

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



April 28, 2006

**Advice Letter 1769-E/1591-G**

Mr. J. Steve Rahon  
Director, Tariffs and Regulatory Accounts  
San Diego Gas and Electric Company  
8330 Century Park Court  
San Diego, CA 92123-1548

**Subject: 2006-2008 Energy Efficiency Compliance Filing**

Dear Mr. Rahon:

Advice Letter 1769-E/1591-G is effective March 3, 2006. A copy of Energy Division's disposition of the advice letter is included herewith for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director  
Energy Division

April 28, 2006

## **ENERGY DIVISION DISPOSITION OF SDG&E'S AL 1769-E/1591-G**

### **SUMMARY**

**In accordance with Rule 4.7 in Decision (D.) 05-01-032, dated January 13, 2005, Energy Division staff (Staff) prepares this Disposition approving Advice Letter 1769-E/1591-G.**

San Diego Gas & Electric Company (SDG&E) filed Advice Letter (AL) 1769-E/1591-G on February 1, 2006, to submit its final 2006-2008 Energy Efficiency Program Plans in compliance with Commission directive in D.05-09-043. Staff received and accepted several protests to the Advice Letter. Most of the protests objected to the cessation of the Cool Communities Shade Tree Program administered by the San Diego Regional Energy Office (SDREO). JACO Environmental (JACO) questioned the scoring of bids for the utility's Appliance Recycling Program. Women's Energy Matters (WEM) protested the Advice Letter, even though it did not review and analyze the filing, arguing that it contains uncorrected problems similar to Southern California Gas Company's (SCG) AL 3588-G and Southern California Edison Company's (SCE) AL 1955-E.

Staff suspended SDG&E's Advice Letter on February 23, 2006, in order to give SDG&E time to respond to protests and time for staff to consider these responses and other issues. Staff reviewed the protests, SDG&E's response to the issues raised in the protests, and information requested via data requests to both SDREO and SDG&E. Staff is sufficiently satisfied with SDG&E's responses to protests to approve this Advice Letter, thereby allowing the roll out of SDG&E's 2006-2008 portfolio of energy efficiency programs.

Staff also identified two issues in the Advice Letter that required clarification from the utility: benefits-costs calculations and impact on bills. In general, Staff is satisfied with the utility's clarifications. There remains a difference between Staff's and SDG&E's interpretation regarding the cost inputs to the Total Resource Cost (TRC) cost-effectiveness test following the formula in the Standard Practice Manual (SPM). SDG&E demonstrated to Staff that, under both interpretations of the TRC cost-effectiveness calculations, its 2006-2008 energy efficiency program portfolio is still cost effective.

SDG&E has satisfied the requirements of D.05-09-043; therefore, the suspension of SDG&E's AL 1769-E/1591-G is removed without prejudice. SDG&E's Compliance Filing Advice Letter 1769-E/1591-G is approved effective March 3, 2006, as SDG&E requested.

## **BACKGROUND**

**In D.05-09-043, the Commission adopted SDG&E's 2006-2008 energy efficiency program plans, effective January 1, 2006, on an interim basis, until the Commission approves the utility's final program plans which are to be submitted through a compliance filing and after the utility completes its competitive program bid solicitation process.**

Per D.05-09-043, Ordering Paragraph No. 7, "[t]he utilities shall submit compliance filings consistent with today's determinations. The compliance filings shall include:

- (a) The results of the competitive bid solicitations and the final program plans.
- (b) Calculations of portfolio cost-effectiveness based on the final program plans, including scenario analysis around key input assumptions as directed by this decision.
- (c) Projections of energy savings and demand reductions that will be achieved by the final portfolio plans, including the scenario analysis directed by this decision.
- (d) Additional program detail to reflect the statewide coordination plans, and a report on the status of the statewide coordination efforts described in this decision. These efforts shall be guided by the following policy goals:
  - (i) Ensure that all firms with a footprint or facilities in multiple service areas should have easy and consistent access to all statewide programs;
  - (ii) Develop consistent rebate levels and participant rules for products promoted in statewide programs for use in negotiating with manufacturers and suppliers;
  - (iii) Leverage private advertising dollars for more savings impact;

