

Decision 07-10-016

October 4, 2007

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Pacific Gas and Electric Company (U 39-E), for approval of the 2006 – 2008 Energy Efficiency Programs and Budget.	Application 05-06-004 (Filed June 1, 2005)
Southern California Gas Company (U 904-G), for approval of Natural Gas Energy Efficiency Programs and Budgets for Years 2006 through 2008.	Application 05-06-011 (Filed June 1, 2005)
Southern California Edison Company (U 338-E), for approval of its 2006 – 2008 Energy Efficiency Program Plans and associated Public Goods Charge and Procurement Funding Requests.	Application 05-06-015 (Filed June 2, 2005)
San Diego Gas & Electric Company (U 902-E), for approval of Electric and Natural Gas Energy Efficiency Programs and Budgets for Years 2006 through 2008.	Application 05-06-016 (Filed June 2, 2005)

**ORDER MODIFYING DECISION (D.) 06-12-013,
AND DENYING REHEARING OF THE DECISION, AS MODIFIED**

In Decision (D.) 06-12-013 we modified D.05-09-043 and authorized Southern California Edison Company (“Edison”) to record up to \$14 million in its Procurement Energy Efficiency Balancing Account (“PEEBA”) from existing unspent, uncommitted energy efficiency monies to fund “Palm Desert Project” expenditures during the 2006-2008 Energy Efficiency program cycle. In addition to authorizing Edison to promote energy efficiency by promoting education, outreach, and direct

incentives for some energy efficiency measures, we authorized Edison to fund thermal energy storage (“TES”) measures within the Palm Desert Project on a non-precedential, pilot basis.

On January 16, 2007 TURN and DRA (“rehearing applicants”) jointly filed an application for rehearing of D.06-12-013. The rehearing application seeks clarification or rehearing on the limited issue of D.06-12-013’s treatment of TES. The rehearing applicants allege that “D.06-12-013 is silent regarding whether the TES Pilot may be considered part of [Edison’s] 2006-2008 energy efficiency portfolio for purposes of determining whether Edison met its energy efficiency goals and calculating an energy efficiency shareholder incentives award” (Rehrg. Application, p.2.) Rehearing Applicants further assert that to the extent the Commission intended to authorize Edison to include impacts from TES in its energy efficiency portfolio, D.06-12-013 would violate California Public Utilities code sections 1705 and 1757 because such a decision would be wholly unsupported by the findings and evidence in the proceeding. (Rehrg. Application, pp. 1-2.)

Edison responded to the application for rehearing. It argues that D.06-12-013 was based on a full and complete evidentiary record and asserts that D.06-12-013 makes clear that energy savings from TES will count towards its energy efficiency goals and shareholder incentives. Edison thus opposes the rehearing application.

We have review each and every allegation raised in the application for rehearing, and believe good cause does not exist for the granting of a rehearing. However, we will modify D.06-12-013 to clarify our determination regarding whether energy savings from TES will count towards energy efficiency goals and shareholder incentives. With this modification, we deny the application for rehearing of D.06-12-013, as modified.

DISCUSSION:**A. D.06-12-013 Does Not Authorize TES Related to the Palm Desert Pilot Project to be Counted Toward Edison's Energy Efficiency Goals and Shareholder Incentives.**

In D.04-09-060 we established Edison's energy efficiency goals. In particular, D.04-09-060 provides "explicit, numerical goals for electricity and natural gas savings for the four largest investor-owned utilities...." (Rulemaking to Examine the Commission's Future Energy Efficiency Policies, Administration and Programs ("Energy Efficiency OIR") [D.04-09-060], p. 2 (slip op.) (2004) ___ Cal.P.U.C.3d ____.) There is nothing in D.04-09-060 suggesting that we contemplated the inclusion of TES towards these goals. On the contrary, allowing Edison to count savings from TES toward its energy efficiency goals appears to conflict with D.04-09-060. TES is a load management strategy since it permanently shifts load from peak to off-peak periods. As we noted in D.06-12-013, "...as a load-shifting technology, TES currently is precluded as an energy efficiency measure via SPM definition in the Energy Efficiency Policy Manual." (Order Approving Southern California Edison Company Petition for Modification of Decision 05-09-043 [D.06-12-013], p. 18 (slip op.) (2006) ___ Cal.P.U.C.3d ____.) Rather than load management strategies, D.04-09-060 specifically directs that "[e]lectric and natural gas savings from energy efficiency programs funded by ratepayers through the public goods charge (PGC) and procurement rates will contribute to these goals... ." (Energy Efficiency OIR [D.04-09-060], supra, at p.2 (slip op.)) As rehearing applicants correctly note, this Commission has repeatedly distinguished between energy efficiency activities and load management programs, particularly when considering whether utilities should earn shareholder incentives. (Rehrg. Application, p. 4, citing among other decisions: Re Rules and Procedures Governing Utility Demand-side Management [D.93-11-017] (1993) 52 Cal.P.U.C.2d 47, Attachment 1, Re Rules and Procedures Governing Utility Demand-side Management [D.94-10-059] (1994) 57 Cal.P.U.C.3d 1, 12, and Re Pacific Gas and Electric Company [D.97-12-103] (1997) 78 Cal.P.U.C.3d 1, 4.)

