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ADVICE LETTER 1358-E
(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: REQUEST FOR APPROVAL TO UTILIZE ELECTRIC PUBLIC PURPOSE
PROGRAM REVENUES TO AUGMENT SDG&E ENERGY EFFICIENCY 2001
PROGRAM FUNDING**

PURPOSE

San Diego Gas & Electric Company (SDG&E) hereby requests approval to expend \$5.3 million of electric energy efficiency public purpose program (PPP) funds resulting from increased revenues to provide additional funding for certain 2001 energy efficiency program activities. These SDG&E efforts have been very successful and require this funding to operate the programs through the remainder of the year to maximize energy savings and to continue the momentum experienced this year in customers' energy efficiency actions. **Therefore, SDG&E respectfully requests that the California Public Utilities Commission (Commission) expedite its review process, shorten the protest period for this Advice Letter from 20 days to 10 days, and approve the filing effective September 18, 2001.**

BACKGROUND

Assembly Bill (AB) 1890, as subsequently affirmed in Commission decisions, established an annual electric funding level of \$32.0 million for SDG&E's energy efficiency programs. In 2001, SDG&E has augmented the \$32.0 million with unexpended energy efficiency funds from previous years and Senate Bill (SB) X1 5 funds. SDG&E has also shifted funds between programs in accordance with the Commission's approved spending flexibility guidelines, when possible.

SDG&E's Post-1997 Electric Energy Efficiency Balancing Account (PEEEBA) records PPP funds allocable to energy efficiency programs. The PPP revenue that is used to fund energy efficiency programs (\$32 million annual maximum) is based on the percentage of authorized PPP revenue for energy efficiency programs multiplied by the unbundled PPP revenue billed during each month. The annual PPP revenue recorded in the PEEEEBA has been greater than the \$32 million authorized annually due to electric sales volumes being higher than forecasted

at the time the PPP rate was initially established. SDG&E estimates that it will have sufficient overcollection to fund \$5.3 million to augment 2001 program budgets.

PROPOSED PROGRAM FUNDING ALLOCATION

SDG&E is requesting the use of \$5.3 million to be allocated to the following programs: Appliance Rebates, Multifamily Rebates, Single Family Rebates, Lighting Turn-In, Schools and the Large Nonresidential Standard Performance Contract (LNSPC) programs.

SDG&E has experienced tremendous participation in many of its energy efficiency programs. The residential rebate programs have exhausted their 2001 energy efficiency budgets and are currently being augmented by SB X1 5 funds. Customer interest is expected to remain high, particularly with the Governor's 20/20 Rebate Program and pending rate increases. Based on current projections, the total \$8 million in SB X1 5 funds is expected to be expended as early as the middle of October. Opportunities to increase awareness about energy efficiency through the Schools Program and increase adoption of more efficient lighting measures through the Lighting Turn-In Program have or will exhaust all available funding. It is important to continue the high customer interest and participation in these programs through the end of the year. Shutting down programs early will make it more difficult to regain the momentum and interest of customers, retailers, manufacturers and others next year, resulting in lost opportunities for needed energy savings and demand reductions.

In allocating these additional funds, SDG&E first looked at the status of residential programs and then small commercial programs. Previous information provided to the Commission indicated that SDG&E's small commercial rebate programs would expend all their funds by this fall. However, due to lower customer participation than expected in the HVAC and Motors Programs, funds from these programs are now available to the small commercial rebate programs. These additional funds are expected to sustain the rebate programs to the end of 2001. Since the small commercial programs have sufficient funding through year-end, SDG&E is requesting that additional funds be made available to the Large Nonresidential SPC program that currently has a waiting list with projects that are expected to install before summer 2002.