- (iv) Reinforce energy efficiency investments with positive statewide message; and
  - (v) Protect the utilities' abilities to reduce the competition among utility service territories or among programs within the same service territory
- (e) Estimates of the overall bill impacts expected from the portfolios, working with PRG members to develop a consistent estimating methodology across utilities.
- (f) The assessments of the utilities' Peer Review Groups (PRGs)"

SDG&E has completed its program solicitation and has developed its final 2006-2008 energy efficiency program plans. D.05-01-055, Ordering Paragraph No. 9, directed that "[I]f the Peer Review Group and IOU reach consensus in support of the proposed compliance plans, the IOU may file an advice letter." The SDG&E Peer Review Group (PRG) has reached consensus with SDG&E in its proposed compliance plans, and supports SDG&E's advice letter compliance filing. Thus, in accordance with D.05-01-055 and D.05-09-043, SDG&E submitted its compliance filing as AL 1769-E/1591-G.

## **NOTICE**

Notices of AL 1769-E/1591-G were made by publication on the Commission's Daily Calendar. SDG&E states that a copy of the advice letter was mailed and distributed in accordance with Section III-G of General Order 96-A. Notice of the suspension, effective February 23, 2006, was also made by publication on the Commission's Daily Calendar and notices sent out to protestants and SDG&E staff.

## **PROTESTS**

Staff received and accepted several protests to the Advice Letter that were filed on or before the expiration of the 20-day official protest period on February 21, 2006. Staff also received individual letters of protests past the February 21 due date objecting to similar issue as those letters received within the protest period. Staff suspended SDG&E's Advice Letter on February 23, 2006, in order to give SDG&E time to respond to protests and time for staff to consider these responses and other issues. SDG&E submitted responses to these protests on February 28, 2006.

**SDREO protested the Advice Letter based on its contention that SDG&E did not properly evaluate and process two of its program proposals – the Cool Communities Shade Trees (CCST) and Water Pumping Efficiency (WPE) programs. Various individuals also submitted letters protesting the cessation of SDREO’s CCST program.**

SDREO’s protest is based on the following contentions regarding the disqualification of two of its programs in SDG&E’s bid process:

- 1) *Grounds for rejecting SDREO’s CCST and WPE programs are invalid.* In sum, SDREO contends that it was informed by SDG&E that the WPE and CCST programs were rejected because of inadequate documentation to justify savings estimates. SDREO contends that it included all documents requested, cited current program savings and was unable to attach additional documents through the electronic filing (called Perfect Commerce) system.
- 2) *Proposal review process was not open and transparent/due process concerns.* SDREO’s claims are based on the fact that SDG&E rejected the CCST and WPE programs before these programs ever had a chance to be reviewed by the PRG. SDREO protests the lack of due process because these two programs were not submitted to the PRG and therefore received no PRG input. To SDREO, this action goes against the Commission’s intent for the PRG to serve as a check and balance to the utility.
- 3) *SDG&E’s scoring of its competitively bid programs for the 2006-2008 cycle was biased against existing third-party implementers.* SDREO notes that the PRG Report and SDG&E’s scoring criteria give the impression that the utility was only interested in new programs or new program implementers since most weight was given to “Innovation” and zero weight to bidder “Skills and Experience.” SDREO contends that continuing programs may not fall into a “new” category, but its CCST program for instance is a very innovative way to respond to state’s goals for energy savings, as well as Greenhouse Gas reductions.
- 4) *SDG&E’s communications have been poor, unresponsive and untimely.* SDREO contends that the communication between SDG&E and the third party implementers was poor and in some cases completely lacking. SDREO cited difficulties in registering for RFP participation at the very beginning

of the process; not receiving information on the status of its proposals, despite repeated attempts; and finally getting rejection letters on February 16, but without detailed explanations.

