

Application No: A. _____
Exhibit No: SCE-1
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SOUTHERN CALIFORNIA
EDISON

An *EDISON INTERNATIONAL* Company

(U 338-E)

***Testimony Of Southern California Edison
Company In Support Of Its Application for
Approval of Its 2006-08 Energy Efficiency
Programs and Public Goods Charge and
Procurement Funding Requests***

Before the
Public Utilities Commission of the State of California

Rosemead, California
June 1, 2005

Testimony of Southern California Edison

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I.

PURPOSE AND SUMMARY OF SCE'S APPLICATION

SCE's application requests approval of its 2006-08 energy efficiency program plans and funding requests.¹ SCE requests authority to fund the programs through: (1) its existing Energy Efficiency-related Public Goods Charge (PGC); (2) its existing Procurement Energy Efficiency-related Public Purpose Programs Charge (PPPC); and (3) an increase in its Procurement Energy Efficiency-related PPPC (Application).

Approval of SCE's application will promote the Commission's goals of resource procurement from the provision of energy efficiency products and services. SCE's proposed portfolio represents \$728.819 million, 3.47 billion kWh of cumulative net annualized energy savings and 690.6 MW of net peak demand reduction, and represents \$1.510 billion in net resource benefits to ratepayers.

SCE's Application complies with all Commission Decisions related to energy efficiency, including Decision 04-09-060, Decision 05-01-055, and Decision 05-04-051. In Decision 04-09-060 (the Goals Decision, also referred to as the Targets Decision below), the Commission stated that the next program implementation and funding cycle for electric and natural gas energy efficiency would cover program years (PY) 2006 through PY 2008.² The Goals Decision adopted service-territory specific energy savings and demand reduction goals that apply to the 2006-08 program cycle and required that program administrators submit proposed energy efficiency program plans and funding levels to meet the savings goals adopted by the Commission.

Decision 05-01-055 (the Administration Decision) ordered the investor-owned utilities³ (IOUs) to assume responsibility for program choice and portfolio management functions for post-2005 energy efficiency programs. This Decision required, among other items, that the IOUs file applications by June

¹ SCE's application is filed pursuant to and in compliance with all Commission Decisions related to energy efficiency, including Decision 04-09-060, "Interim Opinion: Energy Savings Goals For Program Year 2006 and Beyond"; Decision 05-01-055, "Interim Opinion on the Administrative Structure for Energy Efficiency: Threshold Issues"; and D. 05-04-051, "Interim Opinion: Updated Policy Rules For Post-2005 Energy Efficiency And Threshold Issues Related To Evaluation, Measurement And Verification Of Energy Efficiency Programs".

² D.04-09-060, Ordering Paragraph No. 1, *mimeo*, p. 51.

³ SCE, Pacific Gas and Electric Company, San Diego Gas and Electric, and Southern California Gas Company.

1 1, 2005 for Commission approval of energy efficiency program plans and funding levels through both
2 the public goods charge and procurement *rates*, for the three-year program implementation and funding
3 cycle beginning January 1, 2006.⁴

4 Decision 05-04-051 (the Policy Rules Decision) clarified the goals, policies and administrative
5 framework described in the Goals Decision and the Administration Decision. Consistent with that
6 decision, SCE's Application presents a portfolio which exceeds the goals established in the Goals
7 Decision, includes input received through the process defined in the Administration Decision, and
8 conforms to the prescribed policy rules.

9 SCE's goal is to fully realize the potential of Demand Side Management (DSM) as a reliable and
10 robust resource, consistent with the State of California's vision of energy efficiency and all DSM
11 activities as communicated in the state's Energy Action plan. The portfolio offers a unified program
12 approach where all DSM programs work together seamlessly to help customers take actions that make
13 sense to them. SCE will rely on a combination of short and long-term solutions to energy efficiency that
14 is consistent with SCE's commitment to making energy efficiency part of its long-term resource
15 solution.

16 Through a diverse set of programs, SCE's energy efficiency portfolio is focused on strategies
17 that immediately harvest cost-effective energy efficiency savings and demand reductions while looking
18 beyond the 2006-08 planning cycle to ensure energy efficiency remains a reliable and robust resource.
19 SCE will maximize the benefits of diversity within the portfolio, among approaches, measures, markets,
20 delivery channels and implementers. SCE will continue to grow and sustain partnerships to continue to
21 build toward a durable distributed infrastructure of local energy efficiency networks. SCE views
22 partnerships as an effective means to encourage customers on a local level to embrace energy efficiency.
23 Finally, SCE will look to emerging technologies and promising program designs to build the future for
24 energy efficiency.

⁴ D.05-01-055, Ordering Paragraph No. 6, *mimeo*, p. 155.

1 **II.**

2 **SCE'S ENERGY EFFICIENCY PORTFOLIO IS CONSISTENT WITH THE COMMISSION'S**
3 **POLICY FRAMEWORK**

4 **A. The Portfolio Meets The Objectives of the Energy Action Plan**

5 The joint Energy Action Plan, adopted by the Commission, the California Energy Commission
6 (CEC) and the California Consumer Power and Conservation Financing Authority (CPA), identifies
7 reduction of energy use per capita as one of six sets of actions that are of critical importance. SCE's
8 Application is focused on meeting this action item of the Energy Action Plan.

9 SCE's portfolio of programs is designed to maximize cost-effective energy and demand
10 reductions through a combination of information, audits, rebates, and other strategies. SCE's portfolio
11 also includes offerings which will assist in increasing local government conservation, as also discussed
12 in the Energy Action Plan. Where applicable, SCE has included in its program plans descriptions on
13 how it is encouraging companies that invest in energy efficiency to register with the state's Climate
14 Change Registry.

15 **B. The Portfolio Meets The Objectives of the Administration Decision**

16 The Administration Decision requires SCE to include the following specific items in its program
17 Application: (1) a description of the portfolio composition, including portions of SCE's portfolio which
18 are to be put out to bid and the criteria for these bids; (2) standard contract agreements for use with non-
19 IOU contractors and implementers; (3) an analysis of SCE's proposed administrative costs, comparable
20 to that completed for the Commission on March 15, 2005; and (4) funding for the Energy Efficiency
21 Groupware Application (EEGA).⁵ SCE's portfolio conforms with the Commission's policies as
22 established in the Administration Decision and is consistent with the Energy Action Plan.

24 Section III below contains a description of SCE's program portfolio, including the allocation of
25 budgets and energy savings among the program categories. (See also Exhibit SCE-2). SCE's strategy for

⁵ *Id.*, p. 124; Ordering Paragraph Nos. 5 and 6, p. 146; Ordering Paragraph No. 7, p. 147.

1 its portfolio composition is to achieve all of the Commission objectives, including cost-effective energy
2 savings and demand reductions.

3 The program components that will be put out to bid consistent with the adopted minimum
4 requirements in the Administration Decision are described in Section VI, *infra*. Section VI also
5 identifies the specifies the portions of the portfolio that will be put out to bid, the bid process and
6 evaluation criteria, and the SCE contracts that will be used for agreements with non-IOU program
7 implementers.

8 SCE worked with the Energy Division to compile administrative and non-administrative costs
9 and energy savings data on current programs in a standardized format in order to facilitate direct
10 comparisons across programs. The updated information was made available to the advisory groups
11 (Public Advisory Group and Peer Review Group) on March 15, 2005. This cost and savings information
12 in the same standardized format is included in Attachment IV of Appendix 10.1 in Exhibit SCE-2.

14 The EEGA system ensures that energy efficiency reporting is organized, accurate, consistent and
15 useful to the public, the Commission and others charged with ensuring that California's energy needs are
16 met. In the Administration Decision, the Commission required that SCE and the other IOUs continue to
17 reserve a portion of energy efficiency funding for the purpose of maintaining and expanding EEGA.
18 Subsequently, the Commission directed the Energy Division to file detailed evaluation, measurement
19 and verification plans and budgets on November 1, 2005⁶ which will address funding for EEGA.

21 **C. The Portfolio Contains Appropriate Targets And Complies With The Targets Decision**

22 The Goals Decision requires SCE's proposed energy efficiency program plans and funding levels
23 to meet the savings goals adopted by the Commission.⁷ In addition, the Goals Decision requires that
24 SCE (1) submit promising options to remove barriers to the rapid deployment of energy efficiency,

⁶ D.05-04-051, Ordering Paragraph No. 12, p. 95.

⁷ Clarified by Assigned Commissioner's Ruling Providing Clarification On Energy Efficiency Savings Issues Associated With The 2006-08 Program Cycle, May 11, 2005.

1 including on-bill financing of energy efficiency measures; (2) present specific proposals for programs
2 that support new building and appliance standards; and (3) present estimates of the net rate impacts and
3 bill impacts associated with the proposed portfolio of programs designed to meet the Commission-
4 adopted energy savings goals.

5 As shown in Attachment II of Appendix 10.1 (Exhibit SCE-2), SCE's proposed energy
6 efficiency program plans and funding levels meet the 2006-08 savings goals adopted by the
7 Commission. Details on the program plans and funding levels are described below in Section IV. Each
8 of SCE's program plans includes descriptions of promising options to remove barriers to the rapid
9 deployment of energy efficiency. In addition, SCE is proposing an on-bill financing pilot as part of its
10 direct installation program. SCE is also continuing its highly-successful Codes and Standards Advocacy
11 program. SCE's estimated rate and bill impacts of this Application are discussed below in Section IX.

13 **D. The Portfolio Complies With The Avoided Costs Decision**

14 The Commission in D. 05-04-024, "Interim Opinion on E3 Avoided Cost Methodology" (the
15 Avoided Cost Decision), adopted a new avoided cost forecast methodology, developed by the consulting
16 firm Energy and Environmental Economics (E3), and described in the report *Methodology and Forecast*
17 *of Long-Term Avoided Cost(s) for the Evaluation of California Energy Efficiency Programs* (the E3
18 Report). The E3 Report provides a methodology and associated spreadsheet models describing and
19 generating 20-year forecasts of hourly wholesale electricity costs and monthly wholesale natural gas
20 costs. These wholesale energy cost forecasts represent the total avoided cost of power that a utility
21 would otherwise have to generate or procure in the absence of other resource options like energy
22 efficiency programs. Pursuant to the Avoided Cost Decision, these models were updated by SCE in
23 Advice Letter 1887-E to include revisions to the original E3 Report avoided costs. SCE utilized the
24 updated E3 methodology to generate avoided cost energy forecasts for use in cost-effectiveness tests to
25 evaluate energy efficiency programs in this Application.

1 **E. The Portfolio Complies With the Commission’s Policy Rules**

2 The Policy Rules Decision updates the existing Energy Efficiency Policy Manual to reflect
3 policy rules (Rules) that articulate the Commission’s objectives for energy efficiency and provide
4 guidance to the Program Administrators, program implementers, and interested parties for the
5 development of program portfolios for 2006 and beyond. Among other things, the Rules describe
6 threshold requirements for cost-effectiveness and discuss how to calculate and present cost-effectiveness
7 results for Commission consideration in this Application. The Rules also summarize Commission
8 determinations in the Administration Decision, regarding competitive bidding, advisory groups, affiliate
9 rules and other administrative structure issues. In addition, the Rules describe Commission expectations
10 regarding the information that SCE is to file in this program planning Application.

12 SCE’s Application fully complies with the Policy Rules Decision and the Rules adopted therein.
13 A summary of SCE’s compliance with major points in the Policy Rules Decision is provided below.
14 Additional details of SCE’s compliance with the Rules are described throughout this Application.

1 ***Summary of SCE’s Compliance With Major Policy Rules***

- 2
- 3 ○ Policy Rule II.2. – SCE has developed its 2006-08 energy efficiency program portfolio to
- 4 exceed both the annual (2006, 2007, 2008) and cumulative (2008) savings goals.⁸ SCE’s
- 5 accomplishments towards the annual and cumulative energy savings and demand
- 6 reduction goals are provided in Attachment I in Appendix 10.1 in Exhibit SCE-2.
- 7
- 8 ○ Policy Rule II.5. – SCE’s portfolio aggressively increases overall capacity utilization and
- 9 lower peak loads through the deployment of low load factor/high critical peak saving
- 10 measures in both the Residential and Nonresidential sectors. Each of the programs
- 11 utilizes strategies which maximize peak load reductions. Descriptions of these strategies
- 12 can be found in the detailed program plans for each of the individual programs (*See*
- 13 Exhibit SCE-3).
- 14
- 15 ○ SCE’s portfolio also provides strategies to minimize “lost opportunities,” particularly
- 16 through the New Construction Sector. Lost opportunities are those energy efficiency
- 17 options which offer long-lived, cost-effective savings and which, if not exploited
- 18 promptly are lost irretrievably or rendered much more costly to achieve. SCE’s strategies
- 19 are described in the detailed program plans. (*See* Exhibit SCE-3)
- 20
- 21 ○ Policy Rule II.6 – SCE proposes a selection of statewide marketing and outreach
- 22 programs, upstream market transformation programs, information and education
- 23 programs, support for codes and standards and other activities that support the
- 24 Commission’s short-term and long-term energy savings goals. SCE has allocated a
- 25 sufficient portion of portfolio funding to statewide marketing and outreach to continue
- 26 and build upon the success of the existing program.
- 27
- 28 ○ Policy Rule II.7. – SCE’s portfolio explores methods for co-branding with the California
- 29 Climate Action Registry that will encourage the accurate reporting of emissions in
- 30 California. SCE describes co-branding activities in the detailed program plans. (Exhibit
- 31 SCE-3)
- 32
- 33 ○ Policy Rule II.8 –SCE proposes a selection of statewide marketing and outreach
- 34 programs, upstream market transformation programs, information and education
- 35 programs, support for codes and standards and other activities that support the
- 36 Commission’s short-term and long-term energy savings goals. SCE has allocated a
- 37 sufficient portion of portfolio funding to statewide marketing and outreach to continue
- 38 and build upon the success of the existing program.

⁸ SCE met the goals as clarified by Assigned Commissioner’s Ruling Providing Clarification On Energy Efficiency Savings Issues Associated With The 2006-08 Program Cycle, May 11, 2005.

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- SCE has worked with the California Energy Commission (CEC) and other appropriate stakeholders to include appropriate levels of funding to demonstrate and commercialize emerging technologies funded through the California Public Interest Energy Research (PIER) program and other sources that otherwise would not receive funding for pre-commercialization demonstration. SCE also proposes emerging technologies programs that include higher funding levels as compared to previous budgets (*See Exhibit SCE-3*).

 - Policy Rule IV.6. – This Application includes a prospective showing of cost-effectiveness using the Dual-Test for the entire portfolio of ratepayer-funded energy efficiency activities and programs, including all costs not assignable to individual programs, such as overhead, planning, evaluation, measurement and verification. SCE’s prospective showing of cost-effectiveness at the portfolio level is provided in Attachment II of Appendix 10.1 in Exhibit SCE-2.

 - Policy Rule IV.11. – The assumptions that are used to estimate load impacts (e.g., kWh and kW savings per unit, program net-to-gross ratios, incremental measure costs and useful lives) in the calculation of the TRC and PAC tests are taken from the Database for Energy Efficiency Resources (DEER) whenever possible. For measures where the required load impacts for cost-effectiveness test inputs were not available in DEER, documentation supporting the inclusion of new information from alternate sources is available as part of SCE’s work papers.

 - Policy Rule VI.3. – As directed in the Administration Decision, D.05-01-055, SCE proposes a portfolio of programs (with input from the Program Advisory Groups as described in that decision) that reflects the continuation of successful IOU and non-IOU implemented programs and new program initiatives designed to meet or exceed the Commission’s savings goals with cost-effective energy efficiency. As part of this process, SCE has identified a minimum of 20% of funding for the entire portfolio of programs that will be put out to competitive bid to third-parties for the purpose of soliciting innovative ideas and proposals for improved portfolio performance.

 - Policy Rule VI.6. – SCE worked with the Commission’s Energy Division and Legal Division, and other parties to develop a standard contract for future partnership programs. SCE submits such a contract with this 2006-08 program plan. *See Appendix 10.3 in Exhibit SCE-3*.

 - Policy Rule X.1. – Attachment II of Appendix 10.1 in Exhibit SCE-2 presents various information on funding levels, energy and demand savings targets, cost-effectiveness projections, and demand growth reduced by the energy efficiency programs in

1 compliance with Ordering Paragraph 13 of D.04-12-048, the Long Term Procurement
2 Decision.