Some of the programs for which PPP funds in this request would be used include both gas and electric measures, although the majority are for electric. Some measures, such as window replacement, provide both gas (heating) and electric (air conditioning) savings. While the PPP funds were collected through the electric surcharge, SDG&E proposes to leave the gas measures in the programs through the end of this year. SDG&E believes this is appropriate given the current energy crisis, where it is important to continue the momentum being experienced in customers' energy efficiency actions. It would be confusing to customers and retailers to now eliminate the gas measures, particularly when the majority of SDG&E's customers receive both gas and electric service and when the gas measures will again be covered next year. SDG&E's desire is to continue successful 2001 programs through the end of the year without major changes.

Thus, SDG&E requests approval to allocate \$5.3 million to specific energy efficiency programs that are part of SDG&E's 2001 program portfolio. The allocation and benefits of the proposed funding requested in this Advice Letter are summarized in the attached table and described below. In addition, SDG&E has requested approval from the Energy Division to shift SBX1 5 funds among the residential rebate programs to keep all of these programs operating into October. The funds requested in this Advice Letter would then be allocated to the rebate programs when the SBX1 5 funds are exhausted.

Proposed Budget Allocation and Program Benefits

Program	Net MW	Net MWH	Net Therm	Gross MW	Gross MWH	Gross Therm	Program Budget (\$Millions)
Appliance Rebates	0.268	1,071	78,320	0.335	1,338	97,900	\$ 2.20
Multifamily Rebate Program	0.302	3,895	6,552	0.332	4,281	7,200	\$ 0.80
Single Family Rebate Program	0.389	1,017	77,379	0.428	1,118	85,032	\$ 0.80
Lighting Turn-in Program	0.192	1,837	0	0.239	2,297	0	\$ 0.30
School Program	0.033	323	0	0.041	404	0	\$ 0.20
Large Nonresidential SPC	0.700	3,284	299,352	1.321	6,197	564,815	\$ 1.00
Total	1.884	11,427	461,603	2.696	15,633	754,947	\$ 5.30

Appliance Rebate Program

SDG&E's Appliance Rebate Program offers direct consumer rebates to help offset the additional first cost of purchasing ENERGY STAR[®] qualified refrigerators, dishwashers, clothes washers, and room air conditioners. Rebates also were provided for 2001 Department of Energy compliant refrigerators purchased on or before June 30, 2001. By July, the entire program year (PY) 2001 energy efficiency program incentive budget was exhausted. An average of 300 additional rebate requests is currently being received on a daily basis. At the current rate of program participation, the \$2.5 million in supplemental SB X1 5 funding that is being applied to appliance rebates should be sufficient to allow the program to operate through mid-September 2001. On August 28, 2001, SDG&E submitted a request to the Energy Division to shift SBX1 5 multifamily program funds of \$0.8 million to the Appliance Rebate Program. This fund shifting will allow the Appliance Rebate program to continue operation through mid-October, so that the program will not have to be suspended while this Advice Letter is being reviewed. However, this timing will be affected by any changes in customer demand, which has been very volatile based on the promotion of appliances by retailers and others. SDG&E proposes to allocate an additional \$2.2 million toward this highly successful effort so that it can continue through year-end. The additional funding requested in this Advice Letter is expected to deliver incremental gross savings of 0.335 MW, 1,338 MWh and 97,900 Therms.

Multifamily Rebate Program

The Multifamily Rebate Program provides rebates to multifamily property owners, managers or contractors to property owners who install efficiency measures and appliances in their rental units and/or the common areas of apartment complexes, mobile home parks, and homeowner associations. The program targets "hard-to-reach" customers (e.g., lower to moderate income apartment tenants and senior citizens with fixed incomes), and has proven to be very successful, even with reductions in rebate levels over past years. To date, 557 apartment

complexes in SDG&E's service territory have applied for and received rebates for purchasing and installing energy efficiency measures under this program. The PY 2001 Multifamily Rebate Program budget (\$3.2 million) was fully subscribed as of May 25, and a waiting list was established for property management companies who wanted to be contacted as additional funds became available. Since that time, SDG&E has been funding projects from this waiting list on a first-come, first served basis as funds become available due to project cancellations and projects whose costs have been overestimated by contractors. On August 28, 2001, SDG&E submitted a request to the Energy Division to shift SBX1 5 multifamily program funds of \$0.8 million to the Appliance Rebate Program to allow that program to continue while this Advice Letter is reviewed by the Commission. With this shifting of funds, the Multifamily Rebate Program can continue to offer rebates through the end of October. The additional funding of \$0.8 million requested in this Advice Letter is expected to allow the Multifamily Rebate Program to continue through the end of the year and will result in incremental gross savings of 0.332 MW, 4,281 MWh, and 7,200 Therms.