The following individuals also submitted letters of protest to the cessation of SDREO's CCST Program:

Assemblymember Juan Vargas, 79<sup>th</sup> District  
Assemblymember Lori Saldana, 76<sup>th</sup> District  
Marianne Green  
Paul G. Sorchy  
Linda Gianelli Pratt, Chief Office of Environmental Protection and Sustainability, City of San Diego Environmental Services Department  
Lisa Lind  
Laura LiMandri, People for Trees  
Heather Slauter, CJ Growers, Inc.  
Alexander Hempton  
Michael T. Meacham, Director of Conservation and Environmental Services, City of Chula Vista  
Ann Price  
Jon D. and Sharon F. Elshaug  
Troy Murphree  
John Melvin, Regional Field Specialist, Department of Forestry and Fire Protection\*  
Holly Duncan

Protests from the following individuals were received late after February 21, 2006. Staff reviewed these protests and did not find them to be substantively different than those received on or before February 21.

Councilmember Brian Maienschein  
David Rosenberger, U.S. Green Building Council  
Steven Lamprides, Webster Heights Community Development Corporation  
Isabel Haydon, Avnet San Diego

Protests from the following individuals were not received by Staff, but are included in SDG&E's response to protests, dated February 28, 2006.

Mayor Crystal Crawford, City of Del Mar  
Delia B. Juncal, City of Oceanside

Mayor Claude Lewis, City of Carlsbad  
Jennifer Crownover  
Martha Radatz

**In its February 28, 2006 response to the above protests, SDG&E contends that it evaluated all third party program proposals equally and fairly based on merit and stated goals.** SDG&E explained the various steps it undertook in its program evaluation process and that SDREO's two programs were rejected and not reviewed by the PRG because they lacked the required workpapers to justify their savings estimates. SDG&E notes that it included existing third party implementers from prior program years in its 2006-2008 portfolio and points out that the 80% non-competitively bid portion of its 2006-2008 portfolio includes two programs administered by SDREO and continued from the 2004-2005 program cycle – the Energy Resource Center and Local Government Energy Efficiency programs. In light of the strong interest and support for the CCST program, SDG&E committed to supporting a submittal from SDREO to the Commission requesting the extension of the 2004-2005 CCST program through the current program cycle using unspent funds.

**JACO protested the Advice Letter based on the claim of scoring errors on the part of SDG&E regarding its selection of another bidder (ARCA) over JACO to administer the Appliance Recycling program.** JACO requests that its bid be re-evaluated by SDG&E to be comparable with ARCA's bid either based on 1) the number of units recycled or 2) a comparable total program budget size.

**SDG&E responded to JACO's protest that it did not err in its scoring process and judged ARCA's program proposal to be superior to JACO's for several reasons.** In addition, SDG&E points out that although JACO's proposal suggested that SDG&E could scale its program, SDG&E's review process did not allow for this unless all bidders were given a chance to rescale their programs to maintain fairness. Furthermore, SDG&E notes that because [appliance recycling] is a targeted area, SDG&E is selecting only one proposal for implementation in its relatively small service territory compared to SCE and PG&E.

**WEM protested the Advice Letter, even though it did not review and analyze the filing, arguing that it contains uncorrected problems similar to Southern California Gas Company's (SCG) AL 3588-G and Southern California Edison Company's (SCE) AL 1955-E.**

WEM explained that it was not able to explore SDG&E's Advice Letter in the limited time allowed; however, it believes that the Advice Letter should also be rejected and subjected to further review, based on the utility-wide factors described in its protest to SCE's AL 1955-E and the likelihood that SDG&E's programs also have uncorrected problems similar to SCE's and SCG's advice letter filings.

**SDG&E argues that WEM's protest should be rejected because it did not demonstrate any basis for protesting the Advice Letter.**

### **DISCUSSION / OTHER ISSUES**

**Staff reviewed SDG&E's filing per D.05-09-043, Ordering Paragraph No. 7, and found the Advice Letter to be in compliance with the Decision.**

The Advice Letter includes results of the utility's competitive bid solicitations and the final program plans. SDG&E provided calculations of portfolio cost-effectiveness based on the final program plans, including scenario analysis around key input assumptions. Also as directed in the Decision, the utility provided projections of energy savings and demand reductions that will be achieved by the final portfolio plans, including the scenario analysis, and estimates of the overall bill impacts expected from the portfolios. Staff raised questions to the utility regarding its bill impact analysis, as discussed later in this section.