- 3
- 4 ○ Policy Rule XI.3. – SCE’s program proposals for energy efficiency funding describe a
5 dispute resolution process to be used in dealing with complaints from end-use electric
6 consumers participating or attempting to participate in the program. In programs where
7 the SCE holds a contract with a third-party, those contracts also include dispute
8 resolution provisions.
- 9
- 10 ○ Policy Rule XI.4. – 4. With input from the Program Advisory Groups, SCE developed
11 and submits proposed fund shifting guidelines. SCE’s proposed fund shifting guidelines
12 are discussed below in Section VI. After finalized by the Commission, fund shifting
13 rules should be incorporated into the Rules.
- 14

15 **F. The Portfolio Is Consistent With Current Performance Basis and EM&V Protocols**

16 While the Commission continues to work with interested parties in R.01-08-028 on the
17 development of a performance incentive mechanism, SCE’s Application is consistent with the needs of a
18 Performance Basis as has been defined thus far. SCE has calculated program and portfolio level
19 resource benefits and costs which can readily be converted into an appropriate performance basis for
20 annual program and portfolio reviews. In addition, SCE’s Application is consistent with the
21 development and implementation of Evaluation, Measurement, and Verification (EM&V) protocols,
22 also concurrently being developed in R.01-08-028. Once the Performance Basis and EM&V Protocols
23 are finalized, SCE will apply them to its program portfolio.

24 **G. SCE’s Portfolio Is A Product of Collaboration Between SCE and Advisory Groups And**
25 **Compliant With The Commission’s Policy Framework**

26 The entire portfolio was developed through close collaboration with the Program Advisory
27 Groups (PAGs) and Peer Review Groups (PRGs). These advisory groups served to: (1) promote
28 transparency in SCE’s decision-making process; (2) provide a forum to obtain valuable technical
29 expertise from stakeholders and non-market participants; (3) encourage collaboration among
30 stakeholders; and (4) create an additional venue for public participation. Collaboration between SCE
31 and the PAGs and PRGs was particularly influential in the following areas: development of the

1 portfolio, including the components to be competitively bid (*See*, PRG Report, Exhibit SCE-4;
2 Appendix 10.2 of Exhibit SCE-2), and development of fund-shifting guidelines (*See* also Section VI
3 below). Additional information about the PAG/PRG process is provided below in Section V.

4 **H. The Portfolio is Consistent With the Governor’s Green Building Executive Order**

5 Executive Order S-20-04 (Executive Order) was signed by the Governor in December 2004. The
6 Executive Order requires that the state commit to aggressive action to reduce state building electricity
7 usage. State agencies, departments, and other entities under the direct executive authority of the
8 Governor are required to cooperate to facilitate reduction of grid-based energy purchases for state-
9 owned buildings by 20% by 2015 through cost-effective efficiency measures and distributed generation
10 technologies. In addition, the Commission is urged to apply its energy efficiency authority to support a
11 campaign to inform building owners and operators about the compelling economic benefits of energy
12 efficiency measures; improve commercial building efficiency programs to help achieve the 20% goal;
13 and submit a biennial report to the Governor commencing in September 2005, on progress toward
14 meeting these goals.

15 SCE’s Application provides sufficient programs and opportunities for State agencies,
16 departments, and other entities under the direct executive authority of the Governor to take measures to
17 reduce grid-based energy purchases for state-owned buildings through the installation cost-effective
18 efficiency measures under SCE’s proposed programs. In addition, SCE proposes to continue Statewide
19 Marketing and Outreach programs that create general awareness of energy efficiency opportunities
20 across the state. Further, SCE’s Application proposes targeted, program-specific marketing to assist
21 customers in participating in the specific programs that benefit them.

1 **III.**

2 **DESCRIPTION OF SCE'S ENERGY EFFICIENCY PORTFOLIO**

3 **A. Statement of Program Goals**

4 SCE's goal is to fully realize the potential of DSM as a reliable and robust resource, consistent
5 with the State of California's vision of energy efficiency and all DSM activities as communicated in the
6 state's Energy Action plan. The portfolio offers a unified program approach where all DSM programs
7 work together seamlessly to help customers take actions that make sense to them. SCE will rely on a
8 combination of short and long-term solutions to energy efficiency that is consistent with SCE's
9 commitment to making energy efficiency part of its long-term resource solution.

10 Through a diverse set of programs, SCE's energy efficiency portfolio is focused on strategies
11 that immediately harvest cost-effective energy efficiency savings and demand reductions while looking
12 beyond the 2006-08 planning cycle to ensure energy efficiency remains a reliable and robust resource.
13 SCE will maximize the benefits of diversity within the portfolio, among approaches, measures, markets,
14 delivery channels and implementers. SCE will continue to grow and sustain partnerships to continue to
15 build toward a durable distributed infrastructure of local energy efficiency networks. SCE views
16 partnerships as an effective means to encourage customers on a local level to embrace energy efficiency.
17 Finally, SCE will look to emerging technologies and promising program designs to build the future for
18 energy efficiency.

19 **B. Strategies By Sector**

20 To ensure success, SCE will use a mix of proven program designs and implementation strategies
21 while creating opportunities to recruit, nurture, phase-in and mainstream promising emerging
22 technologies. SCE is committed to implementing programs that provide a positive customer experience
23 and accordingly will monitor customer satisfaction and strive to constantly improve our approaches and
24 processes. We will increase our utilization of "market-based" approaches such as point-of-sale,
25 distributor, manufacturers, architects, engineers and contractors. SCE will demonstrate and deploy,
26 through these programs, best practices, innovation and emerging technologies. SCE is also committed

1 to continuing to utilize third-party vendors in all areas of the portfolio. Throughout the portfolio, SCE
2 will integrate all relevant DSM strategies into our approaches.

3 *Residential Program Sector*

4 In the residential sector, instead of focusing on traditional mail-in rebates to encourage the
5 purchase of energy efficiency equipment, SCE will work with manufacturers, distributors and retailers
6 to provide instantaneous rebates to customers. SCE also expects to significantly increase the installation
7 of the most energy efficient central air conditioners in the residential sector by expanding its current
8 nonresidential upstream HVAC program to include residential customers. SCE will also expand its
9 successful appliance recycling program to include inefficient room air conditioners. In addition, for the
10 multifamily market, SCE's program offering will place more emphasis on HVAC measures and expand
11 its outreach to customers living in mobile homes. In order to continue the growth of energy efficiency
12 in the residential new construction market, SCE will showcase the next generation of energy efficient
13 homes, which include the integration of many different DSM disciplines, including demand response
14 applications.

15 *School Initiatives*

16 SCE will also implement a program focused on improving energy efficiency in schools.
17 Through an integrated approach, SCE will offer schools an array of program strategies including facility
18 audits, in-class energy savings curriculum, in-home audits conducted by students and direct linkage to
19 incentive-based programs. SCE will implement these strategies in coordination with Southern
20 California Gas Company and local water agencies.

1 *Nonresidential Program Sector*

2 In the nonresidential sector, SCE will use proven strategies such as standard performance
3 contracting and prescribed rebates along with audits and informational services. SCE will implement a
4 new business incentive program which consolidates several program strategies into one offering to
5 simplify the participation process and improve customer satisfaction. SCE is committed to capturing all
6 cost effective energy saving and demand reduction in the HVAC segment. To that end, SCE will
7 significantly expand its current upstream HVAC program to promote quality installations, improved
8 maintenance practices and contractor training and certification.

9 *Green Building Initiative*

10 SCE will offer a green building initiative strategy to assist the State of California with its energy
11 efficiency commitment in support of the Executive Order (*See* Section II.H, *supra.*). SCE will also
12 implement a new retro-commissioning program to improve the efficiency of current commercial
13 building stock. In addition, SCE will offer new segment-based programs for both industrial and
14 agricultural customers. SCE will enhance its long-running agricultural pump test offering by including
15 the latest advances in pumping technologies.

16 *Direct Install Programs*

17 SCE's direct install program, which provides direct installation of energy efficient lighting and
18 "quick install" measures to smallest business customers, will include an on-bill financing option. Based
19 on a national research of existing on-bill financing programs, SCE believes the small business segment
20 is best suited to prove the viability of such an offering. The small business direct install program will
21 also continue to leverage the outreach of community based organizations while providing a job creation
22 component that is focused on youth in challenged areas of our service territory. Finally, SCE will
23 continue to offer our nationally recognized, award winning, nonresidential new construction program,
24 Savings By Design. The Savings By Design program will have an expanded focus on whole building
25 design and design assistance for the next generation of building stock.

27 *Other New Offerings*

1 SCE will implement a variety of energy efficiency activities that focus on both the residential
2 and nonresidential sectors. SCE will implement a new offering, Education, Training and Outreach,
3 which will include energy centers, emerging technology labs, community outreach and advanced
4 training such as builder operator certification. SCE is committed to expanding both its codes and
5 standards work as well as promoting the next generation of emerging technologies. Additionally, SCE
6 has proposed a new offering, the Sustainable Communities Program, which integrates energy efficiency
7 with other DSM disciplines, such as demand response and renewables, at a community level.

9 *Local Government Partnership Programs*

10 SCE will continue its long history of partnering with local governments. SCE will enhance the
11 partnership experience by offering a more standardized approach that places emphasis on improved cost
12 efficiencies. The partnerships will leverage, where possible, the program infrastructure available
13 throughout the portfolio thus avoiding redundant offerings. This approach reduces project lead times
14 and, in turn, captures cost effective energy efficiency sooner. SCE has identified various partnership
15 opportunities for 2006-08, but has put in place a model by which future partnerships can be forged
16 throughout the program cycle. By leveraging local government's community ties to customers,
17 partnerships are well-positioned to achieve immediate cost-effective energy efficiency.

19 **C. Energy Efficiency Integration With Demand Response And Distributed Generation**

20 The integration of energy efficiency with other DSM programs (e.g. demand response and
21 distributed generation), creates a powerful combination that fosters innovative and comprehensive
22 approaches to serving customers' comprehensive energy needs. This collaboration of DSM programs
23 also creates synergies of increased cooperation and reduced costs over the long term.

24 Beginning in 2006, SCE proposes various levels of integration for each program depending upon
25 the opportunity for realizing energy savings. For example, SCE proposes to integrate the mailing
26 campaigns of the residential Home Energy Efficiency Survey (HEES) and residential Air Conditioning
27 Cycling Program (ACCP) to target customers with central air conditioning. This co-promotion of HEES

1 and ACCP will provide the customer with an opportunity to perform a customized energy survey, take
2 advantage of any applicable energy efficiency program, and consider the option to enroll in the
3 residential ACCP.

4 SCE also proposes to have greater levels of technical integration. Integrating an energy
5 efficiency technology with a demand response technology typically produces equal or greater benefits at
6 a lower cost. For example, SCE's proposed Business Incentive program provides incentives for many
7 types of control systems and will also allow demand reduction and permanent control of lighting,
8 HVAC, and refrigeration systems. For longer-term integration opportunities, SCE plans to integrate
9 emerging demand response technology as part of the proposed energy efficiency residential new
10 construction's Advanced Homes program strategy designed to promote the next generation of efficient
11 homes. SCE will also take the same approach in its new Sustainable Communities Program offering.
12 To maintain innovative integration for the very long-term, the Emerging Technologies program will
13 coordinate with our demand response programs to assess technologies that may produce energy savings
14 with the capability of demand response.

15 **1. Differences Between the 2006-08 Portfolio And Past Energy Efficiency Program**
16 **Portfolios**

17 As in the past, SCE's program portfolios incorporate the Commission's policies
18 regarding energy efficiency. As the Commission's focus has evolved, so has SCE's program portfolio.
19 In view of the Commission's current policy establishing energy efficiency as the utilities' highest
20 priority procurement resource, SCE has developed a comprehensive, innovative and effective program
21 portfolio that will make energy efficiency a reliable and robust resource management option for the
22 State of California.

23 SCE's portfolio relies on proven program designs while expanding the strategies to have
24 greater outreach and long-term sustainability. SCE has greatly expanded its upstream strategies in both
25 the residential and nonresidential markets. SCE will approach the HVAC market with the most
26 comprehensive set of program offerings in the country. In all sectors, SCE will promote the newest,
27 commercially viable technologies to promote energy efficiency. SCE will offer a host of new program

1 strategies such as on-bill financing, retro-commissioning, green building initiative outreach, and
2 Sustainable Communities program offerings.

3 SCE will not only expand its current commitment to emerging technologies by increasing
4 funding over current levels but will hold three separate competitively bid solicitations for the sole
5 purpose of identifying and promoting commercially viable emerging technologies and market
6 approaches. Finally, SCE will integrate energy efficiency with other demand-side management
7 programs like demand response and distributed generation to create potent combinations which can
8 foster more innovation and comprehensive approaches to serving customers' multiple energy needs.

9 **2. Potential Challenges In Implementing The Proposed Portfolio**

10 There are various challenges facing the implementation of a new program portfolio,
11 which include:

12 Implementation of new programs such as comprehensive business incentive program,
13 upstream HVAC, sustainable communities, on-bill financing;

14 Balancing short-term and long-term energy efficiency objectives;
15 and

16 Changes in codes and standards reducing the potential of energy efficiency programs.

17 None of these challenges are insurmountable. SCE expects to overcome them with
18 support from the Commission, our advisory groups, and flexibility from the energy efficiency
19 marketplace.

20 **3. Proposed Statewide Marketing Effort**

21 SCE, in cooperation with the other IOUs, proposes to build upon the success of the
22 existing statewide marketing and outreach programs. Statewide marketing and outreach programs
23 convey the important message of energy efficiency and conservation to the general consumer through a
24 consistent and recognizable presence throughout California. As noted by the Commission, statewide
25 marketing and outreach programs “work towards the goal of increasing the efficiency of energy use
26 through energy information, marketing and outreach, education and training and other approaches that

1 do not directly involve or result in the installation of energy efficient equipment or measures at customer
2 premises.⁹

3 SCE proposes to extend the current marketing campaigns that the Commission approved
4 for the 2004-05 program cycle. The three marketing programs are:

- 5
- 6 • The Efficiency Partnership campaign which promotes the ***Flex Your Power***
7 message to all general consumers;
8 Staples-Hutchison Associates campaign which targets Spanish-speaking
9 communities primarily through televised messages; and
- 10 • Runyon Saltzman & Einhorn, Inc. campaign which outreaches to the rural
11 communities primarily through print materials and radio.

12 These three programs provide comprehensive coverage of all four IOU service territories.

13 For the 2006-08 program cycle, the programs will be coordinated under an umbrella of
14 *Flex Your Power* campaigns. This coordination will be accomplished through regularly scheduled
15 meetings among the representatives of the four IOUs. The meetings will allow for seamless and
16 coordinated statewide marketing and outreach offerings that will serve as the focal point for the general
17 energy efficiency and conservation message to consumers.

18 **4. Portfolio Level Quality Assurance And Inspection**

19 The proposed energy efficiency portfolio contains a wide array of strategies, including
20 rebate programs, upstream distributor incentives, and in-home audits. SCE has developed a quality
21 assurance and inspection plan to ensure that expected energy savings are achieved. SCE's plan includes
22 specific inspection requirements for each of the proposed energy efficiency programs. For instance SCE
23 has identified the specific inspection processes to be used when inspecting a particular program. SCE
24 will also require that the program management staffs personally perform random field visits to ensure
25 the quality of inspections and to monitor the program's overall operation.

26 SCE is also establishing a quality control/process improvement oversight function within
27 its energy efficiency organization. This internal function will monitor and identify needed changes in

⁹ D.05-04-051, *Mimeo* 5, p. 60.

1 equipment installation practices, program eligibility rules and enforcement, streamlining of program
2 processes, and accuracy and completeness of program data tracking.

3 SCE is confident that its approach to quality assurance, along with a well designed and
4 executed measurement plan, will greatly facilitate monitoring of the programs and achievement of
5 expected energy savings.

6 **5. SCE's Portfolio Diversifies Risk In Meeting Savings Goals**

7 SCE's portfolio offers a multifaceted approach to achieving cost effective energy savings
8 and demand reductions. The portfolio relies on a combination of proven programs, and new program
9 designs to create a diversified, yet focused, portfolio. SCE seeks contribution from all technology end-
10 uses to weave together a strong and reliable set of programs focused on achieving both short and longer-
11 term energy savings and demand reduction. Each of SCE existing programs which are being extended
12 into the next program cycle have been retooled to provide a more comprehensive approach to reduce
13 reliance on any one strategy, measure, customer segment or end-use. For example, in both the
14 residential and nonresidential sectors, SCE will significantly increase our investment in HVAC energy
15 efficient equipment. SCE has also refocused the nonresidential portfolio to obtain energy efficiency
16 from targeted segments (e.g., industrial and agriculture).

17 SCE will also offer an expanded menu of strategies including point-of-sale, distributor
18 and manufacturer incentives in the residential sector. Further, SCE will test new, unproven program
19 designs through its competitive bid solicitations in order to further enhance the portfolio's performance.

21 **6. Coordination and Collaboration With All Implementers Will Ensure Success of** 22 **SCE's Portfolio**

23 SCE intends to continue its long and successful history of monitoring and collaborating
24 with non-IOU program implementers. SCE's overarching goal for energy efficiency programs is
25 consistent with the Commission's goal, which is to procure cost effective energy efficiency in a cost-
26 effective manner. Achieving cost effective energy efficiency over both the short- and long-term will be
27 the goal for *every* energy efficiency program, regardless of the implementer. Vigilant monitoring,

1 communication and collaboration with non-IOU program implementers will be critical to ensure that
2 individual programs meet their individual targets, and that SCE's overall portfolio, remains on track to
3 meet the performance targets.

