

Decision 06-09-038 September 21,2 006

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Annual Earnings Assessment Proceeding (AEAP) Application of Pacific Gas and Electric Company Submitting Annual Reports on 2004 Energy Efficiency and Low Income Energy Efficiency Programs; Reporting on Measurement and Evaluation Result; and Reporting on Incremental Costs for the Interruptible Load Programs. (U 39 M)

Application 05-05-001
(Filed May 2, 2005)

In the Matter of the Annual Earnings Assessment Proceeding (AEAP) Application of San Diego Gas & Electric Company Submitting Annual Reports on 2004 Energy Efficiency and Low Income Energy Efficiency Programs; Reporting on Measurement and Evaluation Results; and Reporting on Incremental Costs for the Demand Response Programs. (U 902 M)

Application 05-05-003
(Filed May 2, 2005)

In the Matter of the Annual Earnings Assessment Proceeding (AEAP) Application of Southern California Gas Company Submitting Annual Reports on 2004 Energy Efficiency and Low Income Energy Efficiency Programs; Reporting on Measurement and Evaluation Results; and Reporting on Incremental Costs for the Demand Response Programs. (U 904 G)

Application 05-05-004
(Filed May 2, 2005)

In the Matter of the Application of Southern California Edison Company for Approval of Pre-1998 Demand Side Management Earnings and in support of 2004 Energy Efficiency Program Performance Achievements.

Application 05-05-005
(Filed May 2, 2005)

Application of Pacific Gas and Electric Company for Review of Incremental Costs for the Interruptible Load Programs and Providing Notice of Availability of the Annual Reports on 2005 Energy Efficiency and Low Income Energy Efficiency Programs; and Measurement and Evaluation Results.

Application 06-05-016
(Filed May 1, 2006)

OPINION ADDRESSING 2005 and 2006 ANNUAL EARNING ASSESSMENT PROCEEDINGS

I. Summary

By this decision, we consolidate Pacific Gas and Electric Company's (PG&E's) 2005 and 2006 Annual Earnings Assessment Proceeding (AEAP) applications into a single proceeding in which we will review issues related to the reasonableness of balances in PG&E's Interruptible Load Program Memorandum Account (ILPMA). We also close the 2005 AEAP applications of Southern California Edison Company (SCE), Southern California Gas Company (SoCalGas), and San Diego Gas & Electric Company (SDG&E), because no issues remain for the Commission to resolve in these proceedings.

II. Background

By Decision (D.) 93-05-063, the Commission established the AEAP as the forum for evaluating earnings claims for utility energy efficiency (EE) and

low income energy efficiency (LIEE) programs. The Commission also designated the AEAP as the proceeding for the utilities to submit annual reports on EE and LIEE accomplishments, and measurement and evaluation activities.¹ By D.93-05-063, the Commission directed the utilities to file AEAP applications beginning on the first working day in May of 1994 and annually thereafter. Later, by D.01-07-029, the Commission identified the AEAP as the forum for the review of utility administrative costs associated with utility interruptible load and rotating outages programs.² These costs are booked into utilities' ILPMAs.³

III. Procedural History

A. 1994 – 2004 AEAPs

Consistent with the above decisions, PG&E, SCE, SDG&E, and SoCalGas filed annual AEAP applications between 1994 and 1999. The Commission reviewed these filings in a timely manner and approved the requested shareholder incentives. However, review of the 2000, 2001, 2002, 2003, and 2004 AEAP applications was delayed due to several reasons, including the energy crisis and the Commission's reconsideration of the shareholder incentive mechanism. During this period, the Commission issued several decisions which directly impacted the then-pending and future AEAP filings. These are listed below:

¹ See "Protocols and Procedures for the Verification of Costs, Benefits, and Shareholder Earnings from Demand-Side Management Programs" (M&E) Protocols.

² Ordering Paragraph 3 of D.01-07-029.

³ SDG&E uses the "Interruptible Load and Rotating Outages Program Memorandum Account" (ILROPMA) rather than ILPMA, but for ease of reference, we use ILPMA for all utilities in this decision.

- D.04-07-022 authorized SCE to collect interruptible load program and rotating outages-related costs through base rates and directed SCE to cease recording those costs in its ILPMA as of May 22, 2003.
- D.04-12-015 authorized SDG&E to collect through rates and authorized ratemaking accounting, Test Year Base Margin (O&M) costs for these programs.
- The Office of Ratepayer Advocates (ORA)⁴ entered into Settlement Agreements with PG&E, SDG&, SoCalGas, and SCE that resolved not only the earnings claims for the above pending AEAP applications, but all such claims in future AEAP proceedings through 2010.⁵ The Commission adopted the Settlement Agreements in D.05-10-041 and closed the 2000, 2001, 2002, 2003, and 2004 consolidated AEAP proceedings.

