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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of the 2009-11 Low Income Energy Efficiency and California Alternate Rates for Energy Programs and Budget (U39M).

Application 08-05-022
(Filed May 15, 2008)

And Related Matters.

Application 08-05-024
Application 08-05-025
Application 08-05-026

**ADMINISTRATIVE LAW JUDGE'S RULING
GRANTING, IN PART, SAN DIEGO GAS & ELECTRIC COMPANY'S
MOTION TO SHIFT FUNDS**

This ruling grants, in part, San Diego Gas & Electric (SDG&E) Company's Motion to Shift Energy Savings Assistance (ESA) Program Funds (Motion)¹.

On October 24, 2011, SDG&E filed the Motion and requested approval to shift a total of \$6,486,800 from the 2010 unspent electric department to the gas department, which includes \$40,000 from the 2010 unspent electric department to

¹ This Motion relates to 2009-2011 ESA Program budget. This Motion and the companion motion were improperly captioned and therefore filed in proceeding file for Consolidated Proceeding Application (A.) 11-05-017 et al., which relates to 2012-2014 ESA Program budget cycle. This Motion and the companion motion should be corrected and refiled in the docket for proceeding A.08-05-022 et al., which relates to 2009-2011 ESA Program budget cycle.

the In-Home Display (IHD) Pilot and \$60,000 from the Programmable Communicating Thermostat (PCT) Pilot to the IHD Pilot. In a companion motion, also filed on October 24, 2011, SDG&E asked that its Motion be given expedited treatment with the proposed fund shift approved by November 18, 2011.

As correctly cited by SDG&E, to shift funds, the investor-owned utilities (IOUs) must comply with the fund shifting provisions set forth in Ordering Paragraph (OP) 85 of Decision (D.) 08-11-031, as modified by OP 4 of D.10-10-008, which requires the IOUs to:

...secure prior written approval of the fund shift from the Administrative Law Judge...by filing a motion pursuant to Article 11 of the Commission's Rules of Practice and Procedure. Upon showing of good cause, the Administrative Law Judge may issue a ruling approving the requested fund shift. IOUs, in the motion, must show good cause by setting forth the following:

- i. The reason(s) why such fund shifting is necessary;
- ii. The reason(s) why such motion could not have been brought sooner; and
- iii. Justification supporting why the proposed shifting of funds would promote efficient, cost-effective and effective implementation of the LIEE program.

Specifically, SDG&E proposes to shift a total of \$6,486,800 from its electric department to the gas department to fund the following Energy Efficiency subcategories: 1) gas appliances; 2) gas weatherization; 3) gas outreach and assessment; 4) the gas marketing category; and 5) the IHD Pilot.

In part, SDG&E requests to shift funds from its electric department to the gas department because SDG&E has unspent electric funds from 2010 and SDG&E has a projected need for additional gas funding to continue to provide anticipated gas services to qualified customers for the remainder of 2011. Thus far, in 2011, SDG&E has installed far more gas measures than anticipated, and based on the 2011 gas measures trend, SDG&E projects that the proposed fund shift of the 2010 unspent electric funds to the gas department is necessary to continue offering gas measures and services to its ESA Program-qualified customers for the remainder of 2011.

In addition, SDG&E believes that its unspent electric funds from 2010 will not be needed to supplement the 2011 electric budget. As of September 30, 2011, SDG&E's 2011 electric expenditures were \$4,979,807 or 46% of its 2011 annual electric budget. SDG&E therefore anticipates that the remaining \$5,931,056 in the 2011 electric department funds will be sufficient to cover all remaining 2011 program electric expenditures under the ESA Program.

Itemized breakdown of SDG&E’s request to shift \$6,486,800 from its electric department to gas department and associated justification are as follows:

REQUESTS	JUSTIFICATIONS
<p><u>Request 1:</u> SDG&E is requesting to shift \$2,222,800 from its 2010 year’s unspent electric department funds to the gas department to be used to provide gas appliances to qualified ESA Program customers.</p>	<p>This fund shift is requested due to a significant increase in the installation of water heater replacements and furnace repair and replacements in program year 2011 than originally anticipated by SDG&E.</p>
<p><u>Request 2:</u> SDG&E is requesting to shift \$3,519,000 from its 2010 year’s unspent electric department funds to the gas department to be used to provide weatherization to qualified ESA Program customers.</p>	<p>The fund shift is requested to continue the installation of weatherization measures such as weather stripping, caulking, and outlet gaskets, which SDG&E had not planned for but had been directed to install by D.08-11-031.² Because SDG&E mistakenly believed it had sufficient funding, SDG&E had not previously requested additional funding to accommodate the unplanned installation of those measures directed by the Commission in D.08-11-031³.</p>

² Motion, at 4 (SDG&E contends the need for this fund shift, in part, stems from a 2008 Commission directive in D.08-11-031, ordering the IOUs to “to continue to install all feasible measures, including weatherstripping and outlet gaskets.”)

³ *Id.*, at 5.

