cost information associated with the California Energy Connection Web site, and its compliance with D.01-03-073. Energy Division has reviewed the report and finds that PG&E has complied with the directive given in D.01-03-073.

ED has reviewed PG&E's request to recover in 2005 electric rates the 2004 DRPMA balance of $475,000 associated with California Energy Connection Web site and recommends approval of this request, given that the Commission directed PG&E to implement the California Connection Web Site pilot program with authorized program funding. PG&E's program expenditures are within the funding authorized in D.01-03-073. Energy Division has also reviewed PG&E's June 29, 2005 implementation and compliance report associated with the California Connection Web site and has determined that PG&E has complied with the directive given in D.01-03-073.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section

311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding:

> The 30-day period may be reduced or waived in an unforeseen emergency situation, upon the stipulation of all parties in the proceeding, for an uncontested matter in which the decision grants the relief requested, or for an order seeking temporary injunctive relief.

All parties in the proceeding have stipulated to reduce the 30-day waiting period required by PU Code section 31l(g)(1) to 16 days. Accordingly, this matter will be placed on the first Commission's agenda six days following the mailing of this draft resolution. By stipulation of all parties, comments shall be filed no later than 13 days following the mailing of this draft resolution. No reply comments will be filed.

FINDINGS

1. Commission Decision (D.)01-03-073 directed the electric utilities to implement and administrate the Self-Generation Incentive Program (SGIP) and Demand Response Program (DR) as required under AB 970.

2. D.01-03-073 authorized funding for SGIP and DRP of $240 million and $12 million respectively.

3. D.01-03-073 directed the utility program administrators to allocate SGIP program costs among electric and gas customers based on the allocation of energy efficiency programs.

4. D.02-02-026 clarified that the utility program administrators for SGIP and DRP should create memorandum accounts to track program costs for future cost recovery through the advice letter process.

5. The Commission approved PG&E's Biennial Cost Allocation Applicaton (A.)04-07-044 including the portion of the October 31, 2004 SGIP cost balance allocated to PG&E's gas customers on June 30, 2005.

6. PG&E filed Advice Letter 2580-E on November 5, 2004, requesting approval for recovery for its October 31, 2004 SGIP cost balances and September 30, 2004 DRP program cost balances through 2005 electric rates.

7. PG&E's adequately justified October 31, 2004 program cost balances for SGIP and Septermber 30 DRP cost balances of $35,649,692 and $475,000, respectively in AL 2580-E.

8. AL 2580-E was not protested.

9. AL 2580-E should be approved effective today.

THEREFORE IT IS ORDERED THAT:

1. The request of the Pacific Gas and Electric Company to recover its October 31, 2004 program cost balances for the Self-Generation Incentive Program and September 30, 2004 Demand Response Program cost balances, in 2005 electric rates, as requested in Advice Letter AL 2580-E, is approved.

2. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on July 21, 2005; the following Commissioners voting favorably thereon:

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STEVE LARSON
Executive Director

ID#4770
July 5, 2005 RESOLUTION E-3944

Commission Meeting July 21, 2005

TO: PARTIES TO PG&E ADVICE LETTER NO E-2580

Enclosed is draft Resolution Number E-3944 of the Energy Division. It will be on the agenda at the next Commission meeting, which will be held at least 16 days after the date of this letter. The Commission may then vote on this Resolution or it may postpone a vote until later.

When the Commission votes on a draft Resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

Parties may submit comments on the draft Resolution.

An original and two copies of the comments, with a certificate of service, should be submitted to:

Jerry Royer
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

A copy of the comments should be submitted to:

Lisa Paulo
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Fax: 415-703-2200

Any comments on the draft Resolution must be received by the Energy Division by July 18, 2005. Those submitting comments must serve a copy of their comments on 1) the entire service list attached to the draft Resolution, 2) all Commissioners, and 3) the Director of the Energy Division, on the same date that the comments are submitted to the Energy Division.

Comments shall be limited to five pages in length plus a subject index listing the recommended changes to the draft Resolution, a table of authorities and an appendix setting forth the proposed findings and ordering paragraphs.

Comments shall focus on factual, legal or technical errors in the proposed draft Resolution. Comments that merely reargue positions taken in the advice letter or protests will be accorded no weight and are not to be submitted.

Late submitted comments will not be considered.

There will be not reply comments to this draft Resolution.

Bruce Kaneshiro, Program & Project Supervisor
Energy Division

Enclosure: Service List
Certificate of Service

CERTIFICATE OF SERVICE

I certify that I have by mail this day served an electronic copy of Draft Resolution E-3944 on all parties in these filings or their attorneys as shown on the attached list.

Dated July 5, 2005 at San Francisco, California.

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Bruce Kaneshiro

NOTICE

Parties should notify the Energy Division, Public Utilities Commission, 505 Van Ness Avenue, Room 4002 San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the Resolution number on the service list on which your name appears.

Service List for Resolution E-3944

Pacific Gas and Electric Company
ATTN: Brian Cherry / Dir. Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
PGETariffs@pge.com