4 In SCE's experience, timely and effective communication with program implementers
5 helps identify potential problems and new opportunities for energy savings. SCE's program
6 management staff strives to maintain an open, candid relationship with all implementers. Overall, SCE
7 manages the portfolio in a collaborative fashion with program implementers, working as team to
8 accomplish the program targets. SCE will continue this collaboration with all implementers to ensure
9 the overall success of the energy efficiency portfolio.

10 **7. Leveraging State, Regional and National Efforts**

11 SCE is engaged in various state, regional and national efforts in order to constantly
12 improve the effectiveness of our energy efficiency programs. SCE works very closely with state
13 agencies on such programs as emerging technologies, new construction and codes and standard
14 activities. SCE plans to coordinate with state agencies on the Green Building initiatives.

15 On the regional and national front, SCE works with various entities such as the
16 Department of Energy in connection with the *Energy Star* brand. SCE is also an active participant in the
17 Consortium for Energy Efficiency (CEE) and American Council for an Energy Efficient Economy
18 (ACEEE). Further, SCE's portfolio leverages efforts by various manufacturing trade associations and
19 environmental advocacy groups.

20 **8. Energy Efficiency in 2009 And Beyond**

21 SCE's portfolio is designed to achieve immediate cost effective energy savings and
22 demand reduction and to capture long-term energy efficiency beyond the three-year program cycle.
23 SCE will invest in various long-term ventures such as the more traditional new construction strategies to
24 support the development of the next set of building codes and standards, as well as identifying and
25 testing the viability of emerging technologies. To that end, SCE has developed a new avenue to bring
26 viable emerging technologies from the lab into the marketplace through a competitive bid process
27 named INDEE, Innovative Designs For Energy Efficiency.

1 Finally, SCE's program portfolio has expanded its longer-term focus to include the
2 Sustainable Communities program which will be an integration showpiece of different types of DSM
3 including demand response and self-generation.

4 **D. Portfolio Goals**

5 **1. CPUC-Adopted SCE-Specific Targets**

6 SCE's projected 2006-08 installations resulting from its energy efficiency programs
7 produce energy savings and demand reductions which are consistent with and exceed the Commission's
8 adopted goals. This Application provides the details of SCE's projected installations resulting from the
9 2006-08 energy efficiency programs, and SCE's compliance with the Goals Decisions which establishes
10 SCE-specific energy savings and demand-reduction targets.

11 SCE's energy efficiency portfolio is expected to exceed 3.47 billion kWh of cumulative
12 net annualized energy savings and 690.6 MW of net peak demand reduction. In the Goals Decision, the
13 Commission adopted a set of annual and cumulative energy savings and demand reduction targets for
14 SCE's service territory for 2004-2013.¹⁰ These targets reflect net savings, adjusted for free-riders, and
15 include the effects of Low Income Energy Efficiency (LIEE) programs.¹¹ The Goals Decision requires
16 that this Application demonstrate that SCE's proposed level of electric energy efficiency program
17 activities and funding is consistent with the adopted electric goals. In compliance with this directive,
18 this Application includes net energy savings and demand reduction estimates, adjusted for free riders,
19 including the cumulative effects of installations from 2004-05 programs occurring during 2006-08. In
20 addition, SCE includes the projected effects of its Low Income Energy Efficiency programs, being filed
21 concurrently with this Application pursuant to Decision 05-04-052 in the LIEE proceeding (R.04-01-
22 066) (the June 1 LIEE Application).

23 Pursuant to the Goals Decision, as clarified by the Policy Rules Decision, and the May
24 11, 2005 Assigned Commissioner's Ruling, SCE is required to demonstrate in this Application that: (1)

¹⁰ Ordering Paragraph No. 1, p. 51.

¹¹ Decision 04-09-060, *mimeo*, pps. 32-33.

1 annual energy savings and demand reductions from installations occurring in years 2006 through 2008,
2 meet or exceed the respective adopted annual goals, clearly stating from which program years the energy
3 savings and demand impacts result¹²; and (2) cumulative energy savings and demand reductions
4 resulting from installations beginning with the calendar year corresponding to the initiation of the
5 cumulative goals in the Goals Decision (2004), through the calendar year ending this funding cycle
6 (2008), meet or exceed the adopted cumulative energy savings and demand reduction impacts in the
7 Goals Decision. Attachment I of Appendix 10.1 (Exhibit SCE-2) shows the adopted annual and
8 cumulative energy savings and demand reduction targets for SCE's service territory for the 2006-08
9 calendar years.¹³

10 This Application also demonstrates SCE's ability to exceed the adopted annual energy
11 savings and demand reduction goals. See Attachments I and II of Appendix 10.1 in Exhibit SCE-2, for
12 detailed information on annual energy savings and demand reductions from installations occurring in
13 2006 through 2008, as well as the estimated cumulative energy savings and demand reductions resulting
14 from installations beginning in 2004 and ending in 2008.

15 **2. Total Energy Impacts by Year and Methods Used To Develop Energy Impacts**

16 The projected annual and lifecycle measure, program, and portfolio energy reductions for
17 the 2006-08 programs are derived from *ex ante* estimates of energy savings. These estimates are based
18 upon the measure level savings data submitted in the Measure List tables attached to this Application
19 (See Appendix 10.1 in Exhibit SCE-2). Projections of annual program energy and demand reductions
20 are developed similarly across programs, but with measure-level estimates which correspond to their use
21 in a particular program. The measure-level savings information used to calculate the 2006-08 program
22 results are based upon the latest energy savings data available for the particular measure(s), including
23 the Database for Energy Efficient Resources (DEER), measurement studies, historical program results,
24 and engineering estimates.

¹² Assigned Commissioner's Ruling Providing Clarification on Energy Efficiency Savings Issues Associated with the 2006-08 Program Cycle, pps.1-2, 8.

¹³ Decision 05-04-051, Attachment 3, Appendix A.

1 The gross amounts of these costs are reduced by appropriate net-to-gross ratios for the
2 particular measure or end-use. Gross energy savings are considered to be the savings in energy and
3 demand seen by the participant at the meter. Net savings are assumed to be the savings that are
4 attributable to the program. That is, net savings are gross savings minus those changes in energy use
5 and demand that would have happened even in the absence of the program (free riders, appliance
6 standards). The net-to-gross ratio is a factor that is applied to gross program load impacts to convert
7 them into net program load impacts. This factor is also used to convert gross measure costs into net
8 measure costs. Each of the Net-to-Gross ratios utilized in the 2006-08 program cost-effectiveness
9 calculations are set at the levels recommended in the Energy Efficiency Policy Manual, Version 2, the
10 last Policy Manual to include Net-to-Gross ratios.¹⁴

11 Lifecycle energy savings estimates utilize the annual energy savings estimates described
12 above, but extend these savings according to the useful life of a measure. The Effective Useful Life
13 (EUL) is the length of time (years) for which the load impacts of an energy efficiency measure are
14 expected to last. The useful life estimates are also based upon information obtained from DEER.

15 Annual program-level energy reduction estimates are the result of a summation of
16 measure-level savings from the measures installed as a result of the 2006-08 programs, multiplied by the
17 estimates of measure installations by year. Estimates of the unit counts by year are also displayed in the
18 Measure List tables and are based upon the best available information regarding the impact of each of
19 the programs in 2006-08. Many of the estimates were based upon results from the 2004 and 2005
20 programs and other years in which similar programs were offered. The definition of the unit is tailored
21 to the specifications of the individual measure(s) offered in the program. The unit count includes only
22 units installed in a particular year, excluding units which may be committed in a particular year, but not
23 installed until a later year. Similarly, the portfolio-level energy reduction estimates are the result of a
24 summation of program-level savings from the measures installed as a result of the 2006-08 programs

¹⁴ Energy Efficiency Policy Manual, Version 2, August 2003, updated to include Final Report. Measurement and Evaluation Study of 2002 Statewide Residential Appliance Recycling Program, February 13, 2004.

1 Although SCE designs every energy efficiency program to encourage efficient use of
2 electricity, the calculations performed for the 2006-08 program energy savings and cost-effectiveness
3 use energy and capacity savings estimates for measures and programs for which there is a higher degree
4 of accuracy in their measurement. The lack of energy savings, capacity savings, resource benefits, or a
5 TRC ratio, however, should not be construed to mean that a measure or program does not promote
6 energy efficiency, or does not encourage conservation activities. It simply reflects SCE's decision to
7 use conservative methods for calculating cost-effectiveness.

8 Energy savings and demand reduction impacts for program installations occurring during
9 the years 2006-08 as a result of any programs offered prior to 2006 are calculated according to the
10 energy savings and demand reduction impacts adopted for the particular program year. Energy savings
11 and demand reduction impacts for program installations occurring during the years 2006-08 as a result
12 of Low Income Energy Efficiency programs are based upon the assumptions being filed in the June 1
13 LIEE Application.

14 **3. Funding by Year**

15 Program budgets for each of the years 2006, 2007, and 2008 are provided in Attachment
16 II of Appendix 10.1 in Exhibit SCE-2. The annual budgets are developed using a "bottom-up" approach
17 with the goal of developing annual budgets which will enable SCE to meet the energy savings and
18 demand reduction goals set forth by the Commission, while meeting all regulatory compliance issues.
19 Differences in the level of administrative, marketing, or implementation costs between the years reflect
20 the differences in the individual programs and their delivery. Program development, marketing, and
21 implementation efforts which are necessary to deliver each of the programs and strategies will differ by
22 year depending upon the stage of the program. For example, a new program or program strategy could
23 have a greater amount of "ramp-up" in the first year and result in fewer installations in that year than a
24 program developed on the basis of a mature program strategy. For these and other reasons, there may be
25 differences in the costs associated with any particular year.

1 **4. Total TRC Costs to Customers by Year**

2 The Total Resource Cost (TRC) Test measures the net costs of a demand-side
3 management program as a resource option based on the total costs of the program, including both the
4 participants' and the utility's costs. Most of the cost-effectiveness calculations presented in this
5 Application are based upon the TRC. This method of calculation of the cost-effectiveness of the 2006-
6 08 programs is consistent with the cost-effectiveness requirements contained in the Energy Efficiency
7 Policy Manual, Version 3.¹⁵

8 The costs in this test are the program costs paid by both the utility and the participants
9 plus any increase in supply costs for the periods in which load is increased. Thus all equipment costs,
10 installation, operation and maintenance, cost of removal (less salvage value), and administration costs,
11 no matter who pays for them, are included in this test.

12 The costs to the participant, also called the Incremental Measure Costs (IMC), generally
13 represent the incremental costs of energy efficiency measures over the standard replacement measures.
14 The gross amounts of these costs are reduced by appropriate net-to-gross ratios for the particular
15 measure or end-use. SCE's incremental measure costs are typically derived from the latest measure cost
16 study. In certain cases a measure that is projected to be offered in 2006-08 does not appear in the latest
17 measure cost study. In such instances other methods for estimating measure costs are utilized and
18 documented.

19 Program administrative costs include all expenditures directly charged to the program
20 with the exception of incentive costs. The administrative costs consist of allocated administrative, labor,
21 non-labor (i.e., material and other), and contract labor cost. Labor costs consist of SCE labor charges
22 that are directly charged to the program. These costs include salaries and expenses of SCE employees
23 engaged in developing energy efficient marketing strategies, plans, and programs; developing program
24 implementation procedures; reporting, monitoring, and evaluating systems. Costs reflect expected costs
25 to be incurred in the 2006-08 period. Non-labor costs include materials and other miscellaneous costs

¹⁵ Decision 05-04-051, *mimeo*, Attachment 3.

1 charged directly to the program. These costs include items such as booklets, brochures, promotions,
2 training, membership dues, postage, telephone, supplies, printing/photocopying services, and computer
3 support services. Contract labor costs consist of contract employees and consultant labor charges that are
4 directly charged to the program. These costs include salaries and expenses of contract employees and
5 consultants engaged in developing energy efficient marketing strategies, plans, and programs;
6 developing program implementation procedures; reporting, monitoring, and evaluating systems.
7 Allocated administrative costs represent those for building lease and maintenance costs and management
8 oversight expenditures.

9 The administrative costs shown at the portfolio level in the summary tables provided in
10 the exhibits to this Application include the allocation of market assessment and evaluation costs and
11 SCE's overhead and other costs associated with energy efficiency activities that are recovered through
12 base rates, pursuant to the Policy Rules Decision.¹⁶ These fully-encumbered administrative costs are
13 utilized in the calculation of TRC costs and the TRC ratio for at the portfolio level.

14 The allocation of TRC costs to customers by year would mirror the installation schedule
15 for measures in a given year. For example, as measures are projected to be installed in a given year, the
16 IMC for each of those measures would be counted in that year. However, TRC costs by year are not
17 required in Attachments I or II of Appendix 10.1 in Exhibit SCE-2 and are shown at an aggregate level
18 through 2008 only.

19 **5. Environmental Benefits of SCE's Portfolio**

20 The environmental benefits (annual and lifecycle CO₂, NO_x, and PM₁₀ reductions) in
21 this Application are determined using the values adopted in the Avoided Costs Decision (D.05-04-024),
22 as developed by Energy and Environmental Economics, Inc. (E3) and produced in their 2004 Report.¹⁷

¹⁶ *Id.*, p.23.

¹⁷ *Methodology and Forecast of Long-Term Avoided Cost(s) for the Evaluation of California Energy Efficiency Programs*,
E3 Research Report Submitted to the CPUC Energy Division, October 25, 2004.

1 E3 calculated the avoided environmental cost, or emissions costs, as the sum of NOx,
2 PM10, and carbon emissions (CO2) costs, increased by marginal energy losses for each TOU period.
3 E3 estimated the emissions avoided cost streams by multiplying the costs per pollutant (on a yearly
4 basis) by the emission rate (per hour of the year). The emissions costs vary by voltage level, hour, and
5 year.

6 The NOx costs (\$/MWh) are based on California offset prices generators must pay for
7 NOx emissions, and the estimated emission rate of NOx at the implied heat rate of the market price.
8 The NOx cost per MWh of energy saved at the customer site is increased by the incremental energy
9 losses in each TOU period between the end use and the bulk system. In Period 1, when the forward
10 market prices of electricity are based on NYMEX forward market prices, we assume that these prices
11 already include the cost of NOx emissions so this value is equal to zero in Period 1.

12 The PM10 costs (\$/MWh) are computed similarly to the NOx costs, with the emission
13 cost based on the California PM10 market prices and the estimated rates of emissions by implied heat
14 rate. The PM10 costs are also assumed to be included in the NYMEX forward market prices.

15 The CO2 costs (\$/MWh) are an estimate of avoided costs for reduction in CO2 per MWh
16 saved at the customer site. There is not currently a requirement to purchase CO2 offsets in California so
17 the avoided cost of the CO2 emissions is based on prices in other markets.

18 The environmental benefits utilized in the cost-effectiveness analysis of the programs
19 herein are only applicable to the appropriate development of energy efficiency programs for 2006-08.
20 The factors utilized in the development of these environmental benefits were agreed to specifically to
21 reflect an appropriate and approximate value for the reduced energy savings due to energy efficiency
22 programs. As such, these environmental benefits should not be used in any other context and should
23 also be reviewed for future use in energy efficiency program planning and evaluation.

1 **6. Funding Allocation and Savings Proportions among Residential Retrofit,**
2 **Residential and Nonresidential New Construction, and Nonresidential Retrofit**
3 **Programs Meet the Commission’s Short-Term And Long-Term Energy Savings**
4 **Goals**

5 In the Policy Rules Decision, Policy Rule II, “Energy Efficiency Policy Objectives and
6 Program Funding Guidelines” provides guidance for funding allocation and savings proportions among
7 sectors (i.e., Residential Retrofit, Residential and Nonresidential New Construction, and Nonresidential
8 Retrofit Programs). In Policy Rule II the Commission states: “Compliance with Rule II.5 will generally
9 dictate the appropriate balance for portfolio funding of resource programs across market sectors (e.g.,
10 residential, industrial, commercial) and geography, as well as the most appropriate program designs.”¹⁸

12 Policy Rule II.5 states:

13 5. Program Administrators should manage their portfolio of programs to meet or exceed the
14 short- and long-term savings goals established by the Commission by pursuing the most cost-
15 effective energy efficiency resource programs first, while minimizing lost opportunities. In
16 addition, the Program Administrators should demonstrate in their program planning
17 applications for PY2006-PY2008 how their proposed portfolio will aggressively increase
18 overall capacity utilization and lower peak loads through the deployment of low load
19 factor/high critical peak saving measures. The aggressive annual and cumulative savings
20 goals established by the Commission will serve to discourage cream-skimming program
21 designs or implementation approaches that create lost opportunities. Nonetheless, Program
22 Administrators should actively develop strategies to minimize lost opportunities, and should
23 describe those strategies in the applications they submit for each program cycle.¹⁹

25 SCE’s funding allocation among sectors is consistent with these and all other
26 Commission goals and policies and ensures that SCE maximizes its portfolio benefits. Program budgets
27 and savings allocations among Residential Retrofit, Residential and Nonresidential New Construction,
28 and Nonresidential Retrofit Programs are provided in Attachment II of Appendix 10.1 in Exhibit SCE-2.
29 As previously noted, SCE’s program and portfolio budgets are developed using a “bottom-up” approach.
30 In developing the allocation among the sectors, SCE weighed historical energy savings impacts from

¹⁸ D.05-04-051, Attachment 3, Section II.6, p. 4.

¹⁹ *Id.*, pps. 3-4.

1 each of the sectors with the energy savings potential estimated for each sector and included input from
2 the PAG/PRG process.

3 The Commission further noted in Policy Rule II that its overriding goal for energy
4 efficiency efforts is the pursuit of cost-effective energy efficiency opportunities over both the short and
5 long-term.²⁰ Historically, the nonresidential programs have offered the greatest “bang for the buck” in
6 resource benefits. Such programs provide greater annual and lifecycle energy savings for each program
7 dollar expended than residential programs. In addition, the nonresidential measures increase overall
8 capacity utilization and lower peak loads through the deployment of low load factor/high critical peak
9 saving measures. Due to the state’s and Commission’s emphasis on use of energy efficiency as an
10 energy savings and peak reduction resource, programs targeted towards the nonresidential sector
11 continue to have an allocation of the budget which exceeds that of residential programs (*See*
12 *Attachment II of Appendix 10.1, Exhibit SCE-2*).

13 SCE strongly believes that in order to maximize the potential of energy efficiency as a
14 resource and to ensure that public goods dollars collected from ratepayers are available to all ratepayers,
15 residential programs must also be considered an option for achieving maximum energy savings. The
16 allocation of residential program budgets in SCE’s 2006-08 program plans focuses on the maximization
17 of energy savings and demand reduction for these programs. SCE’s residential portfolio provides cost-
18 effective energy savings and is integral to SCE’s use of energy efficiency as a resource.

20 Programs offered in the New Construction sector not only provide valuable cost-effective
21 resource benefits, but also reduce lost opportunities. “Lost opportunities” are those energy efficiency
22 options which offer long-lived, cost-effective savings and which, if not exploited promptly, are lost
23 irretrievably or rendered much more costly to achieve. New Construction programs are uniquely
24 positioned to focus on the minimization of lost opportunities. Such programs allow program

²⁰ D.05-04-051, Attachment 3, Section II.2, pps. 2-3.

1 participants to install up-front, designs and measures which maximize energy efficiency and minimize
2 lost opportunities.

3 As required by Policy Rule II, SCE's portfolio also includes a selection of statewide
4 marketing and outreach programs, upstream market transformation programs, information and education
5 programs, support for codes and standards and other activities in their proposed portfolios that support
6 the Commission's short-term and long-term energy savings goals.²¹ SCE has allocated a sufficient
7 portion of portfolio funding to statewide marketing and outreach to continue and build upon the success
8 of the existing program. SCE also proposes to increase funding levels for both emerging technologies
9 and codes and standards programs.

10 **7. Funding Allocations and Savings Proportions between SCE/Continued Third Party**
11 **and Competitive Bid, Partnership, Statewide vs. Local/Service Area Specific**

12 As noted above, SCE's proposed portfolio of programs is focused on the achievement the
13 short- and long-term savings goals established by the Commission by pursuing the most cost-effective
14 energy efficiency resource programs first, while minimizing lost opportunities. SCE has done this by
15 using its successful statewide and local program strategies, third parties, competitive bids, and
16 partnerships as integral parts of its program portfolio.

17 As required under the Administration Decision,²² SCE's Application proposes a portfolio
18 of programs (with input from the advisory groups as described above) that reflects the continuation of
19 successful SCE and non-SCE implemented programs and new program initiatives designed to meet or
20 exceed the Commission's savings goals with cost-effective energy efficiency. As part of this process,
21 SCE has identified a minimum of 20% of funding for the entire portfolio that will be competitively bid
22 to solicit innovative ideas and proposals for improved portfolio performance as shown in the detailed
23 program plans in Exhibit SCE-3.

²¹ *Id.*, Attachment 3, pps. 3-4.

²² D.05-01-055, *mimeo*, pps 88, 90.

1 **8. SCE's Funding Allocations Are Consistent With Commission Policy**

2 SCE's funding allocations are consistent with CPUC policy as established in the
3 Administration Decision and Policy Rules Decision, and consistent with the Energy Action Plan. SCE's
4 allocations provide for a portfolio which is equitable among rate classes, incorporates the advice of the
5 PAG/PRG, builds upon successful program strategies, minimizes lost opportunities, and most of all
6 maximizes the cost-effective energy savings and demand reductions resulting from these programs.

8 SCE's Application is consistent with Commission policies for specific programs and
9 funding set-asides such as those for codes and standards, statewide marketing and outreach and
10 emerging technologies. SCE will look to the future 2006-08 EM&V plans that will be developed by the
11 Commission's Energy Division, to identify the appropriate set-aside for the Commission's Energy
12 Efficiency Groupware Application reporting system. (See Exhibit SCE-3).

13 **E. Program Budget Subcategories**

14 SCE's presentation of the proposed program budgets follows the same structure adopted by the
15 Commission for the 2004-05 program cycle.²³ Each program budget includes three primary
16 subcategories: administrative, direct implementation and marketing. Unlike prior funding cycles, the
17 evaluation, measurement and verification (EM&V) activities are not included in individual program
18 budgets. Consistent with Commission energy efficiency policy beginning in program year 2006, the
19 EM&V funds are set aside in a stand-alone budget.²⁴ As part of the requirements to calculate and
20 present program and portfolio cost-effectiveness on a prospective basis,²⁵ SCE's Application includes an
21 estimate of costs recovered from other non-energy efficiency funding sources.

²³ 2004-05 Energy Efficiency Programs Instructions For The Submission Of Requests For Extension And Submission Of New Program Proposals And Plans, dated August 25, 2003.

²⁴ D.05-04-051, Finding of Fact No. 15, pps. 80-81.

²⁵ *Id.*, Ordering Paragraph No. 3, p. 91.

1 **1. Administrative Costs**

2 a) Administrative

3 Program administrative costs include all labor and related expenses in managing
4 the program. The budget includes such costs as managerial and clerical labor, travel, program specific
5 memberships and conference fees. Administration does not cover such expenses as direct program
6 activities (e.g., audits services, engineering, etc.) or marketing.

7 b) Overhead/General Support

8 There are various types of administrative costs that are so general in nature that
9 they their costs must be allocated over the entire program portfolio or a substantial subgroup of
10 programs. These general support costs include: regulatory support and reporting, finance and
11 accounting support, some memberships, internal communications, job training and information support
12 systems. SCE has also added procurement services to the overhead costs based our expectation of
13 increased contracting activities.

14 The proposed administrative general support budget also includes funding for a
15 new integrated program tracking system. SCE is in the process of researching the development of a
16 comprehensive solution to integrate tracking technology that can be utilized by all energy efficiency
17 programs during the 2006-08 program cycle. Currently, SCE utilizes multiple applications to track and
18 monitor program information. These applications were developed over time as new programs emerged.
19 SCE now sees an opportunity to combine these applications into one system, thereby improving
20 operational effectiveness by reducing longer-term costs and allowing for seamless integration of future
21 energy efficiency programs. After implementation of this system, SCE plans to investigate integration
22 opportunities with other demand-side management programs such as demand response.

1 **2. Evaluation, Measurement and Verification and Policy Oversight**

2 Funds for EM&V Policy Oversight are included in this filing. The Commission directed
3 the IOUs to use as a funding guideline 8% of the total of the program budgets for these activities.²⁶
4 Final plans for the activities that will be covered by this budget will be developed by Commission staff
5 with assistance from the IOUs by fall 2005 and submitted to the Commission. The 8% initial budget
6 allocation is considered an upper limit for the final budget requirements for work in this area.

8 While the final plans and cost estimates will be provided in a subsequent filing, the
9 following sections outline the type of activities that are expected. The budgets will include reserve
10 funds for studies and analyses that are not included in the submitted plans, but that Commission and
11 utility EM&V staff later determine are necessary during the three-year program period.

12 **3. IOU-Administered MA&E Activities**

13 IOU-administered Market Assessment and Evaluation (MA&E) work will include
14 continuation of some broad-coverage statewide studies that the IOUs and the Commission agree have
15 continuing value, such as the Market Share Tracking project and the Best Practices project.

16 **4. Process Evaluation Activities**

17 Activities funded in the process evaluations category include the review of program
18 design and operation to determine their effectiveness and their efficiency and to provide
19 recommendations for program improvements.

20 **5. Evaluation Support to the Commission**

21 The Evaluation Support activities will fund utility market assessment and evaluation
22 staffing and expenses to provide the program data, customer data, and other information that the
23 Commission's study contractors will need to conduct impact evaluations and research and analysis
24 needed for policy oversight and decision-making.

²⁶ D.05-04-051, Finding Of Fact No. 49, p. 89.

1 **6. CALMAC-Related Activities**

2 EM&V funding will be used to maintain the website of the California Measurement
3 Advisory Council (CALMAC), which makes electronic copies of all energy efficiency studies
4 completed with Commission-authorized energy efficiency funding publicly available. Specific
5 CALMAC activities are identified in Section VIII below and in Exhibit SCE-1.

6 **7. CPUC/CEC Evaluation and Policy Oversight**

7 The EM&V set aside for 2006-08 will be used to fund Commission staffing in the
8 EM&V area, Commission-contracted consultants who will support Commission staff in their EM&V
9 management and oversight work, and Commission contracts for individual EM&V studies.

10 **8. Direct Implementation**

11 The direct implementation budget subcategory contains all program activities not
12 included in the administrative and marketing budgets. This implementation subcategory covers both
13 incentive and non-incentive costs including: financial incentives, program activities, equipment
14 installations, hardware and material, and rebate processing and inspections.

15 **9. Financial Incentives**

16 Financial incentives include payments provided by the program to encourage
17 participation in the program. These incentives can take the form of cash rebates or labor and materials.
18 Typically, these incentives take the form of rebate payments paid to program participants. Other types
19 of incentives can include payments to retailers, distributors or manufacturers to reduce the costs of
20 energy efficient product/ equipment to the ultimate consumer of the product/equipment. Incentives can
21 also take the form of labor such as recycling services in an appliance recycling program or customer
22 promotional cards (e.g., gift cards).

23 **10. Other Activities**

24 As part of the program delivery, there are many different types program activities which
25 occur. These activities can encompass labor to support a variety work such as audits services,
26 engineering analysis and training.

1 **11. Direct Installation**

2 The installation budget relates to the cost associated with the installation of energy
3 efficiency equipment. For example, under the Small Business Direct Install program the installation
4 cost is the cost to install a new lighting system.

5 **12. Direct Hardware & Materials**

6 The hardware and materials cost includes the costs of the actual equipment and any
7 materials required as part of the installation.

8 **13. Rebate Processing & Inspection**

9 The processing of customer rebates and, any subsequent inspections are included in the
10 rebate processing and inspection budget.

11 **14. Marketing**

12 Consistent with prior years energy efficiency offerings, marketing activities include both
13 statewide campaigns and local efforts. The statewide marketing and outreach programs promote general
14 awareness of energy efficiency and conservation. The local marketing efforts strategically support
15 specific programs to increase customer participation.

16 **15. Program Marketing**

17 Program marketing promotes individual programs that target sectors and market
18 segments. Unlike statewide marketing campaigns which focus on the overall energy efficiency and
19 conservation messaging, the program marketing or promotion is tailored to fit a specific program.
20 Program marketing includes such activities as local media campaigns (e.g., print, radio, etc.), bill inserts,
21 promotional materials and outreach events.

22 **16. Statewide Marketing**

23 The statewide marketing and outreach programs promote energy efficiency and
24 conservation in each IOU service territory. Consistent with Commission direction, SCE will build upon
25 the success of the existing program by continuing and expanding the *Flex Your Power* campaign.²⁷ SCE

²⁷ D.05-04-051, Energy Efficiency Policy Manual, Attachment 3, Section II.6, p. 4.

1 has proposed a coordinated approach for the statewide marketing and outreach campaigns currently
2 offered by three firms. The budgets associated with implementation of the three campaigns are included
3 under the statewide marketing and outreach program. The costs associated with the program
4 administration (i.e., IOU administration) of the statewide marketing and outreach campaigns are also
5 included in the statewide marketing and outreach budgets.

6 **17. Costs Recovered From Other Funding Sources**

7 Decision 05-04-051 requires SCE to provide an estimate of costs recovered from other
8 non-energy efficiency funding sources as part of the requirements to calculate and present program and
9 portfolio cost-effectiveness on a prospective basis.²⁸ These non-energy efficiency costs include:
10 employee pensions, benefits and payroll taxes; corporate mailing services and forms; corporate accounts
11 payable; corporate human resources; corporate information technology services; corporate procurement
12 services; and corporate facilities costs. SCE is not seeking Commission authority to fund these activities
13 as they are recovered through other proceedings (e.g., SCE's general rate case).

²⁸ Id., Ordering Paragraph No.3, p. 91.

1 IV.

2 **OVERVIEW OF SCE'S 2006-08 PROGRAM PORTFOLIO**

3 This section provides an overview of SCE's proposed program offerings for program years
4 2006-08. Each of the programs in SCE's portfolio is described in detail in Exhibit SCE-3. SCE's
5 Application presents an all-new portfolio of program offerings for 2006-08. The portfolio incorporates
6 the successful elements of previous program designs while making innovative changes to maximize the
7 resource benefits derived from the programs. Such program changes include, but are not limited to:

- 9 • Expansion of the measures included in SCE's highly-successful residential point-of-sale
10 strategies;
- 11 • Inclusion of residential air conditioners into SCE's leading energy savings residential
12 program, Appliance Recycling;
- 13 • Integration of nonresidential program strategies to maximize the outreach opportunities
14 and energy savings from these resource-focused program;
- 15 • Incorporation of unique local strengths through an expansion of its partnership programs;

- 17 • Continued exploration for innovative technologies and strategies through multiple
18 competitive bids; and
- 19 • Increased integration among SCE's energy efficiency programs with demand response
20 and distributed generation strategies.

21 **A. Nonresidential Program Offerings**

22 SCE's proposed 2006-08 nonresidential programs are designed to (1) increase the level of
23 retrofit and new construction energy-efficient investments in commercial, industrial and agricultural
24 end-users; (2) educate nonresidential customers on the value of energy efficiency and on existing and
25 new opportunities for implementing energy efficiency in their facilities; and (3) promote an integrated
26 portfolio of energy efficiency, demand response, and distributed generation technologies and services to
27 non residential customers. SCE's nonresidential portfolio has been redesigned for 2006-08 to focus on

1 these goals and to maximize the use of energy efficiency in the nonresidential sector as an energy
2 resource.

3 **B. Business Incentive Program**

4 The Business Incentive Program (BIP) integrates existing statewide nonresidential prescriptive
5 rebates from the Express Efficiency program and calculated and custom incentives from the Standard
6 Performance Contract and Savings by Design (Systems Approach) programs. The program integrates
7 information, design assistance, and financial incentives to help nonresidential customers adopt energy
8 efficient practices and equipment by addressing informational, financial, performance uncertainty, and
9 transactional cost barriers. The Business Incentive Program will be a stand-alone program approach for
10 many nonresidential customer segments, and will also provide a standardized incentive payment
11 application process and structure for other bundled segment or end-use specific program strategies,
12 including SCE's Agricultural, Industrial, and Partnership programs, as well as strategies implemented by
13 third parties.

14 **C. Comprehensive HVAC Program – Nonresidential**

15 To capture the identified potential in peak demand and energy savings, SCE proposes the
16 Comprehensive HVAC program. This program provides a comprehensive portfolio of packaged air
17 conditioning activities to address opportunities in the upstream, midstream, and downstream markets
18 that encompasses new construction, replacements, and services in both the nonresidential and residential
19 sectors. Targeted nonresidential offerings in this program include the "California Cool" – winter
20 offering, which will focus on commercial packaged air conditioning promotional opportunities,
21 particularly around commercial servicing and retrofits. These include early retirement of package
22 terminal air conditioning units. Sector-specific nonresidential promotions will also be considered, such
23 as the promotion of the early replacement of package terminal air conditioning units in the hospitality
24 market. (*See also*, Subsections I through N, Residential Program offerings, below).

25 **D. Retro-commissioning**

26 SCE's proposed Retro-commissioning (RCx) program is a unique strategy to achieve cost-
27 effective peak energy and demand savings by raising system efficiency levels of existing buildings.

1 Ancillary benefits include improved occupant comfort, increased equipment life, and increased training
2 of the building operators, and a training program for the RCx community. The program is designed to
3 expand building system optimization and RCx capabilities in SCE's service territory with program
4 features that directly address market barriers, as well as to ensure the persistence of the program
5 benefits. These objectives are met through the development of building and owner/operator candidate
6 screening protocols, use of specific building system optimization and RCx protocols, building operator
7 and commissioning provider trainings, and building operation tracking systems. To effectively market
8 the program, SCE will leverage existing relationships among building owners, participants in other SCE
9 retrofit programs, including the Building Operator Certification program, and local governments.
10 Customer financial incentives for natural gas-based measures found as part of the RCx process will be
11 coordinated with Southern California Gas Company.

12 **E. Integrated Industrial Process Program**

13 SCE's Integrated Industrial Process program is designed to take an innovative, holistic approach
14 to achieving enhanced energy efficiency in SCE's industrial process market segments. Through a select
15 team of market segment experts, the program will provide a broad spectrum of services including
16 information, training, technical investigations, measure quantification, implementation support, financial
17 incentives, and linkages to other applicable programs to achieve sustainable energy and demand
18 reductions. The innovation and creativity associated with this program goes beyond the traditional
19 approach of identifying new energy efficiency opportunities by delivering a larger menu of opportunities
20 in a single package, and working with the customer to identify and pursue all the complementary options
21 that make sense from that specific customer's perspective. This approach will help to increase
22 participation in traditional programs such as the Standard Performance Contract (SPC) since they are
23 included as part of the tool kit.

24 **F. Agricultural Energy Efficiency Program**

25 The 2006-08 Agricultural Energy Efficiency program offers a number of products and services
26 designed to help agricultural customers save energy and reduce peak load. The program addresses two
27 characteristics of the sector that have historically been barriers to adoption of energy efficiency

1 throughout all regions of the country, and California in particular: diversity of the customer base; and
2 the relatively high contribution of electricity to their total costs. To meet our aggressive goals and
3 deliver high quality services to customers, the program will engage a combination of historically
4 successful and new, innovative mechanisms for implementing the program to agricultural sector along
5 with customers who have significant water pumping needs. Key elements of the program include: (1)
6 pump testing; (2) water pump repair rebate services; (3) certification of contractors to ensure use of SCE
7 standards for testing and improvements; (4) design assistance through the use of specialized contractors
8 familiar with optimal water system and other pumping design; (5) integration with other nonresidential
9 energy efficiency, demand response, and self-generation program resources; and (6) potential promotion
10 of the program by Agricultural Commissioners.

11 **G. Small Business Direct Install**

12 The Small Business Direct Installation program delivers energy efficient hardware retrofits
13 through installation contractors that offer turnkey partnerships with local governments, Community
14 Based Organizations (CBOs) and other selected organizations. The targeted audience is small and very
15 small commercial/industrial businesses in SCE's service territory. Small business customers located in
16 cities designated rural by the Commission will also be targeted for enrollment in the Small Business
17 Direct Installation program. SCE will partner CBOs and existing city partnerships to ensure
18 participation from customers in rural zip codes. The program is designed to secure cost-effective,
19 permanent, long term and verifiable annual energy savings from small businesses that are historically
20 under-represented in SCE's energy efficiency programs.

21 An important objective of the program is to conduct an on-bill financing program pilot to collect
22 data and evaluate the benefits of offering on-bill financing as a supplemental or alternative means of
23 mitigating financial barriers to energy efficiency investments. The on-bill financing pilot will be offered
24 to customers with connected demands greater than 50 kW but less than 100 kW. Initially, the pilot will
25 be targeted to small business commercial and industrial customers. During the initial pilot phase SCE
26 will study the market reaction and acceptance to the offering. SCE will apply the lessons learned from
27 the initial pilot to expand the offering to other customer segments.

1 **H. Savings By Design**

2 Savings by Design (SBD) will continue to improve upon established successful approaches to
3 overcome customer/market barriers to designing and building high energy efficient facilities. SBD will
4 also tailor current marketing and delivery practices to further penetrate into a wider array of market and
5 customer segments. SBD will provide the nonresidential new construction industry with a broad
6 spectrum of technical and financial resources to assist the industry in designing new facilities with
7 maximizing cost-effective electric energy efficiency integration as a primary consideration along with
8 water, gas, and other related environmental and sustainability considerations. The program will focus
9 on promoting the Whole Building Approach, utilizing the integrated design concept to attract
10 participation.

11 **I. Residential Program Offerings**

12 SCE's proposed plans for the 2006-08 residential energy efficiency programs seek to promote
13 energy efficiency and the increased use of energy-efficient measures by consumers. SCE's residential
14 programs include lighting and appliances incentives, new construction incentives and design assistance,
15 audits, and energy efficiency information. SCE' residential portfolio has been redesigned for 2006-08 to
16 focus on the maximization of energy efficiency as an energy resource.

17 **J. Appliance Recycling Program**

18 The Appliance Recycling program (ARP) will produce cost-effective long-term peak demand
19 reductions and energy savings in residential and nonresidential market sectors by removing operable,
20 inefficient refrigerators, freezers and room air conditioners from the power grid in an environmentally
21 safe manner. The program will emphasize the energy-efficiency benefits associated with the disposal of
22 older, inefficient spare refrigerators and freezers. To maximize demand reduction and energy saving
23 opportunities, the program will also encourage the accelerated replacement of older and least efficient
24 primary refrigerators, freezers and room air conditioners with more energy efficient units. ARP will
25 disseminate program information and collaborate with other energy efficiency programs to educate
26 customers on the increased energy savings and financial benefits associated with this program.

1 **K. Residential Energy Efficiency Incentive Program**

2 Previous evaluations show that the Residential Energy Efficiency Incentive program (REEIP)
3 has increased customer awareness, demand and purchase of energy efficiency products. It has achieved
4 this by partnering with home improvement retail chains and contractors to provide direct point of sale
5 customer rebates. To accomplish a greater level of REEIP program participation, several new
6 approaches will be implemented: expansion of the point-of-sale rebate delivery method to include
7 additional measures; on-line rebate applications; integrated marketing and implementation efforts to link
8 REEIP program rebates for ENERGY STAR[®] qualified refrigerators and room air conditioners with
9 rebates from SCE's ARP program; new program approaches and improvements for lighting, such as
10 Internet promotions, targeted small nonresidential customer mailings; customized new construction
11 offers; expansion of the successful torchiere floor lamp exchange/turn-in events; and outreach to new
12 products.

13 **L. Residential Multifamily Energy Efficiency Rebate Program**

14 The Multifamily Energy Efficiency Rebate program (MFEER) helps customers save energy
15 through the installation of energy efficient products in both the common areas and dwelling units of
16 multifamily complexes and mobile home parks. As a result of recent program evaluations, the MFEER
17 is moving toward a greater emphasis on hardwired fluorescent fixture installations and early retirement
18 of T-12s to achieve more sustainability of energy savings. In order to encourage energy efficiency in
19 other end-uses, the MFEER will also strive for the early retirement of room air conditioners and
20 refrigerators owned by property owners/managers. The MFEER will also work with the Appliance
21 Recycling program to generate interest and gain higher participation levels through joint marketing
22 efforts and turn-in events. Renters in mobile homes will also be targeted for projects where the park
23 owners/managers are installing common area upgrades through the MFEER program.

25 **M. Comprehensive HVAC Program - Residential**

26 The Comprehensive HVAC program seeks to reduce peak demand and energy savings associated
27 with space cooling. The program provides a comprehensive portfolio of packaged air conditioning

1 activities to address opportunities in the upstream, midstream, and downstream markets in a coordinated
2 manner. The program encompasses new construction, replacements, and services in both the
3 nonresidential and residential sectors. Targeted residential offerings in this program include the
4 “California Cool” – summer offering, which will focus on residential packaged air conditioning
5 promotional opportunities, particularly in hot climate zones. These opportunities will be geographically
6 targeted to promote direct install system tune ups and duct sealing product special offers available for
7 limited times. These “sweeps” will focus on hot climate zones and offer participants additional benefits
8 such as on-bill financing for those who sign up for a regular maintenance plan.

9 **N. Home Energy Efficiency Surveys**

10 SCE’s Home Energy Efficiency Survey (HEES) program will increase consumer awareness and
11 knowledge and optimize opportunities to fill the gap between awareness and adoption of energy efficient
12 practices. The program seeks to induce a permanent change in attitudes and actions toward energy
13 efficiency. The program helps customers understand their energy usage, patterns of usage and leverages
14 SCE’s incentive programs and services to encourage adoption of energy efficiency practices. The
15 program has proven to be an effective tool to reach customers who otherwise have limited access to
16 reliable efficiency information, including non-English speaking consumers. HEES program’s strategy
17 involves continuing to offer four survey components (mail-in, on-line, in-home and phone) and
18 collaborating with Southern California Gas Company (SCG) to offer jointly served customers one
19 survey that provides both electric and natural gas energy usage and savings information. SCE and SCG
20 will also collaborate with regional and local water agencies to include a water-saving component. The
21 HEES program will provide accurate and comprehensive information about energy efficiency practices
22 and specific recommendations that are tailored to each participant’s unique energy usage habits,
23 appliance mix and billing history.

24 **O. Integrated School-Based Program**

25 Energy education is critical to ensuring a stable and reliable supply of electricity in California for
26 the short and longer-term. The Integrated School-Based program (ISBP) will improve public education
27 facilities and educate facility operators and administrators about the benefits of energy efficiency

1 equipment and operation practices. It will increase customers' awareness of available programs and
2 services offered by the utilities and water agencies with the goal of achieving short- and long-term
3 energy savings and demand reduction. The program will also educate students about electric and natural
4 gas energy efficiency and water conservation and how to apply their knowledge at home and in their
5 communities. The program will integrate energy efficiency, demand response and renewable energy to
6 address the barriers faced by the schools market. The desired outcome is achieving greater energy
7 efficiency within schools and homes for the near and long-term.

8 **P. Residential New Construction Program**

9 The California Energy Star® New Homes Program (CESHNP) targets builders and developers
10 of single family and multifamily dwelling units. Working together with single and multifamily builders,
11 developers, architects, energy analysts, and other building industry professionals, this program will seek
12 to achieve increased energy savings through a combination of education, design assistance and financial
13 incentives. The proposed program will offer a performance-based component of 15% above Title 24
14 code for inland regions and 25% above code in the coastal areas, as well as a prescriptive component
15 containing a select list of measures from which builders not seeking the use of performance eligibility,
16 may install above and beyond their minimum Title 24 compliance. The prescriptive component will
17 capture additional energy savings that would otherwise be considered "lost opportunities" for achieving
18 energy efficiency savings when only offering performance-based options. In addition, SCE will
19 collaborate with SCG in offering the Advanced Home program element. The Advance Home program
20 is designed to consider the technology of the next generation energy efficient home – a home that will
21 provide increased energy savings as well a comfortable environment.

23 **Q. Crosscutting Program Offerings**

24 SCE's Crosscutting Programs primarily focus on providing energy efficiency information, but
25 also seek to accelerate the introduction of energy efficient technologies, applications, and analytical
26 tools. The programs target both residential and nonresidential customer segments, including retrofit and
27 new construction opportunities.

1 **R. Education, Training and Outreach**

2 Education, Training, and Outreach is an information program that promotes energy efficiency to
3 a variety of customer segments through energy centers, technology test centers, and other information
4 and training program strategies. The objective is to (1) disseminate information about efficient
5 technologies and practices to electric, natural gas, and water utility customers for the purpose of
6 assisting them in reducing energy and water usage, lowering their bills, while reducing operation and
7 maintenance costs, and improving customer productivity; and (2) provide services to a variety of
8 midstream and upstream market actors (e.g., architects, engineers, distributors, and contractors), who
9 use information and tools to design more efficient buildings or processes, and to conduct efficient
10 energy and water system retrofits and renovations. SCE’s portfolio contains a number of new and
11 exciting strategies for 2006-08. Foremost among the new strategies are efforts to consolidate former
12 disparate training, educational, and outreach activities to create added synergy to the entire program
13 portfolio.

14 **S. Sustainable Communities**

15 In light of the increasing demand for electricity in California and the extra costs and difficulties
16 of providing resources to meet this need, enhanced energy efficiency and demand response services are
17 necessary to face these challenges. SCE’s Sustainable Communities Program (SCP) will provide a “full
18 spectrum” of solutions for new communities and individual projects. The primary focus of the program
19 is to utilize utility and community programs and delivery channels to offer an enhanced bundled
20 package of energy efficiency tools in close coordination with SCE’s demand response, self-generation,
21 economic and business development, and service planning tools. SCP will also include coordination
22 with agencies such as water, natural gas, and infrastructure services.

23 **T. Emerging Technologies**

24 The Statewide Emerging Technologies (ET) program is an information-only program that seeks
25 to accelerate the introduction of innovative energy efficient technologies, applications and analytical
26 tools that are not widely adopted in California. Emerging technologies may include hardware, software,
27 design tools, strategies and services. There are a numerous market barriers which must be overcome for

1 a new energy efficient product to gain acceptance. The ET program intends to help accelerate a
2 product's market acceptance through a variety of approaches, but mainly by reducing the performance
3 uncertainties associated with new products and applications. The program consists of two parts:
4 Assessment and Information Transfer, and the Emerging Technologies Coordinating Council (ETCC).
5 Assessment and Information Transfer focuses on analysis of promising, early prototypes or
6 commercially available technologies which have not yet obtained adequate penetration or acceptance in
7 the marketplace. The ETCC is a statewide information exchange and coordination effort between
8 California's investor-owned utilities and the California Energy Commission's (CEC) Public Interest
9 Energy Research programs. The program targets all market segments.

10 **U. Codes & Standards Advocacy**

11 The statewide Codes and Standards (C&S) program is an information-only program that
12 advocates upgrades and enhancements in energy efficiency standards and codes. Program activities are
13 conducted over long-term code upgrade cycles. Support of building code cycles, for example, may
14 require four years of continuous support. Codes and Standards Enhancement (CASE) studies for energy
15 efficiency improvements are performed for promising design practices and technologies and are
16 presented to standards and code-setting bodies.

17 The C&S program offers the state expert testimony to promote standards that approach best
18 practices in energy efficiency, which becomes critically important as stakeholders consider the viability
19 of improvements to building and appliance standards throughout the public workshops and hearings
20 process. C&S program managers will work closely with CEC staff, and other codes and standards
21 advocates, since advocacy efforts within a public rulemaking process are more effective if carried out in
22 a coordinated manner. Prioritization of C&S activities will consider the applicable rulemaking
23 proceedings, measure cost-effectiveness, potential long-term energy savings, and demand savings of the
24 enhancements.

25 The program also supports implementation of energy efficiency standards through strategic
26 initiatives or training. The program targets all market segments.

1 **V. Partnerships**

2 SCE’s Local Government Partnerships (LGP) programs will optimize the opportunities for
3 institutions, local governments and their communities to obtain short and long-term energy savings,
4 reduced utility bills, and an enhanced level of comfort in municipal and commercial buildings, and
5 residences. Local governments, especially cities, counties and special districts have access to
6 residential, commercial and institutional constituents that are also SCE customers. Also, local
7 government economic redevelopment and similar designated areas are specifically designed to increase
8 community prosperity and represent a vital source of energy savings across a diverse residential and
9 business market sector that has had lower participation in traditional energy efficiency programs. LGP
10 will help promote an energy efficiency “ethic” by increasing awareness and participation in energy
11 efficiency along with providing information on demand response, self generation, CEC, DOE, EPA and
12 energy management assistance (low income energy efficiency and CARE) programs. Energy code
13 training will feature strongly in the LGP. LGP will offer energy code training to all cities and counties
14 in SCE’s service territory.

15 **W. Competitive Bid Solicitation**

16 SCE’s proposed competitive bid solicitation process is a comprehensive and multi-faceted
17 approach that draws from the skill, experience, and creativity of the energy efficiency community.
18 SCE’s competitive bid process will help to enhance current program design as well as uncover new
19 approaches to capturing cost-effective energy savings. Additionally, the planned competitive bids will
20 search and promote the latest energy efficiency technologies throughout the 2006-08 program cycle.
21 SCE proposes to offer three unique types of solicitation: a targeted solicitation, intended to support
22 identified program needs and markets; Innovative Design for Energy Efficiency Applications (IDEEA),
23 a general solicitation for new program ideas with cost-effective energy savings potential; and Innovative
24 Design for Energy Efficiency (INDEE), a solicitation for innovative and promising energy efficiency
25 technologies. Each of these three solicitations will be conducted during 2005 to allow for program
26 implementation beginning 2006. SCE also proposes to conduct additional IDEEA and INDEE
27 solicitations during the three year program cycle. This will allow SCE to continue to identify the latest

1 program concepts and technologies in order to constantly improve and enhance the overall program
2 portfolio for the longer-term.

3 **X. Statewide Marketing and Outreach**

4 SCE, in cooperation with the other IOUs, proposes to build upon the success of the existing
5 statewide marketing and outreach programs. The marketing and outreach programs convey the
6 important message of energy efficiency and conservation to the general consumer through a consistent
7 and recognizable presence throughout California. As noted by the Commission, statewide marketing
8 and outreach programs “work towards the goal of increasing the efficiency of energy use through energy
9 information, marketing and outreach, education and training and other approaches that do not directly
10 involve or result in the installation of energy efficient equipment or measures at customer premises.”

12 SCE proposes to extend the current campaigns which were approved by the Commission for the
13 2004-05 program cycle. The three programs include the: (1) Efficiency Partnership campaign which
14 promotes the *Flex Your Power* message to all general consumers; (2) the Staples-Hutchison Associates
15 campaign which targets Spanish-speaking communities primarily through televised messages; and (3)
16 the Ruynon, Saltzman & Einhorn campaign which outreaches to the rural communities primarily
17 through print materials and radio. The three programs provide comprehensive coverage of the IOUs’
18 service territories. For the 2006-08 program cycle, the programs will be coordinated under the *Flex*
19 *Your Power* campaign. This coordination will be accomplished through regular scheduled meetings
20 among the three providers and representatives of the four IOUs. This will allow for a seamless and
21 coordinated statewide marketing and outreach offering which will serve as the focal point for the general
22 energy efficiency and conservation message to consumers.

V.

THE ADVISORY GROUP AND PUBLIC WORKSHOP PROCESS

SCE’s 2006-08 energy efficiency program portfolio proposal is a result of a collaborative effort among SCE, the advisory group members and public workshop participants. SCE, in coordination with Southern California Gas Company (SCG), facilitated a number of advisory group meetings and public workshops in order to promote an open exchange of ideas to assist in the development of the proposed program portfolio. This advisory group process resulted in SCE and SCG receiving over 150 recommendations. The recommendations and the direct and open communications with interested parties helped SCE to develop the robust energy efficiency program portfolio presented in this Application. SCE anticipates that its 2006-08 portfolio will be much more effective than prior portfolios due to the leveraging of the participation of external stakeholders and industry experts in the development and delivery of program services.

A. Background

As part of the CPUC’s new energy efficiency administrative structure, the Commission ordered the formation of advisory groups consisting of industry experts and external stakeholders to provide guidance to and to create a dialogue with IOUs in support for program development and subsequent management of the programs.²⁹ The Commission directed the IOUs to create three separate program advisory groups (PAGs): one for each service territory, including a joint PAG (JPAG) for the combined service territories of SCE and SCG. SCE and SCG were also directed to identify members of the JPAG for a subgroup which would serve as a peer review group (PRG) which would provide an independent assessment of their individual proposed portfolio design and program selections.

SCE and SCG created a JPAG and PRG as directed. Both SCE and SCG worked together to identify the optimal mix of members that represents local customer interests along with national experts in the field of energy efficiency. SCE and SCG created a well-rounded advisory group which included

²⁹ D.05-01-055, *Mimeo* p. 98.

1 representation from a variety of customer segments ranging from residential new construction, large
2 commercial, multifamily, nonresidential new construction, small business and homeowners along with
3 industry experts from the National Association of Energy Service Companies (NAESCO) and the
4 Consortium for Energy Efficiency (CEE). JPAG membership also included representatives from the
5 Southern California Building Industry Association (SCBIA), California Manufacturers & Technology
6 Association (CMTA), League of California Homeowners, Goldrich & Kest Property Management
7 Company, First African Methodist Episcopal (FAME), Building Owners and Management Association
8 (BOMA), American Institute of Architects (AIA), City of Rosemead, CEE, NAESCO, Natural
9 Resources Defense Council (NRDC), The Utility Reform Network (TURN), Office of Ratepayer
10 Advocates (ORA, ex officio member), California Energy Commission (CEC, ex officio member invitee)
11 and the CPUC's Energy Division (ex officio member). From this JPAG, SCE and SCG selected a
12 subgroup of non-financially interested volunteers to serve on the local PRG which included
13 representatives from TURN, ORA, NRDC, CEC and the CPUC's Energy Division.

14 **B. Overview of The Advisory Group Process**

15 During the 2006-08 energy efficiency program planning process, the JPAG and the PRG had
16 slightly different responsibilities. As envisioned by the Commission, the JPAG provided guidance to the
17 IOUs regarding region-specific customer and program needs, and also provided a forum for input and
18 collaboration with the local interests and stakeholders served by the programs.³⁰ The JPAG also gave
19 input on all proposed statewide programs and activities. To that end, two statewide PAG meetings were
20 held to address all statewide issues. Additionally, the JPAG created a subcommittee to further
21 investigate energy efficiency opportunities in the HVAC market segment.

22 The SCE/SCG PRG members were also asked during the planning process to perform a review
23 and assessment the IOUs' overall portfolio plans, including SCE/SCGs' proposed competitive bid
24 process. The group assessed the statewide portfolio in terms of its ability to meet or exceed short and
25 long-term savings goals in compliance with the Commission's post-2005 Energy Efficiency Policy

³⁰ D.05-04-051 Energy Efficiency Policy Manual, Version 3, Section VII.2, Advisory Groups, p. 14.

1 Manual. The end result of this review is the PRG Report, which is submitted with this Application as
2 Exhibit SCE-4.³¹

3 In support of the planning process, SCE and SCG held four JPAG meetings and participated in
4 four joint PRG meetings. SCE, in coordination with all the IOUs, held two statewide PAG
5 subcommittee meetings to discuss statewide planning issues.

6 **C. Overview of the Public Participation Process**

7 SCE and SCG jointly sponsored two public workshops to solicit broader public input on the
8 design of the portfolio including an overview of competitive bid process and criteria. Each of the JPAG
9 meetings and workshops were open to the public. To encourage active public participation, SCE and
10 SCG designated and reserved specific time during each meeting to allow for public input.

11 In addition, the IOUs created a statewide website (www.californiaenergyefficiency.com) which
12 served as a clearinghouse for information related to the JPAG meetings and the planning process,
13 including meeting notices, agendas, materials and minutes. The website also contained various links to
14 reference documents and other relevant websites (e.g., www.calmac.org). The IOUs also posted energy
15 efficiency-related whitepapers from advisory group members and the public to allow for a more open
16 exchange of ideas.

17 **D. Substantive Recommendations From the Advisory Groups And Public Workshops**

18 As noted above, the advisory groups were an integral part of the 2006-08 program planning
19 process leading up to this Application. During the 2006-08 energy efficiency program planning process,
20 SCE and SCG received more than 150 specific recommendations from JPAG, the PRG and public
21 workshops. A complete list of these program recommendations is provided in Exhibit SCE-2 (*See* Table
22 1.1, Attachment 3, Appendix 10.1). The recommendations covered a wide spectrum of program issues
23 such as financing, HVAC strategies, expansion of appliance recycling outreach, comprehensive
24 residential audits, residential new construction design, small business direct install activities and

³¹ The PRG Report is being submitted with SCE's Application pursuant to the D.05-01-055, Ordering Paragraph No. 6, p. 146 and the May 23, 2005 ruling of ALJ Gottstein.

1 emerging technologies. The IOUs also received public input through whitepapers that were posted on
2 the joint utility website (www.californiaenergyefficiency.com).

3 Regardless of the source, recommendations received through the collaborative process were
4 expeditiously forwarded to SCE’s program planning staff, who evaluated them for applicability,
5 feasibility and potential contribution to improving the goal of achieving cost-effective energy efficiency
6 in either the near or long-term. A significant number of recommendations were incorporated into SCE’s
7 program portfolio presented in this Application. Although SCE count not incorporate all of the
8 recommendations received during the planning process, the open exchange of ideas helped shape the set
9 of programs presented in this filing. *See* Appendix 10.1, Attachment III, Table 1.1 in Exhibit SCE-2 for
10 a summary of the recommendations and how they were incorporated into SCE’s program plans.³²

12 In sum, SCE believes the advisory group process was successful in facilitating an exchange of
13 ideas among program planners, industry experts, and retailers and served to significantly narrowing the
14 scope of differences among the various constituencies. The public workshop process led to equally
15 important improvements in the program offerings that will enhance SCE’s ability to delivery energy
16 savings now and in the future.

³² For example, during the PAG and public workshops some much needed attention was directed towards the HVAC end use market that a statewide PAG subcommittee was formed to look at ways to harvest more cost-effective energy savings and demand reduction from that market segment. As a result of these discussions, SCE’s planned upstream HVAC strategy evolved into a proposal for a comprehensive HVAC program which covers both residential and nonresidential sectors and includes a wide array of program strategies to increase performance by including distributor incentives and the delivery of quality installations and improved training and maintenance practices.

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VI.

FUNDING FLEXIBILITY

A. The Proposed Fund-Shifting Guidelines Facilitate For Portfolio Flexibility

The fund shifting guidelines proposed in this Application for the 2006-08 program cycle (Guidelines) are an extension of the fund shifting guidelines approved for 2004-05 procurement-funded energy efficiency programs.³³ In the 2004-05 energy efficiency program funding cycle, the Commission recognized the need for IOU program administrators to have flexibility to use their knowledge of evolving market conditions and technologies to maximize energy savings.³⁴ The Guidelines will extend this flexibility into the 2006-08 funding cycle. The Guidelines are needed to provide the IOU program administrators with flexibility to manage the 2006-08 portfolio, adjust to changing market conditions, and optimize resource potential to meet the aggressive energy savings and demand reduction targets, annually and cumulatively.³⁵

Effective communication among the program administrator, the program advisory boards and the Commission is a critical element of the Guidelines. The Guidelines require the program administrator to notify the advisory groups and the Commission of all shifts, including shifts: (1) among programs within a program category; (2) among programs among program categories; (3) among budget categories within a program; and (4) within budget categories within a program. The program administrator will provide these notifications through regular reporting requirement intervals as established by the Commission's Energy Division.³⁶ The Guidelines make specific allowances for three programs: Emerging Technologies, Codes and Standards and Statewide Marketing and Outreach. Commission approval would be required before funds could be shifted out of any of the programs.

³³ D.03-12-060, Ordering Paragraph No. 10, p. 41.

³⁴ *Id.*, Section 6, p. 22.

³⁵ D.04-09-060, Ordering Paragraph No. 2, p. 51.

³⁶ D.05-04-051, Ordering Paragraph No. 3, p. 91.

1 Overall, the Guidelines will allow SCE to timely respond to changing market conditions by
2 increasing funds for programs with high customer demand and cost-effective energy and demand
3 savings. This flexibility, in combination with the proposed competitive bid process, will also allow the
4 program administrator to identify and incorporate new programs that will produce cost-effective energy
5 and demand savings for both the short- and long-term.³⁷ Finally, the Guidelines address the desire of the
6 Commission to reduce the number of administrative law judge (ALJ) authorizations for program
7 extensions and fund shifts without sacrificing the Commission’s ability to keep abreast of program
8 changes.³⁸

9 **B. Fund-Shifting Across Programs, Sectors and Categories**

10 The Guidelines allow for shifting funds within a program and across programs, sectors and
11 categories. In order to provide Commission oversight for significant fund shifts among the program
12 categories, the Guidelines include a 25% bandwidth around each of the following categories: residential,
13 nonresidential, crosscutting, competitive bid programs, EM&V and statewide marketing and outreach.
14 Fund shifts which exceed the 25% limitation will require prior Commission approval through a ruling or
15 an advice letter process, whichever is appropriate in view of the urgency of the request.

17 The Guidelines allow funds to be moved among programs selected through the IDEEA and
18 INDEE competitive bid process in order to optimize the performance of the programs as a whole. Such
19 flexibility is needed to manage the a wide array of new and unproven programs. In addition, to
20 encourage a continuous stream of new program designs and technologies, funds cannot be shifted out of
21 the IDEEA and INDEE programs to other categories without prior Commission approval. This pre-
22 approval restriction does not apply to programs identified as part of the targeted solicitation. The
23 targeted programs are considered part of the core portfolio and need to be managed as such. SCE will
24 rely on these core targeted programs to deliver a significant portion of cost-effective energy efficiency,

³⁷ *Id.*, Attachment 3, Energy Efficiency Policy Manual, Version 3, Section II.5, Energy Efficiency Policy Objectives and Program Funding Guidelines, pp.2-3.

³⁸ *Id.*, p. 28.

1 and therefore will need flexibility to move funds among the core portfolio based on customer demand.
2 Nevertheless, SCE's fund shift will cause funding levels to drop below the non-IOU minimum required
3 levels without prior CPUC approval.

4 For fund shifting purposes, partnerships will be considered part of the residential and
5 nonresidential program categories depending upon the specific sector (i.e., residential and
6 nonresidential) focus of the particular partnership.

7 As noted above, the Guidelines require prior Commission approval before funds may be shifted
8 out of the Emerging Technologies, Codes and Standards and statewide Marketing and Outreach
9 programs. The program administrator view both the Emerging Technologies and Codes and Standards
10 activities as critical for developing new, long-term energy efficiency opportunities and locking in
11 potential energy savings and demand reductions from code changes that will extend well beyond the
12 current proposed three-year cycle. Thus, any movement of funds out of these programs must be
13 carefully considered and executed in coordination with the Commission. Similarly, the statewide
14 Marketing and Outreach program involves an intricate set of commitments from many different market
15 participants (e.g., retailers, media outlets, etc.) which require advance coordination and obligations.
16 Shifting funds from these types of coordinated campaigns would undermine the ability to do effective
17 long-term planning.

18 The following table summarizes the proposed fund shifting guidelines. Unless otherwise
19 indicated, funds can be shifted in or out of the programs or categories:

**VII. Table VI-1
Proposed Fund Shifting Guidelines**

Categories	Shifts Within Program	Shifts Among Programs, Within Category	Shifts Among Categories (up to 25%)	Carryover, Carryback Abilities
Residential	Yes	Yes	Yes	Yes
Nonresidential	Yes	Yes	Yes	Yes
Crosscutting (except ET, Codes & Standards)	Yes	Yes ¹	Yes ¹	Yes
IDEEA, INDEE	Yes	Yes	Yes ²	Yes
SW Marketing and Outreach	Yes	Yes	Yes ¹	Yes
EM&V	Yes	Yes	Yes ¹	Yes

Notes –

1 – For Emerging Technologies, Codes and Standards, SW Marketing and Outreach and EM&V pre-Commission approval is required before funds are shifted OUT of these programs.

2 –Funds may be shifted among IDEEA or INDEE programs. Upon approval from the Commission, funds may be shifted OUT of the IDEEA and INDEE programs into other areas of the program portfolio

C. The Fund-Shifting Guidelines Include Allowances For Adding New Programs And Measures

In the Policy Rules Decision, the Commission directed the program administrators, along with their advisory groups, to address the issue of adding new programs to the portfolio during the three-year program cycle.³⁹ In response, Guidelines offer two consistent but slightly different approaches for adding new programs to the portfolio. The Guidelines propose to continue the current practice of adding new measures.

1. Advice Letter Approval Required For Adding A New Energy Efficiency Program

Commission approval through an advice letter would be required to add new programs which are developed outside of the program administrator’s competitive bid process. The program

³⁹ *Id.*, Section III.3, Other Issues, pp. 27-28.

1 administrators believe this is the most expeditious process by which the Commission can review
2 requests for funding and implementing new programs. As part of this process, the program
3 administrator will provide 15 days advance notice of the substance of its advice letter to its advisory
4 boards. This advance notice will allow the program administrator to receive input from the advisory
5 group members prior to filing. In recognition of the added advisory group review and the opportunity to
6 resolve issues before the filing, the program administrators will request expedited treatment of the
7 advice letter so that absent a protest, the filing would become effective on the 20th day after filing.

8 Commission approval would not be required for new programs chosen through
9 competitive bidding that the program administrator desires to extend or “mainstream” into its existing
10 program portfolio. Since the competitive bidding process is performed under Commission oversight,
11 Commission approval for extending or expanding a competitively bid program is redundant and
12 unnecessary.

13 The program administrator will timely notify the Commission of modifications to
14 competitively bid programs. The program administrator will also notify its advisory groups of any
15 program extension and/or expansions through their regularly scheduled meetings.

16 **2. Procedure For Adding A New Energy Efficiency Measure**

17 The ability to add new energy efficiency measures is vital for ensuring continuous
18 improvement of program and portfolio performance. To address this important task, SCE proposes a
19 procedure that will provide the necessary Commission approval to ensure reasonable measure
20 assumptions are used while allowing for timely implementation of new measures. The Guidelines
21 require the program administrator to obtain approval from the Commission’s Energy Division in order to
22 add a new measure. Specifically, the program administrator will request confirmation of acceptance of a
23 proposed measure along with the corresponding measure assumptions (e.g., energy savings, useful life,
24 etc.) in writing from the Energy Division. The Energy Division will confirm acceptance of the request
25 within 15 days. If the measure and assumptions are not rejected within 15 days, the program
26 administrator may incorporate the new measure into an existing program(s) and record and report on the
27 measure’s performance consistent with Commission regulatory reporting requirements. If the Energy

1 Division rejects a measure, the business reason for the rejection must be provided, along with an
2 explanation of the changes required in order to approve the new measure.

3 *Procedure for Adding A New DEER Measure*

4 A new measure in the DEER database may be implemented without Commission
5 approval. The program administrator must provide 15 days advance notice to its program advisory
6 group before implementing the new measure.

7 **D. Process For Requesting Greater Fund Shifting Authority**

8 The Guidelines afford flexibility to the program administrator to manage the program portfolio
9 to ensure achievement of the Commission’s energy savings and demand reduction targets, both annual
10 and cumulative. Along with the aforementioned proposed notification procedures, SCE proposes to
11 seek Commission approval when implementing a new program or measure as described herein. In cases
12 where the program administrator needs greater flexibility (e.g., shifting funds from emerging
13 technologies to nonresidential new construction), the Guidelines require the program administrator to
14 seek approval from the Commission (from either the Energy Division, ALJ or assigned commissioner).

16 Prior to seeking greater fund shifting flexibility, the program administrator will provide 15 days
17 advance notice of the proposal to its program advisory group. In the rare instance when immediate
18 Commission approval is needed or 15 days advance notice cannot be provided to the program advisory
19 group, the program administrator will notify the advisory group concurrently with the submittal of its
20 proposal to the Commission.

21 **E. Process For Significant Incentive Level Changes and Program Modifications**

22 **1. Incentive Level Changes**

23 In cases where the program administrator needs to increase rebate/incentive levels due to
24 market influences, 15 days advance notice will be provided to its program advisory group before
25 implementing the increase. This will allow advisory group members time to review the proposed
26 changes. If the proposed incentive level increase would impact a statewide program offering, the
27 program administrators will meet and develop a coordinated increase in incentive level.

1 If a program administrator needs to increase an incentive level in its own service
2 territory, the program administrator will be allowed to do so without prior Commission approval if it
3 meets one or more of the following criteria: (1) the increased incentive promotes energy efficiency in
4 system-constrained area; and/or (2) the increased incentive encourages participation for select customer
5 groups (e.g., small businesses). Otherwise, the program administrator must seek approval for an
6 incentive level change from the Commission’s Energy Division staff. If not rejected within 15 days, the
7 new incentive levels will become effective. The program administrator will also notify its advisory
8 group members of reductions to posted rebate or incentives levels. This notification may occur after
9 incentive levels have been reduced. Finally, the program administrator will also communicate all
10 incentive level changes to the Commission consistent with regulatory reporting requirements.

12 **2. Significant Program Modifications**

13 For significant program design changes, such as changes to customer eligibility
14 requirements, the program administrator will provide 15 days advance notice to its advisory groups of
15 any such modifications and communicate such changes to the Commission in its next required
16 regulatory report. The program administrator need not provide notification of daily program
17 enhancements (e.g., expanded media coverage, program targeting, etc.) to its advisory groups. All
18 significant program activities will be communicated to the advisory groups during quarterly meetings.

19 **F. Flexibility To Shift Funds Among Program Years**

20 **1. The 2006-08 Program Cycle**

21 The Guidelines allow the program administrator to shift funds among program years
22 within the funding cycle. This allows the program administrator to carryover unspent and uncommitted
23 funds from previous years into future program years within the same funding cycle. The proposal also
24 allows the program administrator to carry back funds from future years into current years, thus allowing
25 the program administrator to react to unforeseen market influences such as increased market demand.
26 The program administrator will communicate these carryover and carry back occurrences as part of the

1 regular reporting requirements to the Commission. This proposal is consistent with the flexibility
2 afforded to program administrators for the 2004-05 program cycle.

3 **2. Program Year 2005**

4 The Guidelines also include the ability to carry back funds from the 2006-08 program
5 cycle as necessary, to potentially fund 2005 energy efficiency activities. The program administrators are
6 seeking this additional flexibility in order to maintain program continuity and, more importantly, capture
7 potential cost-effective energy saving and demand reduction opportunities during 2005. Unlike the
8 proposed carryover and carry back flexibility within the 2006-08 program year cycle, the program
9 administrator will seek Commission approval through the ALJ or an assigned commissioner ruling prior
10 to any shift of funds from the 2006-08 funding cycle to 2005.

1 **VII.**

2 **COMPETITIVE BID PROCESS**

3 The competitive bid process proposed by SCE is a comprehensive and multi-faceted approach
4 that draws on the skill, experience, and creativity of the energy efficiency community. SCE's
5 competitive bid process will help enhance current program design as well as uncover new approaches to
6 capturing cost-effective energy savings. This approach is consistent with the Commission direction to
7 conduct a competitive bid "for the purpose of soliciting innovative ideas and proposals for improved
8 portfolio performance".⁴⁰ Additionally, the planned competitive bid process will identify and promote
9 the latest energy efficiency technologies throughout the 2006-08 program cycle. Although these newer
10 program approaches and technologies may be unproven in the marketplace, SCE believes these tests are
11 necessary to help sustain cost-effective energy efficiency for the longer-term.

13 SCE proposes to offer three unique types of solicitation: targeted, IDEEA (Innovative Design for
14 Energy Efficiency Applications) and INDEE (Innovative Design for Energy Efficiency). Each of these
15 solicitations will be conducted during 2005 to allow for program implementation beginning 2006. For
16 IDEEA and INDEE, SCE proposes to conduct additional solicitations during the three year program
17 cycle. This plan will allow SCE to continue to identify the latest program concepts and technologies in
18 order to continue to improve and enhance the overall program portfolio for the longer-term.

20 **A. Areas of Portfolio To Be Competitively Bid And Rationale**

21 SCE has a long and successful history of working with companies on developing and
22 implementing energy efficiency programs. The energy efficiency community provides a fertile source
23 of new and innovative ideas for improvements to existing program designs and delivery strategies.
24 Many of the energy efficiency programs SCE offers today are a direct result of collaborative efforts
25 between SCE and the energy efficiency community. Exhibit SCE-2, Table 1.2 (Attachment III of

⁴⁰ D.05-01-055, Section 5.2.1, p. 94.

1 Appendix 10.1) contains a detailed summary of the specific programs and areas which SCE has selected
2 as candidates for a competitive bid process along with the expected net installed energy savings and
3 demand reductions.

4 **B. Targeted Solicitations**

5 Under the targeted solicitation proposal, SCE has identified various programs and areas for
6 competitive bidding. During the planning process, SCE identified current programs which could be
7 enhanced through improved design and implementation. SCE will set the program criteria and seek bids
8 which will improve overall program effectiveness through innovative approaches. The enhancements
9 may include greater outreach, improved penetration, improved coordination with other programs, or a
10 creative delivery approach which may reduce ratepayer cost.

11 In addition to improving cost-effectiveness, the winning proposals under the targeted solicitation
12 should also contribute improvements to program implementation and design through new and innovative
13 approaches. For example, SCE currently offers the Home Energy Efficiency (HEES) program through
14 an array of different types of residential audits, including in-home, mail-in and online. Although
15 comprehensive, SCE wants to improve the quality and coordination of these offerings and add other
16 strategies, such as a new homebuyer package and an energy efficient mortgage outreach campaign. In
17 addition, SCE is looking to incorporate other utility energy efficiency information and audit services,
18 including natural gas.

19 The Residential Appliance Recycling Program is another example of a targeted program that will
20 be bid. Through this program, SCE picks-up and recycles older refrigerators and freezers. SCE would
21 like to expand the outreach of the program by working more closely with retailers to make offers to
22 customers at the time a new unit is purchased. SCE will be looking for proposals that present innovative
23 ways to intervene during the transaction to encourage the recycling of older inefficient units which may
24 otherwise be sold in a secondary market. SCE will also be seeking creative ideas for adding a room air
25 conditioning exchange strategy to the offering.

1 In sum, SCE’s targeted solicitation is a viable mechanism for improving upon existing program
2 design and performance. SCE had set aside approximately \$247 million to fund winning bids in the
3 targeted solicitation.

4 **C. IDEEA Solicitation**

5 In addition to the targeted solicitation, SCE proposes to conduct a general solicitation seeking
6 new program designs that have a real potential for cost-effective energy efficiency. The overall IDEEA
7 portfolio must provide cost-effective energy efficiency opportunities similar to the performance of
8 SCE’s overall program portfolio. The winning bids must also provide installed energy savings in the
9 years they are funded.

10 SCE’s 2006-08 IDEEA solicitations build upon our 2004-05 IDEEA solicitation. The overall
11 purpose of IDEEA is to find, fund, and test the most promising program designs and to provide the
12 opportunity to “mainstream” them into the overall SCE-managed portfolio of proven, reliable programs.
13 SCE proposes to have two IDEEA solicitations conducted in consecutive years beginning in 2005.

15 In general, selected IDEEA program providers will be allowed up to two years to implement and
16 complete their programs. This will allow sufficient time to test and gauge the program’s success. Due
17 to the change in the accounting for energy savings and demand reduction results by the Commission,⁴¹
18 programs are expected to install energy savings in each of the years they are funded. Consequently,
19 SCE may conclude the IDEEA program sooner, or reduce the funding level, if the program is not
20 achieving appropriate results. Conversely, program funds may be increased for a particular IDEEA
21 program if the design is so effective that it should be expanded, or “mainstreamed”, into the larger
22 program portfolio. SCE has set aside \$29 million to fund winning bids in the IDEEA solicitations.

⁴¹ D.04-09-060, p. 33.

1 **D. INDEE Solicitation**

2 The INDEE solicitation is a search for unique and newer energy efficiency technologies and/or
3 very distinctive approaches to capturing cost-effective energy efficiency in preparation for the next
4 generation of energy efficiency programs. INDEE places much more emphasis on innovation and
5 promotion of promising technologies, than on current energy savings, so the programs may be less cost-
6 effective than other programs in the portfolio.

7 The INDEE solicitation proposal is borne from SCE’s current experiences with the 2004-05
8 IDEEA solicitation. SCE found a number of interesting program designs promoting the application of
9 emerging technologies. Although these technologies had proven their technical feasibility through lab
10 testing and individual showcasing, it was not clear whether, and if so where, their application was
11 feasible in the marketplace. In addition, many of the proposals were costly to implement and/or had
12 very weak potential for short-term cost-effective energy and demand savings.

13 SCE strongly believes that to achieve longer term energy savings and demand reductions, we
14 must test the market feasibility for newer and proven energy efficiency emerging technologies. This
15 approach is consistent with the Commission’s 2006 energy efficiency policy to encourage innovation
16 from promising new technologies over the longer-term.⁴² SCE has set aside \$5 million to fund winning
17 bids in the INDEE solicitations.

18 **E. Bid Process Overview**

19 SCE’s bid process incorporates a two-stage approach tested effectively in the 2004-05 IDEEA
20 solicitation. The process involves multiple steps with multiple review loops by SCE that allow for
21 process checks and to ensure the solicitation process moves forward and allows for the best portfolio fit
22 that meets SCE’s short and longer-term energy efficiency plans. The following identifies and describes
23 the bid process and steps proposed by SCE.

24 **F. Overview of the Competitive Bid Process**

25 Pre-announcement

⁴² D.05-04-051, p. 54.

1 A pre-announcement will be sent to all energy efficiency providers, engineering firms,
2 consultants, government organizations, and non-profit organizations. These organization contacts will
3 be encouraged to share and forward program information to ensure the widest coverage. The pre-
4 announcement will also allow SCE to obtain updated information and e-mail notification addresses for
5 the request for proposal solicitation.

6 In addition, SCE will post an announcement for the Targeted, IDEEA, and INDEE programs
7 bidding process on its website, **www.sce.com**. This link will be posted in the Commission's website and
8 other energy efficiency forums as available.

9 Solicitation

10 The beginning of the sealed bid process starts with the issuance of a request for proposals (RFP).
11 RFPs will be sent to the list used for the announcement, as revised to reflect new parties and updated
12 information received. The full version of the RFP will be available for download on www.sce.com.
13 However, to ensure a fair process and timely notice to all, prospective bidder must register by sending
14 an e-mail to SCE before they may submit a proposal in response to the RFP.

15 The RFP will advise prospective bidders of the two stage submittal process. Stage I requires
16 submittal of an abstract. Stage II requires submittal of a fully developed proposal. SCE is conducting
17 the bidding process in two stages in order to receive as many program abstracts or concept papers
18 without having to burden prospective bidders with writing a full proposal.

19 Abstract Submission (Stage I)

20 Due to the expected large volume of abstracts, this evaluation will be subjective and based on a
21 high level review of program concepts. SCE program managers, analysts, and engineers will review the
22 abstracts and make recommendations to the energy efficiency portfolio managers. Selected abstracts
23 will undergo a technical energy savings review from SCE's Design and Engineering group (to be
24 considered, technical documentation substantiating claimed energy savings must be submitted with the
25 abstract). Selected Stage I bidders will be notified of their eligibility to submit a detailed proposal based
26 on the concepts of the abstract.

27 Proposal Submission (Stage II) –

1 Bidders will be required to submit proposals electronically and in paper form. Upon receipt, the
2 information will be uploaded into a web-based system that provides content validation and allows SCE
3 to model various mixes of programs that meets the utility needs and delivers cost-effective programs.

5 Evaluation of Proposals

6 The proposal review process involves an extensive evaluation of each proposal based on
7 specified evaluation criteria. Evaluation teams will typically consist of program management,
8 measurement, and engineering members. This mix ensures a thorough and robust evaluation of all
9 aspects of the proposal. In addition, cost-effectiveness is assessed.

10 The proposals are ranked from high to low then presented to management (portfolio managers)
11 for determination of program suitability. The portfolio managers are required to determine whether the
12 program design and technologies will complement and augment SCE's overall energy efficiency
13 portfolio. The portfolio managers and review team will evaluate and discuss the strengths and
14 weaknesses of each program design and how it may or may not coordinate with the overall portfolio.
15 Any proposal discrepancy, changes, and suggested improvements are noted. If a program is selected for
16 implementation, the suggested changes must be incorporated by the winning bidder into the program
17 design.

18 Bid Evaluation Criteria

19 Each of SCE's three solicitations will have its own set of evaluation criteria. The criteria
20 categories listed below will include sub-criteria which will assist in the scoring of the responsive
21 proposals.

VIII. Table VII-2 Targeted Program Solicitations – Targeted – Resource Programs

Criteria	Weights
Proposal Responsiveness	pass/fail
kWh and Kw Potential	30%

Cost-effectiveness	25%
Program Implementation and Feasibility	15%
Program Innovation	15%
Skill and Experience	10%
Minimizing Lost Opportunities	5%

1 **Targeted - Non-Resource Programs**

Criteria	Weights
Proposal Responsiveness	pass/fail
Cost Efficiencies	30%
Program Implementation and Feasibility	20%
kWh, kW Tie-in	20%
Program Innovation	15%
Skill and Experience	10%
Minimizing Lost Opportunities	5%

2 100%

3 **General Program Solicitations**

4 **IDEEA - Resource Programs**

Criteria	Weights
Proposal Responsiveness	pass/fail
kWh and kW Potential	30%
Cost-effectiveness (Levelized Costs, TRC/PAC Tests)	25%
Program Implementation and Feasibility	15%
Program Innovation	15%
Skill and Experience	10%
Minimizing Lost Opportunities	5%

5 100%

1 **IDEEA - Non-Resource Programs**

Criteria	Weights
Proposal Responsiveness	pass/fail
Cost Efficiencies	30%
Program Implementation and Feasibility	25%
kWh, kW Tie-in	15%
Program Innovation	15%
Skill and Experience	10%
Minimizing Lost Opportunities	5%

2 100%

3 **INDEE - Solicitation**

4 **Resource Programs**

Criteria	Weights
Proposal Responsiveness	pass/fail
kWh and kW Potential	25%
Cost-effectiveness (Levelized Costs, TRC/PAC Tests)	10%
Program Implementation and Feasibility	15%
Program Innovation	30%
Skill and Experience	10%
Minimizing Lost Opportunities	10%

5 100%

6 **E. Non-IOU Contract Agreements**

7 Decision 05-01-055 directed SCE to address whether the standard contract template for non-IOU
 8 energy efficiency programs should continued to be used.⁴³ SCE believes that the standard non-IOU
 9 contract template (modified for 2004-05) that was used by the IOUs over the last two program cycles

⁴³ D.05-01-055, Ordering Paragraph No. 7.

1 should be discontinued. Instead, SCE proposes to integrate the non-IOU contracting process into its
2 existing corporate procurement processes, whereby SCE would use purchase orders to contract with
3 service providers. SCE would develop a set of standard terms and conditions to include with the
4 purchase orders which are appropriate for non-IOU energy efficiency programs and would include long-
5 standing non-IOU energy efficiency program requirements such as customer disclaimer obligations,
6 prevention of double dipping requirements, ownership of deliverables, reporting requirements, etc.

7 Integrating the non-IOU contracting process into SCE’s existing corporate procurement
8 processes will allow SCE to more efficiently contract with selected non-IOU implementers, because
9 dedicated SCE personnel perform the procurement functions. It would also ensure that non-IOU
10 program contracting is performed within SCE’s corporate control environment.