B. 2005 and 2006 AEAPs

The procedural history for the 2005 and 2006 AEAP applications which are the subject of this decision, is presented below:

- On April 20, 2005, the Executive Director of the Commission issued a letter granting PG&E, SDG&E, and SoCalGas' requests to defer the shareholder incentive claim portions of their 2005 AEAP applications until 30 days after the Commission has acted on their pending settlements with ORA which would resolve the above claims.
- On May 2, 2005, PG&E, SDG&E, SoCalGas, and SCE filed their annual AEAP applications.⁶ In these applications:

⁴ ORA is now the Division of Ratepayer Advocates (DRA).

⁵ These claims arise from the 1994 through 1997 programs, but recovery of these claims occurs in future AEAP proceedings.

⁶ Application (A.) 05-05-001, A.05-05-003, A.05-05-004, and A.05-05-005 respectively.

- * PG&E, SDG&E and SoCalGas filed annual reports on their 2004 energy efficiency accomplishments, 2004 LIEE accomplishments, and activities in support of the pre-1998 demand side management (DSM) programs. These utilities did not file claims for shareholder incentives pursuant to the direction of the Commission's Executive Director's letter mentioned above.
- * PG&E requested to recover \$1,133,567 in its memorandum accounts for Interruptible Load and non-firm programs.
- * SDG&E requested to recover \$47,399 associated with its demand response programs.
- * SCE requested \$2.151 million for its shareholder earnings claims related to the 1995 DSM programs.
- On May 5, 2006, PG&E filed its 2006 AEAP application (A.06-05-016) requesting recovery of \$1,707,071 in its ILPMA. PG&E also submitted four reports on EE and LIEE as required by the Measurement & Evaluation (M&E) Protocols and the Settlement Agreement approved in D.05-10-041.
- By a letter dated May 16, 2006, PG&E amended its 2006 AEAP application to conform to the procedural requirement of Resolution ALJ-190, issued April 17, 2006, and to adjust the costs included in the ILPMA to \$1,627,413.
- By a letter to the ALJ on June 30, 2006, SDG&E gave notice that it was withdrawing its request for recovery of \$47,399 associated with demand response programs in A.05-05-003. SDG&E presented the breakdown of its request and the reasons for withdrawal as follows:
 - * \$24,338 of the requested amount is in interest, which is recoverable from Rewards and Penalties Balancing Account according to D.05-09-052, and
 - * \$23,061 of the requested amount is for program expenditures, which SDG&E states it is authorized to

transfer to its Advanced Metering and Demand Response Memorandum Account (AMDRMA) according to D.06-03-024 and Advice Letter 1783-E-A.⁷

- No response to SDG&E's letter was received.
- On July 14, 2006, SCE filed a motion to dismiss its 2005 AEAP application because all claims and issues associated with SCE's 2005 AEAP application were part of its Settlement Agreement with ORA that was adopted in D.05-10-041. No response was received.
- No protest was filed to any of the utilities' 2005 or 2006 applications.

IV. Discussion

In AEAP proceedings, we review utility claims for EE shareholder earnings and load management costs. These claims are addressed separately in the following sections.

A. Shareholder Incentive Claims

No shareholder earnings claims remain for the Commission to consider in the utilities' 2005 and 2006 AEAP applications.

As noted above, the Settlement Agreements adopted by the Commission resolved shareholder incentive claims for program years covered in 2005 and 2006 AEAPs. However, at the time the 2005 AEAP applications were due, the Settlement Agreements were still under consideration by the Commission. While PG&E, SDG&E and SoCalGas requested relief from filing their 2005 AEAP applications until the Settlements were acted on by the Commission, SCE did not seek such a relief and filed its 2005 AEAP application

⁷ Advice Letter 1783-E-A revised SDG&E's AMDRMA and eliminated ILPMA, effective April 30, 2006.

as scheduled. SCE has since filed a motion to dismiss its 2005 AEAP application because its Settlement Agreement as adopted in D.05-10-041, resolved all outstanding issues in its 2005 AEAP application. SCE has no other claims in its 2005 AEAP application, therefore, no outstanding issues remains in that application. SCE's motion to dismiss its 2005 AEAP application is reasonable and should be granted.

**B. Interruptible Load Program
Memorandum Account claims**

Amounts booked to utilities' ILPMAs are subject to reasonableness review and audit by the Commission. The Commission directed the reasonableness review in D.01-07-029 and audits for 2001 through 2003 in D.03-08-028. In D.05-09-039, the Commission also required the 2005 and 2006 audits for PG&E and SDG&E.

