Decision **ALTERNATE DRAFT DECISION OF COMMISSIONER LYNCH**
(Mailed 12/04/2003)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Examine the Commission's Future Energy Efficiency Policies, Administration and Programs.	Rulemaking 01-08-028 (Filed August 23, 2001)

INTERIM OPINION EXTENDING FUNDING FOR EXISTING 2003 ENERGY EFFICIENCY PROGRAMS TO FEBRUARY 11, 2004

Summary

The Energy Division's preliminary analysis of energy efficiency proposals for the 2004-05 time period reveals that many proposals selected fall below the Commission's minimum scoring criteria, and that there is troubling inconsistency between third party proposals selected. This decision concludes that more time is needed to evaluate the more than 400 proposals currently before us, and extends "bridge funding" for current energy efficiency programs beyond to February 11, 2003, when the Commission expects to issue a decision selecting IOU statewide and local programs. To ensure service continuity, we authorize the IOUs and other current energy efficiency program administrators whose programs would otherwise expire at the end of 2003 to continue those programs through February 11, 2003, using electric and gas Public Goods Charge (PGC) collections from that period.

Background

In D.03-08-067 we solicited energy efficiency program proposals from utilities, government agencies, companies, and non-profit organizations and set forth several parameters for that solicitation. That order addressed programs that would be funded through the public goods charge or "PGC." Among other things, that order stated our intent to:

- Allocate PGC funding to include statewide utility programs, programs proposed by entities other than utilities, and 10% to statewide marketing and outreach and evaluation, measurement and verification.
- Award funding to entities and programs that are most likely to fulfill established energy savings and public policy goals, and program evaluation criteria;
- Permit utilities to submit proposals to continue to administer their current program offerings for two years as long as they

were demonstrated to satisfy Commission criteria for evaluating energy efficiency programs;

- Modify program selection criteria for 2004-05 to include cost-effectiveness, long-term annual energy savings, equity, ability to overcome market barriers, ability to reduce peak demand, innovation, coordination with other programs, and demonstrated success in implementation of energy efficiency programs.

"Statewide" energy efficiency programs are those that are offered uniformly by the utilities and are designed to promote customer participation on a broader basis. In addition, statewide marketing and outreach programs are designed to coordinate government-sponsored activities with private sector stakeholders including manufacturers and retail sellers of energy efficiency products and services, business and residential building managers, commercial and industrial program managers, and non-governmental organizations. In D.03-08-067, we expanded the types of organizations that may implement statewide proposals to include government agencies, non-profit organizations and non-utility firms. "Local" programs are those that are narrower in scope, tailored to specific geographic areas or hard to reach customer groups.

In D.03-08-067 we also directed parties who wished to apply for energy efficiency program funding to submit proposals according to a standard format. It described our process for review and stated our intent to issue an order in this docket approving those programs most likely to fulfill explicit policy objectives.

In response to the Commission's solicitation, utilities and other entities submitted on September 23, 2003 a total of more than 400 separate proposals for more than 200 distinct programs. Most came from non-profit organizations, government agencies and businesses other than utilities. Pacific Gas & Electric (PG&E), Southern California Edison (SCE), Southern California Gas (SoCalGas), and San Diego Gas & Electric (SDG&E) submitted the remainder, including

14 statewide programs, 11 local programs and 17 programs aimed at establishing partnerships with government agencies. Taken together, these proposals sought PGC funding in amounts exceeding $1 billion plus an additional $245 million for procurement portfolio programs from PG&E, SCE and SDG&E.

Bridge Funding for IOU Programs

At issue in this phase of the proceeding is allocation of approximately $555 million funding statewide and local energy efficiency programs among private companies, governmental agencies and community organizations for a two year period beginning in 2004. This amount represents $245 million, or 89% more than the statutorily-authorized levels due to the integration of energy efficiency and procurement programs. The Commission must evaluate these program proposals in the context of complex criteria and standards established just a few months ago.

The Energy Division's preliminary analysis demonstrates that this new criteria must be applied carefully in order to achieve consistent scoring across similar programs. For example, the Energy Division's analysis of energy efficiency proposals submitted in September for the 2004-05 time period reveals that many of the proposals ultimately selected by staff fall below the Commission's minimum scoring criteria. In addition, we are troubled at the inconsistency in the third party proposals selected. To address these concerns, and considering the significant dollar amounts and the multiple-year program commitment, we believe it is prudent to allow time to more carefully consider the proposals and review the scoring process. California is relying on an effective portfolio of energy efficiency programs to manage its energy needs over the next two years. This time is necessary in order to ensure that the proposals we ultimately select both meet that important goal, and are consistent with the careful criteria we adopted in August.

We anticipate a Commission decision choosing IOU, statewide marketing and local programs no later than the Commission meeting of February 11, 2004. To prevent service disruption, we authorize the programs that would otherwise expire at the end of 2003 to continue through February 11, 2003, using electric and gas PGC collections from that period. If the Commission issues a decision on the 2004 program applications prior to that date, this "bridge funding" shall expire upon issuance of that decision.

The amount of the bridge funding is set forth below. These figures are based on 12% of the total PGC funds allocated to each of the 2003 programs adopted in D.03-04-055. We will offset the bridge funding against the total 2004 funding amounts.

January 1-February 11, 2003 Authorized Funding

PG&E	**$12,407,495**
SCE	**$8,077,482**
SDG&E	**$3,579,480**
SoCalGas	**$2,332,671**
Statewide Marketing & Outreach	**$2,460,895**
Total	**$28,858,024**

The IOUs and other program administrators may only use these funds for their 2003 programs authorized in D.03-04-055. The IOUs should include the program accomplishments achieved during the bridge-funding period toward the cumulative goals of their 2004 programs.

Comments on Draft Decision

The Commission mailed the draft decision of Commissioner Lynch to the parties in accordance with Public Utilities Code Section 311(e) and Rule 77.6 of the Rules of Practice and Procedure. Parties filed opening comments on _____and reply comments on _____.

Assignment of Proceeding

Susan P. Kennedy is the Assigned Commissioner and Kim Malcolm is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The purpose of this proceeding is to allocate funds for the continuation of energy efficiency programs and evaluation of them for two years during 2004-05.

2. The Commission received over 400 program proposals by over 200 applicants.

3. More time is needed to evaluate the program proposals received.

4. The amount of bridge funding we authorize here is based on 12% of the total PGC funds allocated to 2003 IOU, statewide marketing and local programs.

Conclusions of Law

1. It is reasonable to extend bridge funding in order to avoid existing program disruption until the Commission can rule by February 11, 2004, on the merits of the program applications received.

2. The amount of bridge funding is based on a pro-rata share of the annual funding levels adopted in D.03-04-055 for 2004 statewide and local programs.

O R D E R

IT IS ORDERED that:

1. To ensure program continuity, we authorize the programs that would otherwise expire at the end of 2003 to continue beyond December 31, 2003 in the amounts set forth in the body of this decision.

2. The utilities, governmental and other local community groups administering the 2003 programs are hereby authorized additional bridge funding at 12% against the total 2003 funding amounts.

3. Energy efficiency program administrators may only use these funds for their 2003 programs authorized in D.03-04-055. This “bridge funding” shall expire upon issuance of a decision authorizing funding for utility energy efficiency programs for 2004.

4. Energy efficiency program administrators shall include the program accomplishments achieved during the bridge funding period toward the cumulative goals of their 2004 programs.

This order is effective today.

Dated _____, at San Francisco, California.