Single Family Rebate Program

The Single Family Rebate Program provides direct rebates to residential homeowners (includes owners of single family residences, duplexes to four-plexes, condominiums and mobile homes), contractors and energy service providers to encourage the installation of energy efficiency measures. Energy saving measures and services eligible for rebates include: insulation, windows, central air conditioners, air conditioner tune-ups, duct testing and sealing, programmable thermostats, gas water heaters, water heater covers, high efficiency gas furnaces, low flow shower heads and various weatherization measures. To date, over 15,800 homeowners in SDG&E's service territory have taken advantage of the rebates offered under this program, and more than 17,500 rebate requests have been processed. At the rate of program participation and with the augmentation of \$2.5 million in SB X1 5 funding, the program would continue to operate through September 2001. The additional funding of \$0.8 million that is being proposed for this program is expected to deliver incremental gross savings of 0.428 MW, 1,118 MWh, and 85,032 Therms.

Lighting Turn-in Program

In 2001 SDG&E offered two turn-in lighting programs targeted to senior and lower income customers that may not have the financial means to participate in other energy efficiency programs. The residential lighting program was piloted as a 2000 Summer Initiative. The program was highly successful and was continued in 2001 with SDG&E's 2001 program funds. In June 2001, SDG&E developed an additional program to target senior and lower income individuals who were not eligible to participate in the residential program because they resided in buildings that were on a commercial rate (commercial turn-in program). The residential lighting program allows seniors and lower income customers to exchange inefficient halogen torchiere fixtures or incandescent lamps for ENERGY STAR[®] qualified torchiere fixtures at no cost. The commercial turn-in program allows individuals to exchange incandescent lamps for compact fluorescent lamps at no cost. At these events customers also receive information on other assistance programs, such as CARE and Medical Baseline.

During PY 2001, SDG&E's residential program goal was to replace and recycle 1,000 torchiere fixtures and 6,000 incandescent lamps. Through the end of June, 45 turn-in events were held and 1,361 halogen torchiere fixtures and 16,479 incandescent bulbs were exchanged for ENERGY STAR[®] replacements. \$50,000 in Summer Initiative funding was expended by April 1, and the entire PY 2001 program budget of \$173,000 was exhausted in June. With the availability of \$0.524 million in SB X1 5 funds for the residential program, turn-in events are being scheduled with senior and community centers, and the additional funding requested in

this Advice Letter will allow events to continue through the end of the year. SDG&E allocated \$50,000 to the commercial turn-in program that was expended in August. Eleven turn-in events were held and 4,300 incandescent bulbs were exchanged for compact fluorescent lamps.

Given the success of the programs, SDG&E is proposing that an additional \$0.3 million be approved to be able to continue to offer this popular activity which benefits customers in need. The additional proposed funding is expected to deliver incremental gross savings of 0.239 MW and 2,297 MWh.

Schools Program

The 2001 Schools Program is a comprehensive energy awareness effort that provides education to elementary school aged children with the goal of developing basic energy efficiency practices to be implemented both at school and at home. Funding allocated to this program was exhausted in July 2001. In a continuing effort to increase awareness of energy efficiency, SDG&E will be collaborating with the City of San Diego (City) to deliver energy efficiency education to children who are enrolled in the City's Six To Six Program. The Six to Six Program provides supervision and education support services to children approximately half of whom are enrolled in the Federal School Lunch Program and live in hard-to-reach areas. As part of this effort, compact fluorescent light bulbs will be distributed to select students who demonstrate a good understanding of the energy efficiency concepts taught as part of the curriculum. SDG&E is proposing to allocate an additional \$0.2 million to the Schools Program which is estimated to yield incremental gross savings of 0.041 MW and 404 MWh.