As for statewide coordination, SDG&E provided additional program detail and status updates regarding the utilities' statewide coordination efforts. In addition, there were several recommendations that the PRG made in its report pertaining to statewide coordination, and statewide marketing and outreach programs. To the extent possible, SDG&E and its PRG will collaboratively address these issues in the PRG quarterly meetings with the utility going forward. If needed, the Commission will address these and other issues as appropriate. And finally, as directed in the Decision, SDG&E included in its filing the PRG's assessment report.

**Staff reviewed the protests, SDG&E's response to the issues raised in the protests, and information requested via data requests to both SDREO and**

**SDG&E. Staff is sufficiently satisfied with SDG&E's responses to protests to approve this Advice Letter, thereby allowing the roll out of SDG&E's 2006-2008 portfolio of energy efficiency programs.**

As SDREO stated, it protested the Advice Letter primarily to seek restoration of its CCST and WPE programs for active consideration, and a review of SDG&E's selection process to ensure fairness and transparency. SDREO questioned SDG&E's scoring of the proposals as being biased against existing third party implementers. Staff notes, however, that in Decision 05-01-055 the Commission stated its intention to use the 20% competitively bid component of the utility's portfolio to support innovative ideas and proposals. Furthermore, the Commission approved SDG&E's scoring criteria in D.05-09-043. Staff therefore finds this particular issue in SDREO's protest to be without merit as it would require relitigating prior orders of the Commission in violation of Decision 05-01-032. No further action is needed on this point in the protest at this time.

SDG&E's February 28, 2006, response to protests speaks to other issues cited by SDREO, but not on the process and communication problems that SDREO encountered. In a data request sent on March 6, 2006, Staff requested that SDG&E respond to the points made by SDREO related to the above problems. In its March 17, 2006, response, SDG&E explained that potential bidders were provided with support for the registration process from Perfect Commerce from 7:00 am – 5:00 pm Pacific Standard Time, which was available to assist SDREO if it had difficulty registering. SDG&E, through Perfect Commerce, also emailed all registered bidders broadcast messages and advised all bidders that email addresses had to be correct and spam blockers had to be removed. SDG&E provided instructions on how this could be performed, including technical support from Perfect Commerce on these issues. All questions and answers during the scheduled question period were posted with the RFP for all bidders to examine.

SDG&E further explained that certain proposals were eliminated from consideration and were not reviewed any further because they did not include all the necessary documentation as instructed in the RFP. Beginning on January 30<sup>th</sup>, SDG&E provided letters of elimination to all parties whose proposals were fully evaluated and scored. SDG&E inadvertently did not include those proposals that had been eliminated because of missing documentation as

determined in the first step of the review process as described above. SDG&E was made aware of this oversight from bidders who had submitted multiple proposals and had not received elimination letters on all of their submissions. Once brought to its attention, SDG&E sent these parties elimination letters dated February 10 and postmarked on February 13 informing them that their proposal had been eliminated due to incomplete documentation as instructed in the RFP. According to SDG&E, Ms. Irene Stillings of SDREO followed up on the deficiencies of their submittals late afternoon of February 14, 2006, which SDG&E then provided an explanation regarding the missing documentation on February 17 via e-mail. SDG&E staff (Mark Gaines, Athena Besa and Risa Baron) met with Ms. Stillings and her staff on Tuesday, February 21 to discuss and respond to any further questions or concerns.

In a data request dated March 6, 2006, Staff also asked SDREO to further clarify its experience regarding SDG&E's proposal registration process and respond to SDG&E's offer regarding extension of the CCST program. SDREO responded on March 13, 2006, explaining that the online training provided by SDG&E on its registration system, which SDREO participated in, only described how to navigate within the online application and no questions were accepted regarding the actual RFP response process. Similarly, the technical assistance provided by Perfect Commerce that was referred to by a call-in participant at the March 1 PAG meeting was unable to provide any assistance regarding the content of the RFP process. Perfect Commerce could respond only to questions regarding navigation of the Internet application. With respect to the CCST program, SDREO stated that it has unspent money in two 2004-2005 programs, Local Government Energy Efficiency Program (LGEEP) and Rebuild A Greener San Diego (Rebuild) that could be redirected to continue the CCSTP until June 2007, which would enable 8,700 additional trees to be planted. SDREO agrees to work with SDG&E to submit the appropriate transfer request and documentation if the Energy Division decides this to be the appropriate course of action.

