



FILED
02-07-08
08:59 AM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the Low Income Energy Efficiency Programs of California's Energy Utilities.

Rulemaking 07-01-042
(Filed January 25, 2007)

Southern California Edison Company's (U338E) Application for Approval of SCE's "Change A Light, Change The World," Compact Fluorescent Lamp Program.

Application 07-05-010
(Filed May 10, 2007)

ADMINISTRATIVE LAW JUDGE'S RULING SCHEDULING WORKSHOP ON MATTERS RELATING TO COST-EFFECTIVENESS TESTS AND MODELS

This ruling schedules a workshop on topics relating to cost-effectiveness tests and models pursuant to Decision (D.) 07-12-051. That decision ordered Commission staff to investigate whether and how the Commission's existing cost-effectiveness tests are properly specified and otherwise adequate for measuring the costs and benefits of low income energy efficiency (LIEE) programs. The matter is within the scope of the proceeding as set forth in R.07-01-042.

As background, the Commission has stated its intent to increase the focus of LIEE programs on those elements that provide cost-effective energy savings. It has already adopted methodologies for measuring the costs and benefits of LIEE programs. D.07-12-051 addresses the issue as follows:

This decision emphasizes the need for cost-effective program elements in order to justify program expansion and promote LIEE programs as an energy resource. In 2002, the Commission established methodologies for LIEE program cost-effectiveness analysis and set forth general principles for its application that are relevant here. D.02-08-034¹ adopted two cost-effectiveness tests: one that emphasizes benefits to participating customers and one that measures total resource costs compared to total resource benefits, called the “utility cost” test, which values some non-energy benefits of the program. The Commission has also used the TRC test for some resource programs because it values program impacts most broadly, for example, by estimating environmental costs and benefits.

D.02-08-034 provided the following general guidance for LIEE programs:

Measures that have passed both tests are included in the LIEE program. This applies for both existing and newly proposed measures.

Existing measures that pass one of the two tests are retained in the program. New measures meeting this criterion are not accepted because of the substantial effort required to integrate a new measure.

Existing and new measures that do not pass either test will be excluded from the LIEE program unless substantial argument can be made that significant non-energy benefits are not currently being accounted for in the test values, or there are other policy or program considerations that require the measure to be retained.²

In D.03-11-020, the Commission subsequently refined the LIEE cost-effectiveness methodologies and applied them to adopted LIEE programs. The order adopted a “modified participant test” and a

¹ Issued August 9, 2002 in R.01-08-027.

² D.02-8-034, p. 2.

“utility test,” which essentially measured the impact of LIEE programs on utility ratepayers generally.

The parties believe we may need to refine the existing rules and methodologies in order to assure that they reflect all relevant economic and social values. We will pursue this issue during January workshops and are especially interested in whether and how existing tests might be modified to better reflect the value of LIEE programs from the standpoint of environmental effects as well as societal values.

The Commission will consider whether it should modify cost-effectiveness tests to improve their accuracy and use and will primarily focus on model specifications that are unique to LIEE programs. The Commission may also address the need for changes to the avoided cost model, although such changes would not necessarily be litigated in this proceeding. Finally, it may consider the application of cost-benefit models to programs and program measures. The Commission will not consider as part of this workshop the cost-effectiveness of individual programs or program elements, or strategies for delivering cost-effective LIEE programs or portfolios. The Commission will use the existing models as the foundation for discussion and will not relitigate any matters resolved in D.07-12-051.

This ruling includes an attachment with a number of questions the Commission may wish to resolve as part of this inquiry. Parties may file comments addressing those questions in advance of the workshops. Parties will have future opportunities to comment on relevant issues after the workshop. Those comments would form the basis of the record on this issue.

IT IS RULED that:

1. A workshop is scheduled to address the cost-effectiveness models that should be used to evaluate LIEE programs. The workshop will take place on

March 3, 2008 at 10 am at the Golden Gate Room, State Building, 505 Van Ness Avenue, San Francisco.

2. Responses to questions appended to this ruling are due no later than February 22, 2008.

Dated February 7, 2008, at San Francisco, California.

 /s/ KIM MALCOLM
Kim Malcolm
Administrative Law Judge