PG&E is requesting recovery of \$1,133,567 for administrative costs booked to its ILPMA in its 2005 AEAP application, and \$1,707,071 in such costs in its 2006 application. Commission staff is conducting audits of these claims consistent with Commission decisions. Because the only remaining issues in PG&E's 2005 and 2006 AEAP applications are PG&E's ILPMA claims, and because these requests raise similar issues, it is reasonable to consolidate the two proceedings to address the results of the audits.

Initially, SDG&E had sought recovery of \$47,399 for ILPMA costs in its 2005 AEAP application, but withdrew its request by a letter dated June 30, 2006. The SDG&E letter states that \$24,338 of that amount is interest and recoverable from its Rewards and Penalties Balancing Account pursuant to D.05-09-052, and \$23,061 of the requested amount is Net program Expenditure amounts which, as

of April 30, 2006, is transferable to its Advanced Metering And Demand Response Memorandum Account.⁸ We treat SDG&E's letter seeking to withdraw its application as a motion, because where SDG&E has already filed an application with us, it is better practice to formally seek our approval to withdraw the filing. No reply was received to SDG&E's letter. We agree with SDG&E's explanation for treatment of balances in its ILPMA and therefore grant SDG&E's motion to withdraw its 2005 AEAP application.

SoCalGas has no ILPMA claim in its 2005 AEAP.

Because there are no remaining issues in SDG&E's, SoCalGas', and SCE's 2005 AEAP applications, these applications should be closed.

V. Categorization and Need for Hearings

In Resolution ALJ 176-3153, dated May 26, 2005, the Commission preliminary categorized A.05-05-01, A.05-05-003, A.05-05-004, and A.05-05-005 as ratesetting, and preliminarily determined that hearings were not necessary. In Resolution ALJ 176-3173, dated May 25, 2006, the Commission preliminary categorized A.06-05-016 as ratesetting, and preliminarily determined that hearings were not necessary. No party has filed a response to these applications. Given this status, an evidentiary hearing is not necessary and the preliminary determinations made in Resolution ALJ 176-3153 and Resolution ALJ 176-3173 with regard to categorization and hearings are affirmed.

VI. Waiver of Comments

This an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311 (g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

⁸ See SDG&E's Advice Letter 1783-E, approved by the Energy Division on May 3, 2006.

VII. Assignment of Proceeding

Michael R. Peevey is the Assigned Commissioner and Maryam Ebke is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The Settlement Agreement between ORA and SCE adopted in D.05-10-041, settled all outstanding earning issues in SCE's 2005 AEAP Application.
2. No issues remain to be resolved in SCE's 2005 AEAP application.
3. PG&E's 2005 and 2006 AEAP applications raise similar issues related to recovery of costs booked into ILPMAs.
4. D.05-09-052 authorized SDG&E's Rewards and Penalties Balancing Account as the account in which SDG&E would include balances from its ILPMA for recovery.
5. D.06-03-024 authorized SDG&E to transfer any expense amounts associated with its demand response programs from ILPMA to its AMDRMA. Accordingly, Advice Letter 1783-E-A revised the AMDRMA and eliminated the ILPMA.
6. SoCalGas has no claims in its 2005 AEAP.

Conclusions of Law

1. All five applications should be categorized as ratesetting and evidentiary hearings are not necessary.
2. SCE's motion to dismiss its 2005 AEAP application for recovery of shareholder claims should be granted.
3. SDG&E's request to withdraw its 2005 AEAP application should be granted.

4. PG&E's A.05-05-001 and A.06-05-016 should be consolidated. This consolidated proceeding will address the results of the audits of the administrative costs of ILPMAs.

5. A.05-05-005, A.05-05-003, and A.05-05-004 should be closed.

6. This order should be effective today.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company's motion to dismiss Application (A.) 05-05-005, its 2005 Annual Earnings Assessment Proceeding (AEAP) application, is granted.

2. San Diego Gas & Electric Company's request to withdraw A.05-05-003, its 2005 AEAP application, is granted.

3. A.05-05-001 and A.06-05-016 are consolidated and will address additional issues related to the reasonableness and the audit of Pacific Gas and Electric Company's Interruptible Load Program Memorandum Account.

4. A.05-05-003, A.05-05-004, and A.05-05-005 are closed.

This order is effective today.

Dated September 21, 2006, at San Francisco, California.

MICHAEL R. PEEVEY
President
GEOFFREY F. BROWN
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
Commissioners