

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298**FILED**10-11-11
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October 11, 2011

Agenda ID #10759
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 11-05-017 ET AL.

This is the proposed decision of Administrative Law Judge (ALJ) Kim. It will not appear on the Commission's agenda sooner than 30 days from the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at www.cpuc.ca.gov. Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed pursuant to Rule 1.13 either electronically or in hard copy. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic and hard copies of comments should be sent to ALJ Kim at kk2@cpuc.ca.gov and the assigned Commissioner. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ KAREN V. CLOPTONKaren V. Clopton, Chief
Administrative Law Judge

KVC:avs

Attachment

Decision PROPOSED DECISION OF ALJ KIM (Mailed 10/11/2011)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (U338E) for Approval of its 2012- 2014 California Alternate Rates for Energy (CARE) and Energy Savings Assistance Programs and Budgets.

Application 11-05-017
(Filed May 16, 2011)

And Related Matters.

Application 11-05-018
Application 11-05-019
Application 11-05-020

**DECISION ADOPTING BRIDGE FUNDING TO JUNE 30, 2012
FOR LARGE INVESTOR-OWNED UTILITIES' ENERGY SAVINGS
ASSISTANCE PROGRAM AND CALIFORNIA ALTERNATE RATES FOR
ENERGY PROGRAMS**

1. Summary

This decision authorizes the large investor-owned utilities (IOUs), Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company and Southern California Gas Company, to expend the average monthly authorized 2011 level of funds until June 30, 2012 to continue their Energy Savings Assistance Program (formerly known as the Low Income Energy Efficiency Program) and California Alternate Rates for Energy Program until the Commission adopts a final decision on the IOUs' Energy Savings Assistance Program and California Alternate Rates for Energy Program budget applications for 2012-2014.

2. Background

In Decision (D.) 08-11-031, we approved the budgets for Pacific Gas and Electric Company (PG&E), Southern California Edison Company, San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company, (collectively, the IOUs) for their respective Energy Savings Assistance (ESA) and California Alternate Rates for Energy (CARE) Programs for the 2009-2011 program cycle. For 2011, the IOUs were authorized to spend approximately \$318,786,772 in ratepayer funds for the ESA Program and \$901,669,537 in ratepayer funds for the CARE Program.

On May 16, 2011, the IOUs filed the above-captioned applications, Applications (A.) 11-05-017, A.11-05-018, A.11-05-19 and A.11-05-020 (Consolidated Proceeding)¹. In these applications, the IOUs seek approximately \$997,640,000 in ratepayer funds for the ESA Program and \$3,739,716,752 in ratepayer funds for the CARE Program and related activities for 2012-2014 budget cycle.

Two prehearing conferences (PHCs) for the Consolidated Proceeding were held on August 8, 2011 and September 6, 2011. During the two PHCs and in the filed statements, the IOUs and other parties uniformly supported bridge funding in order to continue the current ESA and CARE Programs while the Commission considers issues raised by the applications in the Consolidated Proceeding. The parties also agreed that to avoid confusion and disruptions to the programs, a bridge funding decision should be issued by November 2011 to cover the period beyond December 31, 2011 to at least June 30, 2012.

¹ Because the four applications (A.11-05-017, A.11-05-018, A.11-05-19 and A.11-05-020) are related, ALJ consolidated the applications in a ruling on July 21, 2011.

On September 26, 2011, assigned Commissioner Timothy A. Simon and assigned Administrative Law Judge (ALJ) Kimberly Kim issued a Joint Scoping Ruling (Scoping Ruling) establishing the scope and schedule for the Consolidated Proceeding. The Scoping Ruling set workshops to explore issues, anticipated today's decision (a bridge funding decision), and projected the final resolution of the Consolidated Proceeding to occur in April 2012.

3.1. Bridge Funding

The parties agree that bridge funding is needed to ensure that no hiatus occurs when the IOUs' authorized budgets for ESA and CARE Programs expire at the end of 2011. These programs are expected to continue into 2012 and beyond. It is therefore in the public interest, during the transition, to provide a smooth transition for refinements to these programs, maintain contractual agreements, retain skilled workers, complete existing projects and continue to bring the benefits of the IOUs' ESA and CARE Programs to businesses and residents of California.