Rehearing applicants go on to point out that we specifically omitted the potential for energy savings from customers who might install TES from the energy efficiency goals adopted in D.04-09-040. As rehearing applicants note, we found in D.04-09-060:

Savings achieved by customers not included in the calculation of savings potential should be removed from the calculation of savings accomplishments, in order to ensure consistency when evaluating whether the goals are met. (Energy Efficiency OIR [D.04-09-060], supra, at 46 (slip op).)

Including TES from the nonprecedential Palm Desert Project program in Edison's energy efficiency goals would frustrate D.04-09-060's efforts to ensure consistency in evaluating whether the goals are being met.

B. Rehearing Applicants Allege Error Where None Exists.

Rehearing Applicants claim that "D.06-12-013 errs in its treatment of TES by violating Public Utilities Code sections 1705 and 1757... ." (Rehrg. Application, p. 4.) Specifically, rehearing applicants argue that, "the Commission has failed to sufficiently support its conclusion that TES should be implemented in the Palm Desert project, to the extent that the impacts of the TES pilot will be evaluated as part of [Edison's] 2006-2008 energy efficiency portfolio." (Rehrg. Application, p.6, emphasis in original.) Given that this Commission has not deviated from its previous determinations regarding TES, the Rehearing Applicants' claim has no merit.

However, in its response to the rehearing application, Edison asserts that "the decision is clear that energy savings from Thermal Energy Storage projects will count towards the Energy Efficiency Goals and shareholder incentives." (Edison's Response to Rehrg. Application. p. 5.) Edison is wrong.

Edison argues that D.06-12-013's acknowledgement that it "... has shown that significant peak reductions may be possible in Palm Desert under a TES pilot" and authorization to "conduct a pilot program with potentially beneficial results" support its position and establish that the Commission's inclusion of TES was focused on achieving

energy savings. (Edison’s Response to Rehrgr. Application. p. 5, citing D.06-12-013, pp. 18-19.) Edison’s reliance on these statements is misplaced. In D.06-12-013, we specifically noted that: “... [W]e have not evaluated [the Edison] proposed Project as a part of its overall energy efficiency proposal.” (D.06-12-013, p. 18.) Moreover, Edison’s prior statements contradict its current position. As noted in D.06-12-013, “[Edison] states that TES in the Project is not proposed as an energy savings measure.” (D.06-12-013, p. 19.)

Nonetheless, in light of Edison’s misreading, we will clarify D.06-12-013 so that the Decision is not construed as allowing energy savings from TES related to the Palm Dessert Pilot project to be counted toward Edison’s energy efficiency goals and shareholder incentives.

THEREFORE, IT IS ORDERED THAT:

1. For purposes of clarification, D.06-12-013 shall be modified as follows:
 - a. A footnote shall be added to the sentence on page 18, on line 10, that reads:

“On the other hand, we have not evaluated [the Edison] proposed Project as a part of its overall energy efficiency proposal.”
 - b. This footnote shall contain the following text:

“Accordingly, we do not intend that TES related to the Palm Dessert Pilot project should count toward SCE’s energy efficiency goals and/or shareholder incentives.”
2. Rehearing of D.06-12-013, as modified, is hereby denied.

3. This proceeding is closed.
This order is effective today.

Dated October 4, 2007, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners