March 8, 2016

Advice Letter 3365-E

Russell G. Worden
Director, State Regulatory Operations
Southern California Edison Company
8631 Rush Street
Rosemead, CA 91770

SUBJECT:  SCEs Request for Cancellation of Plug Load and Appliances (PLA) Subprogram - Appliance Recycling Program (ARP)

Dear Mr. Worden:

Advice Letter 3365-E is effective as of March 13, 2016.

Sincerely,

Edward Randolph
Director, Energy Division
February 12, 2016

ADVICE 3365-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Southern California Edison Company’s Request for Cancellation of Plug Load and Appliances (PLA) Subprogram - Appliance Recycling Program (ARP)

PURPOSE

Southern California Edison Company (SCE) hereby submits this filing to request approval to discontinue the Appliance Recycling Program (ARP), a subprogram in SCE’s Plug Load and Appliance (PLA) program for the reasons stated herein. This Advice Letter is filed in compliance with California Public Utilities Commission (Commission or CPUC) Decision (D.) 09-09-047, which requires the investor-owned utilities (IOUs) to file an Advice Letter in order to eliminate an energy efficiency (EE) program or subprogram.¹

BACKGROUND

In D.12-05-015, the Commission proposed to combine the ARP and the Home Energy Efficiency Rebate (HEER) program under the PLA program with the goal of simplifying the IOUs’ portfolios. On April 23, 2013, the California IOUs filed a Program Implementation Plan (PIP) to combine the programs under the PLA program within the Statewide Residential Energy Efficiency Programs.

The ARP subprogram offers customer incentives to encourage recycling of old, inefficient refrigerators and freezers with the intent of reducing the load on the electric grid. ARP seeks to remove inefficient operating units from a participant’s home and to prevent the transfer of older, less-efficient appliances in the second-hand market.

¹ D.09-09-047, Ordering Paragraph (OP) 43.
The HEER subprogram encourages customers to purchase energy efficient appliances by providing rebates to customers.

**MARKET TRANSFORMATION**

In 1994, SCE designed and implemented the first recycling program in California to respond to the shortage of landfill space and to promote conservation. SCE developed an environmentally responsible program that deconstructs and reuses all components and parts of the refrigerator/freezer units to reduce landfill waste and gases harmful to the atmosphere. By year end 2014, SCE had recycled over 1.1 million units. As a result of many successful years of the ARP and HEER subprograms, market indicators suggest that customers no longer need incentives (such as those offered through the HEER and ARP subprograms) to purchase efficient refrigerators and to recycle old, inefficient units.

Today, a majority of retailers offer options to pick-up and recycle old appliances when delivering new units. In addition, the transfer of old, inefficient refrigerators is less prevalent in the current market. Recent surveys of California IOU customers show that most customers only want secondhand refrigerators that are no more than 10 years old. As such, even in the absence of an appliance recycling program, older refrigerators are being removed from the market and recycled.

Another indicator that market intervention is no longer necessary is the vast improvement in refrigerator technology. The efficiency of refrigerators produced in recent decades are up to 75 percent more efficient than those produced in the 1970’s. In addition, the efficiency standards for refrigerators has increased. In August of 2011, the Department of Energy (DOE) increased Federal Standards for Refrigerators and Freezers, effective September 15, 2014. The new Federal Standards for Refrigerators reduces energy usage by 20-25 percent, depending on product class.

**PROGRAM CHALLENGES**

Given the market changes discussed above, the ARP has struggled to maintain a total resource cost (TRC) above 1.0 under the Commission’s ex-ante portfolio benefit cost ratio. While there is no requirement for the PLA or any individual program to be cost-effective, it is necessary to take action to improve the cost-effectiveness of the overall energy efficiency portfolio. As noted by the Commission, “EE portfolios as we know them are on the verge of no longer being cost effective”. These proposed program
changes will improve the cost-effectiveness of the PLA program and SCE’s overall portfolio.

PLA

In D.15-10-028, the Commission adopted the ex-ante savings values in the Database of Energy Efficient Resources (DEER), effective January 1, 2016, to reflect the current energy efficiency market conditions. Included within the DEER updates are savings reductions to the appliance recycling measures. Applying the DEER updates to 2014 program activity, SCE calculates the 2015 PLA’s TRC at 0.79, a decrease from 0.97.

ARP

The DEER update reduces ARP’s gross program savings by 66 percent to reflect changing market conditions. Applying the DEER updates to 2014 program activity, SCE calculates the ARP’s TRC at 0.30, a decrease from 0.63.

To address the changing market conditions, SCE considered two possible program modifications to address ARP’s program challenges.

1. In an attempt to increase ARP’s TRC, SCE explored opportunities to reduce program operating costs. SCE considered decreasing incentives and vendor administrative costs to possibly increase the program’s TRC. However, SCE’s recycling vendor cannot further lower costs because the funds they recuperate from scrap metal has significantly declined in recent years. SCE’s negotiated contract with appliance recycling vendors is based on scrap metal rates at that time and has remained static since 2010. Any renegotiations to continue the current recycling process in place today would result in a higher cost.

2. Another opportunity SCE explored to increase ARP’s TRC is to do a bulk pick-up of units at retail locations. Instead of going from home to home to pick up units, SCE would only pick up units at retail locations. This would reduce program costs and prevent retailers from reselling old units in the second hand market. However, there is not enough volume and resource savings for this approach to be cost-effective.

PROPOSAL

SCE requests approval to cancel the ARP subprogram by July 1, 2016. As a result, the PLA program’s forecasted TRC will increase to 0.85 and the PLA program budget would decrease by approximately $3.5 million.

---

7 D. 15-10-028, OP 23.
To further address market transformation and increase TRC, SCE will also eliminate the refrigerator rebate from the HEER subprogram, via a PIP Addendum.\(^8\)

Once these program modifications are in place, the PLA program’s forecasted TRC increases to over 1.0 and SCE’s PLA program budget would decrease by approximately $5.1 million. SCE intends to evaluate the opportunity to reinvest the $5.1 million in other more cost-effective measures within SCE’s Energy Efficiency portfolio in order to increase SCE’s total portfolio TRC. To the extent any of those savings are not reinvested in more cost-effective programs, they will be returned to ratepayers.

SCE’s PLA Program will continue to offer rebates for pool pumps, evaporative coolers, heat pumps, and smart strips under the HEER subprogram. SCE will focus on improving the cost-effectiveness of the PLA program.

SCE will gradually ramp down ARP by reducing program marketing at point-of-sale retailers through Q2 2016. Prior to program cancelation and rebate elimination, SCE will also notify ARP vendors at least 30 days in advance to give all stakeholders ample time to prepare for changes. Throughout 2016, SCE will continue to process ARP vendor invoices and honor eligible customer incentives if the pickup occurred before July 1, 2016.

**PROPOSED TARIFF CHANGES**

No cost information is required for this advice filing. This advice filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule.

**TIER DESIGNATION**

Pursuant to General Order (GO) 96-B, Energy Industry Rule 5.2 and OP 1 of the Decision, this advice letter is submitted with a Tier 2 designation.

**EFFECTIVE DATE**

This advice filing will become effective on March 13, 2016, the 30th calendar day after the date filed.

**NOTICE**

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice filing. Protests should be submitted to:

---

\(^8\) The Energy Efficiency Policy manual requires Program Administrators to submit PIP addenda when there are changes to incented measures (See Energy Efficiency Policy Manual, Version 5, July 2013, p. 26).
CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: EDTariffUnit@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above)

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

Russell G. Worden
Managing Director, State Regulatory Operations
Southern California Edison Company
8631 Rush Street
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Michael R. Hoover
Director, State Regulatory Affairs
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2030
San Francisco, California 94102
Facsimile: (415) 929-5544
E-mail: Karyn.Gansecki@sce.com

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and must be received by the deadline shown above.

In accordance with General Rule 4 of GO 96-B, SCE is serving copies of this advice filing to the interested parties shown on the attached R.13-11-005 and GO 96-B service lists. Address change requests to the GO 96-B service list should be directed by electronic mail to AdviceTariffManager@sce.com or at (626) 302-3719. For changes to all other service lists, please contact the Commission’s Process Office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing at SCE’s corporate headquarters. To view other SCE advice letters filed with the Commission, log on to SCE’s web site at https://www.sce.com/wps/portal/home/regulatory/advice-letters.
For questions, please contact Lisa Mau at (626) 302-2327 or by electronic mail at Lisa.Mau@sce.com.

Southern California Edison Company

/s/ Russell G. Worden
Russell G. Worden

RGW:lm:cm
Company name/CPUC Utility No.: Southern California Edison Company (U 338-E)

Utility type: Contact Person: Darrah Morgan
☑ ELC       ☐ GAS       ☐ PLC       ☐ HEAT       ☐ WATER
Phone #: (626) 302-2086
E-mail: Darrah.Morgan@sce.com
E-mail Disposition Notice to: AdviceTariffManager@sce.com

ELC = Electric       GAS = Gas
PLC = Pipeline       HEAT = Heat
WATER = Water

Advice Letter (AL) #: 3365-E Tier Designation: 2
Subject of AL: Southern California Edison Company’s Request for Cancellation of Plug Load and Appliances (PLA) Subprogram - Appliance Recycling Program (ARP)

Keywords (choose from CPUC listing): Compliance

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☑ One-Time ☐ Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:
Decision 09-09-047

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested? ☐ Yes ☑ No
Confidential information will be made available to appropriate parties who execute a nondisclosure agreement.
Name and contact information to request nondisclosure agreement/access to confidential information:

Resolution Required? ☐ Yes ☑ No
Requested effective date: 03/13/16 No. of tariff sheets: -0-

Estimated system annual revenue effect (%):

Estimated system average rate effect (%):

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).
Tariff schedules affected: None

Service affected and changes proposed1:

Pending advice letters that revise the same tariff sheets: N/A

---

1 Discuss in AL if more space is needed.
Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: EDTariffUnit@cpuc.ca.gov

Russell G. Worden
Managing Director, State Regulatory Operations
Southern California Edison Company
8631 Rush Street
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Michael R. Hoover
Director, State Regulatory Affairs
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2030
San Francisco, California 94102
Facsimile: (415) 929-5544
E-mail: Karyn.Gansecki@sce.com