The Commission has adopted bridge funding for similar programs in the past. D.03-01-038, Ordering Paragraph 3 stated:

To prevent service disruption, we authorize the IOUs whose programs will expire at the end of 2002 to continue those programs through March 31, 2003, using Public Goods Charge collections from that period, in the amounts set forth in the body of this decision. The IOUs may only use these funds for their 2002 programs authorized in D.02-03-056 and D.02-05-046. If the Commission issues a decision on 2003 program applications prior to that time, this "bridge funding" shall expire upon issuance of that decision."

Likewise, to achieve continuity and to ensure a smooth transition to the 2012-2014 ESA and CARE Programs, we must adopt a similar bridge funding

decision before the end of 2011. This bridge funding decision will also enable the IOUs to timely incorporate the ESA, CARE, Family Energy Rate Assistance (FERA) and Cool Center Program budgets into their respective annual authorized ratemaking procedures² and gas Public Purpose Program (PPP) Advice Letter filings.³ Moreover, with this bridge funding decision in place, the Commission and the parties would have the necessary time to explore, debate and deliberate on the outstanding issues before reaching a final decision on 2012-2014 ESA and CARE Programs budgets in spring 2012.

Due to timing as well as the limited purpose of this bridge funding decision, we choose not consider each bridge funding programmatic issue and budget item in detail. We believe this simplification will create the least amount of disruption to the ESA and CARE Programs during the transition from the 2009-2011 cycle to the 2012-2014 cycle and will allow more efficient use of Energy Division's limited staff resources. We therefore authorize bridge funding as discussed below.

Specifically, this decision authorizes each of the IOUs to establish a gas and electric revenue requirement effective January 1, 2012 based on 2011 ESA and CARE Program budgets authorized by D.08-11-031, for recovery in rates effective January 1, 2012. Any under/over collection that results from authorized program spending level increases or decreases as a result of a final decision in the Consolidated Proceeding in 2012 will be addressed in each of the

² SDG&E Advice Letter: Electric PPP Rates (A.L. 2199-E filed 10/1/10)

³ D.04-08-010 requires the update of gas PPP surcharge rates be filed with the Commission no later than October 31st for rates effective January 1, 2012, or related utility-specific ratemaking requirements. By ruling dated September 26, 2011, the IOUs were given permission to file those Advices Letters by November 15, 2011.

IOUs' gas PPP Surcharge, electric PPP mechanisms, and/or currently authorized ratemaking procedures, or as soon as practicable following the issuance of a final decision in the Consolidated Proceeding. Likewise, any incremental change to the ESA and CARE, including Cool Center Program, budget spending levels that result from the final decision in the Consolidated Proceeding in 2012, can be implemented in rates prospectively through each IOU's respective 2013 electric and gas PPP Advice Letter filings, or related utility-specific authorized filing for rates effective January 1, 2013, or as soon as practicable.

3.2. Bridge Funding Period

We recognize that until the terms of the 2012-2014 ESA and CARE programs and budgets are finalized, the IOUs cannot implement new contracts or programs. The IOUs are concerned that a lengthy bridge funding period will jeopardize their ability to maximize program capacity to meet the Commission's annual goals.

While recognizing these concerns, on balance we find it in the public interest to avoid a hiatus in these programs through bridge funding and to take the time necessary to ensure there will be well thought-out ESA and CARE Programs that are consistent with our Strategic Plan. Therefore, a maximum of six months of bridge funding up to June 30, 2012, seems justified to ensure continuity of the ESA and CARE Programs, afford a reasonable time for deliberation of the issues, and set an end date to the bridge funding.

3.3. Funding Approach

Using the average monthly budgets based on the authorized budgets for 2011 is the most straightforward method to continue existing programs at current levels. Overall for 2011, D.08-11-031 authorized the IOUs to spend approximately \$318,786,772 in ratepayer funds for the ESA Program and

\$901,669,537 in ratepayer funds for the CARE Program. Based on each IOU's own individual 2011 authorized budget level, each IOU therefore should use a single formula for calculating the average monthly budget for 2011 and then apply that average monthly budget figure to the bridge funding period from January 1, 2012-June 30, 2012.