Staff confirms that SDREO's CCST and WPE program proposals were neither received nor reviewed by the PRG. In fact, the PRG did not receive any information on any of the few programs that were automatically kicked out of the process for Stage 2. Problems with the Perfect Commerce system were discussed at PRG meetings, though the PRG did not evaluate these issues. In its report attached to SDG&E's Advice Letter filing, the PRG recognized "that

SDGE's electronic submission process was somewhat confusing to potential bidders given that some of the bidders expressed a desire to 'bid' in multiple areas and then failed to submit an accompanying abstract." The PRG further recommended that the electronic submission process be subjected to a quality control process and that there be error messages displayed when bidders fail to comply with directions (e.g. incomplete bid documentation).<sup>1</sup>

Staff understands that SDG&E will be reviewing its bid registration and evaluation process based on user issues that have come up. The CPUC will be doing a broad study of the utilities' competitive bid processes as indicated in D.05-01-055. As such, Staff believes that it is appropriate for SDG&E to report back to the Commission its evaluation of its bidding process, problems with its on-line bidding system, and plans to fix these problems prior to the second solicitation. Following completion and consideration of these evaluations, the Commission may address these issues in a formal venue, such as a ruling or decision.

Based on SDG&E's and SDREO's responses to Staff's follow-up data requests, Staff believes that the two parties have come to some agreement as to the appropriate course of action that would allow for the continuation of the CCSTP program. SDREO may submit a funding extension request to the CPUC, which SDG&E has agreed to support.

Staff believes that JACO's protest may be rejected on a technical basis, specifically that SDGE's calculations are correct and should not have been scaled as no other bidders' programs were re-scaled. Staff finds SDG&E's explanation and justification for its selection of ARCA's bid over JACO's for the Appliance Recycling program to be fair and reasonable. Staff further believes it reasonable as a matter of regional coordination that the solicitation for this program resulted in awarding one firm, JACO in this case, the administration in Northern California (PG&E and northern SCE territories) and another firm, ARCA in this case, the administration in Southern California (SDG&E and the rest of SCE territories). No further actions are necessary pertaining to this protest.

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<sup>1</sup> Attachment 6 to AL 1769-E/1591-G, Peer Review Group Report, p. 16.

Staff concurs with SDG&E that WEM's protest should be rejected. WEM seems to assert that SDG&E's AL must be flawed based solely on guilt by association with SCG, though without review. Protestants have the right to request the submission of late-filed protest in response to advice letters in order to have more time for review. WEM made no such request and the protest received was non-substantive. Staff, therefore, rejects WEM's protest as it is not made on proper grounds.

**Staff identified two additional issues in the utility's Advice Letter that required clarification from SDG&E: impact on bills and cost-effectiveness calculation. In general, Staff is satisfied with the utility's clarifications with respect to these issues, although there still remains a difference in Staff's and SDG&E's interpretation regarding the cost inputs to the Total Resource Cost (TRC) cost-effectiveness test following the formula in the Standard Practice Manual.**

Staff and its consultant, TMW, reviewed SDG&E's Advice Letter filing. In its March 6, 2006, data request to SDG&E, Staff asked clarification on two issues, apart from those relating to protests that are discussed above. These issues are the interpretation of the Standard Practice Manual in the calculation of cost effectiveness and bill impacts analysis. On March 14, 2006, SDG&E responded to these issues in Staff's data request.

**Cost effectiveness:** Staff's data request to SDG&E noted that it was not clear in the Advice Letter filing whether SDG&E has properly implemented the Standard Practice Manual (SPM) in calculating cost-effectiveness using the TRC test. This potential problem was first raised by TMW in the utility's June 1, 2005 application when the TRC test values were higher than the Program Administrator Cost (PAC) test values and when the TRC costs were lower than the PAC costs for certain programs. Staff is concerned that the input values in the SDG&E's portfolio are not based on a methodology that the Commission ordered. As a result, in some cases, it would be possible for a program or measure that is not cost-effective to appear to be cost-effective.