REQUESTS	JUSTIFICATIONS
<p><u>Request 3:</u> SDG&E is requesting to shift \$482,500 from its 2010 year’s unspent electric department funds to its 2011 gas department for outreach and assessment.</p>	<p>The fund shift is requested to enroll 22,000 customers in the program which exceeds SDG&E’s original enrollment goal. The funding will also be used to offset the unanticipated costs for enrollments which increased in program year 2011.</p>
<p><u>Request 4:</u> SDG&E is requesting to shift \$162,500 from its 2010 year’s unspent electric department funds to its 2011 gas department for marketing efforts.</p>	<p>The fund shift is requested to support SDG&E plans to expand current marketing tactics by breaking down ethnic and cultural barriers, to better inform customers of ESA Program process from enrollment to final inspection, and to implement and seek opportunities such as technology based communications. Also the additional funding will be used to market new tactics to enhance program enrollment. These new tactics include yard signs, community based organizations (CBO) marketing cards, customer confirmation packets, new direct mail piece, customer testimonials.</p>

REQUESTS	JUSTIFICATIONS
<p><u>Request 5:</u> SDG&E proposes to shift \$60,000 of 2011 electric funds from the PCT Pilot to the IHD Pilot; and</p> <p><u>Request 6:</u> SDG&E proposes to shift \$40,000 from the 2010 year's unspent electric department funds to the IHD Pilot.</p>	<p>SDG&E requests additional \$100,000 for the IHD Pilot because the original costs projected are not sufficient and costs are higher for materials and contractor labor, and unexpected costs such as customer service support, licensing, and marketing awareness campaigns to gain customer participation in the pilot. In order to effectively run the IHD Pilot, the integration with smart meter technology and development of the customer experience software platform was necessary to ensure a positive customer outcome. The higher costs were not foreseen in developing the original funding request in 2008.</p> <p>SDG&E discovered that as of September 30, 2011, its IHD Pilot expenditure reached \$215,253 or 146% of the approved pilot budget. In the months prior to August, SDG&E was in the process of reconciling the accounting of the IHD Pilot. During this process it was discovered that the expenditures for both the IHD and PCT were being charge to a single Internal Order. The pilot expenditures were identified and were reconciled to the appropriate pilot program by August.</p>

In this Motion, SDG&E provides few explanations as to why this Motion “could not have been brought sooner.” Instead, SDG&E points to D.08-11-031, issued in 2008, as a partial justification for the need for proposed fund shift, but also does not explain why an earlier motion or alternatively a petition to modify seeking budget augmentation was not brought before now, with only a month to go till the end of this budget cycle.

Moreover, while Requests 1 through 3 seem generally reasonable, the remaining requests do not appear well thought out. For instance, the Request 4, discussed above, of the Motion seeks fund shift to support new marketing activities to be undertaken with only one month left in the overall budget cycle, which does not appear prudent. Requests 5 and 6 seek to increase the pilot budget for the IHD Pilot by nearly 70% and does so without thorough documentation of why such significant increase is justified or otherwise reasonable. SDG&E does explain that there were some accounting errors involved in the IHD Pilot administration, which in part contributed to the need for Requests 5 and 6. However, that is all the more reason why such increase of 70% in pilot program budget should be examined thoroughly before additional funding can be considered.

That said, going forward, SDG&E and all IOUs must continue to carefully monitor and manage these budgets and promptly bring funding issues to my attention or the Commission’s attention without waiting till the last minute and requesting expedited treatment.

Based on the record and the Motion, I find that SDG&E has shown good cause for its fund shift Requests 1, 2, and 3 above. I do not find that SDG&E has shown good cause for the fund shift Requests 4, 5, and 6 above.

Good cause shown **IT IS RULED** that:

1. San Diego Gas & Electric Company is authorized to shift no more than:

- (a) \$2,222,800 from its 2010 year's unspent electric department funds to the gas department to be used to provide gas appliances to qualified ESA Program customers;
- (b) \$3,519,000 from its 2010 year's unspent electric department funds to the gas department to be used to provide weatherization to qualified ESA Program customers; and
- (c) \$482,500 from its 2010 year's unspent electric department funds to its 2011 gas department for outreach and assessment.

2. San Diego Gas & Electric Company's request to shift \$162,500 from its prior year's unspent electric department funds to its 2011 gas department for marketing efforts is denied.

3. San Diego Gas & Electric Company's (SDG&E) request to shift \$60,000 of 2011 electric funds from the Programmable Communicating Thermostat Pilot to the In-Home Display (IHD) Pilot and \$40,000 from the prior year's unspent electric department funds to the IHD Pilot is denied; however SDG&E is permitted to seek further review of the IHD Pilot fund shift issue, as follows:

- (a) Within 10 days of this ruling, SDG&E may submit an itemized report illustrating (i) IHD Pilot expenditure from Pilot's inception to date, (ii) explanation of amount and cause of overages, and (iii) funding need projections (IHD Report) to the Energy Division;

- (b) Within 5 days of receiving the IHD Report, Energy Division shall submit a recommendation to the assigned Administrative Law Judge (ALJ) in the herein proceeding as to whether SDG&E has provided adequate justification to increase the IHD Pilot funding by \$100,000 as requested; and
- (c) Assigned ALJ will rule as soon as practicable following the receipt of Energy Division's recommendation.

4. San Diego Gas & Electric Company is ordered to report in its 2011 monthly and annual reports to the Energy Division all transfers made pursuant to the fund shift authorized in this ruling. This report must show a breakdown of each category and subcategory of budget items to and from which the fund shift is being made pursuant to this ruling.

5. San Diego Gas & Electric Company and all large investor-owned utilities are ordered to provide, in all future motions for shifting of funds, a clear and itemized breakdown of each category and subcategory of budget items to and from which the fund shift is being sought, explaining why such fund shifting to and from categories or subcategories would not cause other potential negative programmatic impacts and implications.

6. San Diego Gas & Electric Company is ordered to correct the caption of its October 24, 2011 motion to shift funds and its companion motion for expedited treatment of that motion, which are being granted in this ruling, and directed to refile them in the docket for proceeding Application (A.) 08-05-022 et al.

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7. This ruling shall be served on service list of A.08-05-022 et al. and A.11-05-017 et al.

Dated November 21, 2011, at San Francisco, California.

/s/ KIMBERLY H. KIM
Kimberly H. Kim
Administrative Law Judge