3.4. Adopted Bridge Funding Budgets

In Table 1 below, we detail the IOUs' monthly budgets authorized by this decision. The authorized funding levels reflect the corresponding monthly average of budgets consistent with each of the IOUs' authorized 2011 program budgets:

Table 1
Monthly Bridge Funding Budgets beginning January 1, 2012- June 30, 2012
Monthly Budget Summary

	<u>ESA</u>	<u>CARE</u>	<u>Totals</u>
<u>PGE</u>	\$13,065,753	\$40,769,036	\$53,834,789
<u>SCE</u>	\$5,284,488	\$18,073,750	\$23,358,238
<u>SoCalGas</u>	\$6,521,356	\$11,874,136	\$18,395,492
<u>SDGE</u>	\$1,693,967	\$4,422,038	\$6,116,005
<u>Total Program Monthly Budgets Authorized in this decision</u>	\$26,565,564	\$75,138,961	\$101,704,525

3.5. Advice Letters

Each IOU is directed to file a Tier 1 Advice Letter within 10 days of the effective date of this decision. The Advice Letter must include the allocation of the authorized monthly budgets for both the ESA and CARE Programs and the new memo account showing the difference between the revenue requirement adopted in this decision and that requested in the applications beginning

January 1, 2012, discussed in section 3.6 of this decision. Consistent with Tier 1 procedures under General Order 96B, the Advice Letters shall be effective on the date filed, subject to Energy Division determining that they are in compliance with this directive.

3.6. Revenue Requirements

In this decision, we do not change the overall revenue requirements for the IOUs' ESA and CARE Programs adopted in the 2009-2011 program cycle. For ratemaking purposes, each of the IOU shall use its 2011 CARE, ESA, and Cool Center authorized funding levels in order to develop rates effective January 1, 2012.⁴ An under/over collection that results from authorized program spending level increases or decreases as a result of the final decision in the Consolidated Proceeding in 2012, shall be addressed in each of the IOUs' gas-PPP Surcharge, electric PPP mechanisms, and/or currently authorized ratemaking procedures, or as soon as practicable following the issuance of a final decision on the Consolidated Proceeding.

It is reasonable to anticipate that the final decision in the Consolidated Proceeding may contain higher revenue requirements than what we adopt today. In order to allow for the possibility of making any such increased revenue requirements effective January 1, 2012, we direct the IOUs to track in a new memo account the difference between the revenue requirement adopted in this decision and that requested in the applications beginning January 1, 2012. A final decision on the revenue requirement will be made before June 30, 2012.

⁴ If applicable, PG&E and SDG&E may include an adjustment to their gas and electric expense allocations in their gas PPP surcharge Advice Letter filing and annual electric ratemaking filing.

4. Categorization and Assignment of Proceeding

This proceeding is categorized as ratesetting. The assigned Commissioner is Timothy Alan Simon and the assigned ALJ is Kimberly H. Kim.

5. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Pub. Util. Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure.

Findings of Fact

1. A proposed final decision in the Consolidated Proceeding, approving the IOUs' 2012-2014 ESA and CARE Programs and budgets, is projected to be before the Commission's vote in spring 2012.
2. Bridge funding is needed to continue the current ESA and CARE Programs while the Commission considers the issues raised in the Consolidated Proceeding.
3. Bridge funding is needed to ensure that no hiatus occurs when budgets authorized for the 2009-2011 ESA and CARE Programs expire at the end of 2011.
4. Due to timing as well as the limited purpose of this bridge funding decision, individual bridge funding programmatic issue and budget item is not addressed in this decision which is purposefully simplified to cause the least amount of disruption to the ESA and CARE Programs during the transition from the 2009-2011 cycle to the 2012-2014 cycle.
5. For 2011, D.08-11-031 authorized the IOUs to spend approximately \$318,786,772 in ratepayer funds for the ESA Program and \$901,669,537 in ratepayer funds for the CARE Program.