SDG&E responded that the Advice Letter filing properly implements the SPM in its recording of benefit-cost calculation input values. According to SDG&E, the reason TRC test values are higher than PAC test values in any particular instance is that total net incremental measure costs are lower than total gross utility incentive costs. The only difference in the calculation of these two tests is the use

of total incremental measure costs, net of program impacts, in the TRC test and total utility incentives to customers, not net of program impacts, in the PAC test.

Staff conducted an analysis of the calculation of costs in the TRC test to investigate a seeming difference between staff's interpretation of the TRC inputs per the SPM and that calculated by SDG&E. Staff's interpretation of the SPM is that all costs incurred to make the activity happen must be fully counted – counted only once, but counted. This did not seem to be consistent with the TRC calculation that was incorporated in the SDG&E's advice filing whereby the utility "netted out" the Incremental Cost. Staff's interpretation of the SPM does not allow for the costs to be "netted out" by multiplying costs by the Net-To-Gross ratio. It is only appropriate to do so with the benefits, to accurately account for free-ridership. Staff believes that the utilities' calculation would make an expensive program with a high factor of free-ridership look very cost effective.

Staff informally raised the above concerns regarding the TRC calculation with Administrative Law Judge Meg Gottstein. In the E3 Avoided Cost 2006 Update Workshop held on March 14 and 15, 2006, ALJ Gottstein instructed staff to conduct additional research. The Commission, as appropriate, will address this issue and the issue noted below, based on Staff's research.

Another issue related to the cost inputs used in the TRC test that has recently been brought to Staff's attention pertains to instances when financial incentives provided for certain measures exceed the gross incremental costs of those measures, as usually the case with direct-install type programs. Following the TRC formula in the SPM, the utilities' E3 calculator only captures the gross incremental costs multiplied by the NTG plus program administrative costs in the TRC cost denominator, but not the financial incentives. Thus, to the extent that higher financial incentives are provided relative to the incremental costs of particular measures in a given program, the TRC costs will be lower; hence, the TRC ratio higher than what it would have been if the differences of the financial incentives above gross incremental costs were factored into the TRC cost denominator.

Nevertheless, SDG&E provided a cost-effectiveness analysis of its portfolio based on Staff's interpretation of not applying the Net-To-Gross factor to the Incremental Cost and also adjusting for those instances when financial incentives

exceed incremental costs in the TRC test.<sup>2</sup> The results of the analysis are attached as Appendix A. SDG&E's scenarios show that the utility's energy efficiency program portfolio is still cost effective with these adjustments. Thus, for planning purposes, Staff is satisfied with the cost-effectiveness analysis.

**Impact on Bills:** Staff indicated to SDG&E that there is no description in its Advice Letter of the methodology used to calculate bill impacts and requested that SDG&E provide a description of the costs used in the analysis, as well as the calculation methodology and how this methodology was applied, and the analysis conducted, for each rate class. In its response to Staff's data request, SDG&E explained its methodology as described below, which Staff finds satisfactory.

SDG&E explained that the costs used in the gas and electric analyses were the approved annual energy efficiency (EE) program costs including EM&V costs for program years 2006, 2007, and 2008, allocated 93% to electric rates and 7% to gas rates. In reviewing the electric bill impact estimates submitted in the Advice Letter, SDG&E has identified an error in the calculation method; hence, SDG&E submitted a corrected version of the bill impact table with its response to Staff's data request and attached as Appendix B to this disposition.

In calculating electric bill impact, SDG&E explained that the EE electric program costs were allocated to the customer classes according to the allocation proposed in A.05-06-016, Table 1. The annual class average billing impacts associated with the implementation of the 2006-2008 EE programs were developed by calculating typical class average bills, and then adjusting the bill amounts for the EE benefits and costs. The difference in these year-by-year class average bills is the bill impact that is attributable to the 2006-2008 EE program measures. Class average billing impacts were calculated for Residential, Small Commercial, Medium & Large Commercial, Agricultural and Lighting customer classes.

The EE electric program benefits for years 2006 through 2017 were allocated to the customer classes based on SDG&E's currently adopted method for allocating commodity revenues. The electric benefits resulting from the implementation of the EE Programs were first allocated by multiplying the annual amounts by commodity revenue allocation factors. Average monthly bill impacts of the

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<sup>2</sup> SDG&E's response dated April 17, 2006, to Energy Division's April 12, 2006, data request.

benefits were then estimated by dividing each class' allocated amount by the customer class annual sales for 2006. This average impact per kWh was then multiplied by a typical monthly usage per customer for each class.

For gas bill impact, SDG&E explained that it calculated gas benefits resulting from the implementation of its EE programs by multiplying the expected energy savings (in therms) from A.05-06-016 Tables 1, 2, and 3 for each year over the expected 10 year life of the measures being implemented by the E3 Annual Average Avoided Costs (in \$/therm) for each year. The EE gas program costs minus the expected gas benefits for each year produced a net cost or net benefit for that year. That net cost or net benefit was then allocated to customer classes based on the customer class allocation adopted by the Commission for program years 2006-2008. The annual class average billing impacts associated with the implementation of the 2006-2008 EE programs were developed by calculating class average bills excluding both the EE program costs and EE benefits and comparing those results with the class average bills that included both EE costs and benefits. The difference in these year-by-year class average bills is the bill impact that is attributable to the 2006-2008 EE program measures. It is simply the EE annual net cost or net benefit allocated to each customer class divided by the class average throughput times the average annual throughput per customer in each class. Class average billing impacts were calculated for Residential, Core C&I, and Noncore C&I customer classes.

## **STAFF CONCLUSIONS**

In its review of protests to AL 1769-E/1591-G, and SDG&E's response to the protest issues, Staff is in general satisfied with SDG&E's responses. No further actions are necessary pertaining to these protests before this AL goes into effect. If SDREO chooses to pursue a funding extension request for its CCST program before the CPUC, SDG&E must support such a request, as per the written responses between SDG&E and SDREO described earlier in this disposition. In addition, SDG&E should inform the Commission of the outcome of its bid solicitation process evaluation as soon as that evaluation is completed.

There were two issues identified by staff in its data request beyond those raised in protests: benefits-costs calculations (TRC and PAC) and impact on bills. In general, Staff is satisfied with the utility's response to the data request. However, there remains a difference between Staff's and SDG&E's interpretation

of the TRC cost-effectiveness cost input of the SPM. This disposition is not the forum to pursue discussion of the TRC interpretation issue. Staff intends to investigate the issue further and address it in a future venue to be determined later.

SDG&E has satisfied the requirement of D. 05-09-043. The suspension of SDG&E's AL 1769-E/1591-G is removed without prejudice. SDG&E's compliance filing AL 1769-E/1591-G is approved effective March 3, 2006, as SDG&E requested.

## Appendix A

SDG&E's cost-effectiveness analysis scenario of its portfolio based on Staff's interpretation of not applying the Net-To-Gross factor to the Incremental Cost and also adjusting for those instances when financial incentives exceed incremental costs in the TRC test.

	<b>Scenarios</b>	<b>Portfolio TRC Costs</b>	<b>Portfolio TRC Ratio</b>	<b>Portfolio PAC Costs</b>	<b>Portfolio PAC Ratio</b>
<b>Case 1</b>	As initially submitted in compliance filing (no adjustments)	\$ 349,108,802	1.87	\$ 260,964,348	2.51
<b>Case 2</b>	Adjusted only for no NTG in TRC denominator	\$ 427,167,653	1.53	\$ 260,964,348	2.51
<b>Case 3</b>	Adjusted only for sum of difference when incentive > gross IMC in TRC denominator	\$ 360,405,737	1.81	\$ 260,964,348	2.51
<b>Case 4</b>	Adjusted for both no NTG and sum of difference when incentive > gross IMC in TRC denominator	\$ 438,464,588	1.49	\$ 260,964,348	2.51

## Appendix B

### SDG&E's Bill Impact Analysis

#### Electric Bill Impact



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#### Gas Bill Impact



SDGE EE Bill Impacts  
AL data request Q2. x

(Double click on above icon to open file.)