Large Nonresidential Standard Performance Contract Program

The LNSPC Program is a performance-based program that offers incentives to customers or energy efficiency service providers for installation of energy efficiency equipment at customer facilities. The program targets large nonresidential customers with demands greater than 500 kW or 250,000 annual therms. Participation in the 2001 program has exceeded past program years, and available funding was fully committed in July. SDG&E is currently placing new projects on a waiting list until additional funding becomes available. SDG&E is proposing to allocate an additional \$1.0 million to continue this program in 2001 which is projected to result in incremental gross savings of 1.321 MW, 6,197 MWh and 564,815 Therms. The funds will be used for projects currently on SDG&E's waiting list (approximately \$0.8 million) and for new projects. SDG&E estimates that the projects on the program's waiting list will be installed by the summer of 2002.

FUNDING FLEXIBILITY

In developing this request, SDG&E based the proposed allocation of energy efficiency PPP revenues on current information and forecasted projections of program activity. It is very difficult to precisely predict customer response to these programs in light of the ongoing issues related to the energy crisis. For example, in the Appliance Rebate Program, SDG&E currently receives approximately 300 rebate requests per day. However, the number of requests received has been as high as 500 per day in the past few months. SDG&E has experienced a similar volatility in numbers of rebate requests in other programs.

Because of the potential volatility in program participation, SDG&E will be closely monitoring program activity. If participation is lower than projected, resulting in some of the requested funding being unspent this year, SDG&E requests approval for the following:

1. Commission authorization for funding flexibility to shift funds between programs within a program area as provided for in Decision 01-01-060 and reaffirmed in Resolution E-3741. Because of the potential volatility in customer participation, this flexibility will enable SDG&E to augment the 2001 residential programs that are highly successful and require additional funds.
2. Commission authorization to shift a portion of the funds to the nonresidential rebate programs that target small commercial customers, if all the requested funds are not needed for the residential or LNSPC programs. While SDG&E has shifted funds from other programs to cover the small commercial rebate programs through year-end, other factors could cause increased customer participation over what we have projected. For example, if there is uncertainty as the end of the year approaches regarding the continuation, budgets, or nature of the programs for 2002, we could experience a year-end surge as contractors increase their efforts to get rebate requests processed in 2001. In this event, if there are PPP funds requested in this filing still available towards year-end, SDG&E believes that it is appropriate to allocate them to the small commercial rebate programs.

EFFECTIVE DATE

As indicated in the Purpose Section, SDG&E respectfully requests that this filing become effective on September 18, 2001, which is the 20th calendar day after the date filed.

PROTEST

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impacts, and should be submitted expeditiously. **The protest must be made either in writing or by facsimile and received within 10 days of the date this Advice Letter was filed with the Commission.** There is no restriction on who may file protest. The address for mailing or delivering a protest to the Commission is:

Energy Division – IMC Branch
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102

It is also requested that a copy of the protest be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: C. Richard Swanson
Regulatory Tariff Manager
101 Ash Street - HQ14D
San Diego, CA 92101-3017
Facsimile No. (619) 696-4027
E-mail: rswanson@sempa.com

Questions regarding this Advice Letter should be directed to:

Joy C. Yamagata
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NOTICE

In accordance with Section III-G of General Order 96-A, a copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in A.99-09-057 and A.00-11-045, by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

Address changes should be directed to Martha Ulloa by facsimile at (619) 696-4027 or by e-mail to mulloa@sempra.com.

LEE SCHAVRIEN
Director, Regulatory Case Management
& Tariff Administration

Enclosures
(cc list attached)

(S:Reg_aff/Data/AdviceLetters/1358-E.Doc)