Conclusions of Law

1. There is a need for continued funding of the IOUs' ESA and CARE Programs from January 1, 2012-June 30, 2012.
2. It is in the public interest to provide a smooth transition for refinements to the ESA and CARE Programs, maintain contractual agreements, retain skilled workers, complete existing projects, and continue to bring the benefits of those programs to businesses and residents of California.
3. It is in the public interest to authorize six months of bridge funding, up to June 30, 2012, to continue the ESA and CARE Programs, while also affording a reasonable time for deliberation of the issues in the Consolidated Proceeding, and setting an end date to the bridge funding.
4. To avoid confusion and disruptions to the IOUs' ESA and CARE Programs and to ensure continuity of the IOUs' ESA and CARE Programs beyond December 31, 2011 to a least June 30, 2012, a bridge funding decision should be issued by November 2011.
5. Our approval of this bridge funding of the ESA and CARE Programs is not equivalent to approval of the 2012-2014 ESA and CARE Programs themselves, and should not be construed as a guarantee of continued funding in the 2012-2014 ESA and CARE Programs or as a decision on the merits of any aspect of the ESA and CARE Programs for 2012-2014 budget cycle.
6. It is reasonable to allow the IOUs to contract with new third parties who will limit bridge period activity to only those activities previously authorized by the Commission for 2009-2011.
7. For this bridge funding period, each IOU's average monthly budgets based on the authorized budgets for 2011 would be the most straightforward method to continue the existing ESA and CARE Programs at the current levels.

8. Based on each IOU's own individual 2011 authorized budget, each IOU should use a single formula for calculating the average monthly budget for 2011 then apply that average monthly budget figure to the bridge funding period from January 1, 2012-June 30, 2012.

O R D E R

IT IS ORDERED that:

1. Bridge funding is authorized for the large investor-owned utilities, Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company and Southern California Gas Company (IOUs) as illustrated in the below table 1 for the IOUs' Energy Savings Assistance (ESA) and California for Alternate Rates for Energy (CARE) Programs, from January 1, 2012 till June 30, 2012, or until this decision is superseded by a final decision in Applications (A.) A.11-05-017, A.11-05-018, A.11-05-019, and A.11-05-020 (Consolidated Proceeding), whichever occurs earlier:

Table 1
Monthly Bridge Funding Budgets beginning January 1, 2012- June 30, 2012
Monthly Budget Summary

	<u>ESA</u>	<u>CARE</u>	<u>Totals</u>
<u>PGE</u>	\$13,065,753	\$40,769,036	\$53,834,789
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<u>SDGE</u>	\$1,693,967	\$4,422,038	\$6,116,005
<u>Total Program Monthly Budgets Authorized in this decision</u>	\$26,565,564	\$75,138,961	\$101,704,525

2. Each investor-owned utilities shall file a Tier 1 Advice Letter within 10 days of the effective date of this decision. The Advice Letter must include the allocation of the authorized monthly budgets for both the Energy Savings Assistance and California for Alternate Rates for Energy Programs and the new memo account showing the difference between the revenue requirement adopted in this decision and that requested in the applications beginning January 1, 2012, discussed in section 3.6 of this decision. Consistent with Tier 1 procedures under General Order 96B, the Advice Letters shall be effective on the date filed, subject to Energy Division determining that they are in compliance with this directive.

3. The bridge funding period begins January 1, 2012, regardless of whether the Advice Letters have been determined to be in compliance. The bridge funding period ends on June 30, 2012.

4. For ratemaking purposes, each investor-owned utilities shall use its 2011 California for Alternate Rates for Energy Programs, Energy Savings Assistance, and Cool Center authorized funding levels in order to develop rates for the bridge funding period.

5. During the bridge funding period, starting January 1, 2012, the investor-owned utilities shall track in a new memo account the difference between the revenue requirement adopted in this decision and that requested in the applications.

6. The investor-owned utilities are authorized to enter into contracts with new third parties during the bridge funding period for only those activities previously authorized by the Commission for 2009-2011.

7. As of December 31, 2011 and the close of all 2011 transactions, the account balance and all other unspent, uncommitted funds for Energy Savings Assistance and California for Alternate Rates for Energy Programs from the 2009-2011

budget cycle shall be reported in a supplemental filing to Applications (A.) 11-05-017, A.11-05-018, A.11-05-19 and A.11-05-020 for final disposition.

This order is effective today.

8. Applications (A.) 11-05-017, A.11-05-018, A.11-05-19 and A.11-05-020 remain open.

Dated _____, at San Francisco, California.