1 **VIII.**

2 **EVALUATION, MEASUREMENT AND VERIFICATION**

3 For the 2006-08 program cycle, the Evaluation, Measurement and Verification (EM&V)
4 activities will include: (1) IOU-managed market assessment and evaluation; (2) process evaluation; (3)
5 evaluation support; (4) California Measurement Advisory Council-related activities; and (5) CPUC
6 evaluation and policy oversight. The Commission originally envisioned that a complete set of study
7 proposals and corresponding budgets would be developed by June 1, 2005, to be incorporated into the
8 IOUs' 2006-08 energy efficiency plans.⁴⁴ Subsequently, the Commission issued a decision extending
9 the deadline to allow the Energy Division staff, in coordination with the California Energy Commission
10 (CEC) and IOUs, to submit detailed EM&V plans and corresponding budgets by November 1, 2005.⁴⁵
11 In the interim, the Commission directed the IOUs to use a funding guideline of 8% of the total of the
12 program budgets for these activities.⁴⁶ The 8% budget allocation is regarded as an upper limit on the
13 final budget requirements for work in this area. Thus, in accordance with D.05-04-051, SCE's 2006-08
14 budget reserves 8% for Commission-approved EM&V activities.

15 While the final plans and cost estimates will be provided in a subsequent filing, the following
16 sections outline the type of activities that are expected. The budgets will include reserve funds for
17 studies and analyses that are not included in the submitted plans, but that Commission and utility
18 EM&V staff subsequently determine should be funded during the 2006-08 program cycle.

19 **A. Anticipated MA&E Activities**

20 IOU-administered Market Assessment and Evaluation (MA&E) work will likely include
21 continuation of broad-coverage statewide studies that the IOUs and the CPUC agree have continuing
22 value, such as the Market Share Tracking project and the Best Practices project. It will also likely
23 include residential appliance saturation surveys and commercial and industrial end-use surveys as
24 required by the California Energy Commission.

⁴⁴ D.05-01-055, Ordering Paragraph No. 7, pp. 146-7.

⁴⁵ D.05-04-051, Ordering Paragraph No. 12, p. 95.

⁴⁶ *Id.*, Finding Of Fact No. 49, p. 89.

1 MA&E work will also likely include analyses of particular markets central to the operation of
2 specific SCE program and program components, such as emerging technologies, financing, building and
3 industrial process maintenance services and practices, and structure and practices in the building
4 construction, sale, and rental markets.

5 With the increased focus on emerging technologies, analyses of the market potential of program
6 candidate technologies will be particularly important. The MA&E work may also include the ongoing
7 collection and maintenance of basic market data needed for effective program design, targeting,
8 analysis, and evaluation: demographic, business classification, and weather data.

9 Energy efficiency program and portfolio forecasting and cost-effectiveness analysis will be part
10 of SCE's market analysis activities. This work builds on the energy efficiency potential studies that will
11 be managed by Commission staff to provide detailed, SCE-specific analysis that will help SCE's
12 portfolio managers to determine cost-effective levels of energy efficiency program activity, to identify
13 the most promising program areas, and to identify appropriate program budget levels.

14 As directed by the Commission, the continued funding for the Commission's Energy Efficiency
15 Groupware Application will be part of the overall funding request.⁴⁷ The EEGA system provides a way
16 for the Commission and the IOUs to monitor and report program and portfolio performance on an on-
17 going basis. The specific budget for EEGA will be identified in the final EM&V plans submitted later
18 in 2005.

19 **B. Process Evaluation**

20 Process evaluation involves review of the design and operation of programs to determine their
21 effectiveness and to provide recommendations for program improvements. The programs in SCE's
22 proposed 2006-08 energy efficiency portfolio are either new programs or programs that have been
23 significantly modified from their previous design. Consequently, SCE will conduct one or more process
24 evaluations for every program in the portfolio. Some of the process evaluations will analyze a group of
25 related programs, in order to assess their linkages, explore their single and grouped impact on the

⁴⁷ D.05-01-055, Ordering Paragraph No. 7, p. 146.

1 markets they affect, compare their methods to find best practices, and reduce contracting and analysis
2 costs.

3 Process evaluations will be particularly important for deciding whether to continue new and pilot
4 programs and for providing some of the information needed to improve the design and operations of
5 these programs. Examples of such programs include retro-commissioning, the new approaches to local
6 government partnerships, and pilot programs such as on-bill financing and the programs selected in
7 SCE's IDEEA (Innovative Designs for Energy Efficiency Activities) and INDEE (Innovative Design for
8 Energy Efficiency) solicitations.

9 A particular focus of SCE's process evaluation work in 2006-08 will be quality control and
10 process improvement. Given the demanding goals and preeminent role that the state has established for
11 energy efficiency programs, it is vital that programs efficiently deliver the full savings of which they are
12 capable. As discussed above, SCE is establishing a quality control/process improvement oversight
13 function within its energy efficiency organization. This internal function will monitor and identify
14 needed changes in equipment installation practices, program eligibility rules and enforcement,
15 streamlining of program processes, and accuracy and completeness of program data tracking.

16 **C. Evaluation Support for Commission-Managed Work**

17 The Evaluation Support activities will fund utility market assessment and evaluation staffing and
18 expenses to provide the program data, customer data, and other information that the Commission's study
19 contractors will need to conduct impact evaluations and research and analysis needed for policy
20 oversight and decision-making. IOU MA&E staff will work with the Commission staff and their
21 contractors to coordinate Commission-managed and IOU-managed EM&V work. This is important to
22 avoid overlap in data collection and analysis, to share data collected that might be helpful to the other
23 group's evaluation contractors, and to coordinate customer contacts to avoid duplicative inquiries to
24 customers. IOU MA&E staff will work with the Commission's contractors and IOU program personnel
25 to support the contractors' customer contact, survey, and measurement activities. They will gather and
26 convey to Commission evaluation managers and their contractors the information needs, issues and

1 concerns of program managers. Similarly, they will work with program managers to understand and
2 effectively use the results of studies conducted by the Commission's contractors.

3 **D. CALMAC-Related Activities**

4 CALMAC serves as a forum for Commission and utility measurement and evaluation staff to
5 communicate and work together on evaluation issues. EM&V funding will be used to maintain the
6 website of the California Measurement Advisory Council (CALMAC). The website makes publicly
7 available electronic copies of all energy efficiency studies completed with Commission-authorized
8 energy efficiency funding. The website also provides notification of CALMAC activities and access to
9 CALMAC.

10 Funding and staffing support will be provided to enable CALMAC meetings, workshops, and
11 forums. Support of conferences and conference attendance for national and regional conferences
12 focused on energy efficiency measurement and evaluation issues will also be provided. Both IOU and
13 Commission evaluation staff benefit from the information and professional development offered through
14 the conferences. CALMAC conferences provide access to studies completed by national scholars that
15 provide valuable information for California's energy efficiency program planning.

16 **E. CPUC/CEC Evaluation and Policy Oversight**

17 EM&V funds in the IOU budgets will be reserved for Commission staffing in the EM&V area:
18 (1) Commission-contracted consultants who will support Commission staff in their EM&V management
19 and oversight work, and (2) contracts for individual EM&V studies authorized by the Commission.
20 These studies will examine load impact evaluation of all programs that claim energy savings,
21 verification of achievement of goals for all programs, and research and analysis projects, as required by
22 the Commission.

23 The following research and analysis projects are likely to be included in the detailed plans that
24 will be submitted to the Commission by November 1, 2005.

- 25
26 • The Database for Energy Efficiency Resources (DEER). Updated and new estimates will be added
27 to this database on a regular basis, perhaps annually, as they become available and are reviewed
28 and approved. DEER houses the Commission-approved estimates for several parameters of energy
29 efficiency programs. For individual program measures, it provides: the annual unit energy usage

1 and energy savings compared to standard or pre-existing equipment or practices; effective useful
2 lifetime; and total and incremental unit cost. For programs or program components, it provides
3 net-to-gross ratios to be applied to the energy savings estimated for program participants, to
4 develop estimates of the energy savings attributable to the program's influence.

- 5
- 6 • Energy Efficiency Potential Studies. The studies completed using 2004-5 energy efficiency
7 funding will be updated if significant new information becomes available. At this time it appears
8 that new industrial customer data may become available after the 2004-5 studies are completed.
- 9
- 10 • Avoided Cost Update. It is likely that the 20-year forecasts of electricity and natural gas adopted
11 by the Commission this year will be updated for use in program planning for 2009 and beyond.
- 12
- 13 • Portfolio Evaluations. Evaluation of the 2006-8 energy efficiency program portfolios and of the
14 processes by which they were developed. Assessment of the status and opportunities for
15 coordination and integration of demand response and energy efficiency programs.
- 16
- 17
- 18 • Energy Efficiency Summary Reports. Summary reports for policymakers and the public that
19 provide accessible, summarized information about the annual and lifetime energy savings provided
20 by the combined utility energy efficiency portfolios, based on completed load impact evaluations.
- 21
- 22 • Measurement and Evaluation Protocols. Enhancement and revisions of the energy efficiency
23 program measurement and evaluation protocols that will be adopted by the Commission this year.
- 24

1 IX.

2 **REVENUE REQUEST AND FUNDING PROPOSAL**

3 **A. Overview**

4 SCE is requesting an increase in its 2006-08 energy efficiency funding levels in this Application.
5 SCE is not proposing any change to its currently approved energy efficiency ratemaking. Currently,
6 SCE is authorized to recover costs associated with: (1) legislatively mandated energy efficiency
7 programs (PGC); and (2) Commission authorized procurement-related energy efficiency programs. The
8 following table shows the 2005 authorized energy efficiency program costs:

2005 Energy Efficiency Authorized Program Costs *

	(\$000)	Authorization
1. PGC Energy Efficiency	94,462	P.U. Code § 399.8; Res. E-3792; Advice Letter 1883-E
2. Procurement Energy Efficiency:		
3.	60,000	D.03-12-062
4.	<u>38,300</u>	D.05-05-012
5. Subtotal	<u>98,300</u>	
6. Total	<u>192,762</u>	

9 * Amounts exclude Franchise Fees and Uncollectible Expenses.

10 SCE is requesting an increase in its procurement energy efficiency funding level of \$50.178
11 million which, if adopted, will increase SCE’s annual procurement energy efficiency funding level to
12 \$148.478 million for the years 2006 through 2008. SCE is not requesting to change the level of its PGC
13 energy efficiency funding. Consistent with the provisions of Public Utilities (PU) Code § 399.8 and
14 Resolution E-3792, SCE will continue to submit an annual advice letter to the Commission to escalate
15 this funding level.

16 **B. PGC Energy Efficiency Ratemaking**

17 SCE proposes no change to the currently-approved PGC energy efficiency ratemaking. SCE’s
18 current ratemaking associated with PGC energy efficiency includes: (1) the recovery of the authorized
19 PGC Energy Efficiency revenue requirement as set forth in PU Code § 399.8 through the operation of
20 the Public Purpose Programs Adjustment Mechanism (PPPAM); and (2) tracking the difference between

1 the authorized PGC Energy Efficiency revenue requirement with actually incurred PGC Energy
2 Efficiency expenses in the Energy Efficiency Programs Adjustment Mechanism (EEPAM) established
3 in D.97-12-103.

4 On a monthly basis, SCE records its actual PGC energy efficiency program expenses in the
5 EEPAM. From this amount, SCE deducts one twelfth of the authorized PGC energy efficiency revenues
6 to determine the monthly over- or under-collection recorded in the EEPAM.⁴⁸ Effective January 1,
7 2002, Public Utilities (PU) Code § 399.8 extended funding for the PGC energy efficiency program
8 through January 1, 2012,⁴⁹ and set SCE's 2002 PGC energy efficiency funding level at \$90 million.
9 PU Code § 399.8 also required utilities to annually adjust the PGC target funding amounts at a rate equal
10 to the lesser of the annual growth in electric commodity sales or the gross domestic product deflator
11 (GDP).

12 The Commission further directed the utilities in Resolution E-3792 to file an annual Advice letter
13 by March 31st of each year beginning in 2003 to determine the annual adjusted funding amounts set
14 forth in PU Code § 399.8. Advice Letter 1883-E established the Public Goods funding for 2005 to be
15 \$94.462 million, by applying the GDP factor of 2.1% to the 2004 Public Goods funding level.

16 SCE will file an advice letter by March 31, 2006 to establish the 2006 authorized energy
17 efficiency revenue by escalating the 2005 authorized level of \$94.462 million by the lower of either the
18 GDP or SCE's annual sales change. For example, using the 2005 GDP factor of 2.1% as a proxy, SCE's
19 2006 PGC Energy Efficiency authorized amount would be \$96.446 million. Interest accrues monthly to
20 the EEPAM by applying the three-month commercial paper rate to the average balance in the account

⁴⁸ Due to the one-way nature of the EEPAM, any under-collections (i.e., excess expenditures) existing at the end of the authorized program cycle will not be eligible for recovery from customers.

⁴⁹ Public Utilities (PU) Code § 381, effective September 24, 1996 required the major electric utilities to establish a nonbypassable Public Goods Charge (PGC) rate component in order to fund certain public interest programs including SCE's energy efficiency (EE) programs through the year 2001.

1 **C. Procurement Energy Efficiency Ratemaking**

2 SCE proposes no change to the currently-approved procurement energy efficiency ratemaking.
3 SCE's current ratemaking associated with procurement energy efficiency includes: (1) the recovery of
4 the procurement energy efficiency revenue requirement authorized in D.03-12-062 and D.05-05-012
5 through the operation of the PPPAM; and (2) tracking the difference between the authorized
6 procurement energy efficiency revenue requirement with actually incurred procurement energy
7 efficiency expenses in the Procurement Energy Efficiency Balancing Account (PEEBA) established in
8 D.03-12-062.

9 On a monthly basis, SCE records its actual procurement-related energy efficiency program
10 expenses in the PEEBA. From this amount, SCE deducts one twelfth of the authorized procurement-
11 related energy efficiency revenues to determine the monthly over- or under-collection recorded in the
12 PEEBA.⁵⁰ The Commission in D.03-12-062 authorized a Procurement Energy Efficiency funding level
13 for SCE in the amount of \$60 million per year for 2004 and 2005. D.05-05-012 increased the
14 procurement-related energy efficiency level for 2005 by \$38.3 million for a total 2005 level of \$98.3
15 million.⁵¹ Interest accrues monthly to the PEEBA by applying the three-month commercial paper rate
16 to the average balance in the account.

17 **D. Rate Recovery of Energy Efficiency Program Costs**

18 SCE recovers its currently authorized PGC energy efficiency and procurement energy efficiency
19 costs through its existing non-bypassable Public Purpose Programs Charge (PPPC), which applies to all
20 of SCE's retail customers. Recorded PPPC revenues associated with all of SCE's energy efficiency
21 programs (including procurement-related programs) are recorded in the PPPAM. In order to ensure that
22 SCE recovers neither more nor less than its authorized energy efficiency funding, SCE also records a

⁵⁰ Due to the one-way nature of the PEEBA, any under-collections (i.e., excess expenditures) existing at the end of the authorized program cycle will not be eligible for recovery from customers.

⁵¹ D.03-12-062 authorized SCE to increase its procurement-related Energy Efficiency spending by \$57 million. However, the Commission required SCE to fund \$18.7 million of the \$57million through PGC Energy Efficiency revenues already collected from customers by transferring \$18.7 million of un-committed PGC Energy Efficiency amounts recorded in the EEPAM and the DSMAC to the PEEBA.

1 monthly debit entry equal to one-twelfth of the annual authorized energy efficiency related revenue
2 requirements in the PPPAM.

3 SCE proposes to track and recover the additional procurement-related energy efficiency funds
4 requested in this Application through its existing PPPAM, PEEBA and PPC.⁵² As discussed above,
5 pursuant to PU Code § 399.8, SCE will adjust its PGC Energy Efficiency revenue requirement for 2006
6 through an advice letter that will be filed by March 31, 2006. At that time, SCE's PGC energy
7 efficiency revenue requirement recorded in both the EEPAM and PPPAM will be adjusted accordingly.
8 Upon receiving a final decision on this Application's funding request, SCE will increase its annual
9 authorized procurement-related revenue requirement by the amount approved by the Commission.
10 Assuming the Commission adopts SCE's procurement energy efficiency request as filed, SCE's
11 procurement-related energy efficiency revenue requirement recorded in both the PEEBA and PPPAM
12 will be increased by \$50.178 million to reflect a total procurement-related energy efficiency revenue
13 requirement of \$148.478 million.

14 In order to reduce the number of rate changes, the Commission has established the annual
15 Energy Resource Recovery Account (ERRA) Forecast proceeding as the proper place to consolidate all
16 Commission-authorized revenue requirement changes into one rate level change. Therefore, SCE
17 proposes to include the 2006 PGC energy efficiency funding level submitted by advice filing in March
18 2006 and procurement-related energy efficiency revenue requirement approved in this proceeding in
19 PPC rate levels on or after January 1, 2006 as part of its 2006 ERRA Forecast proceeding revenue
20 requirement and rate consolidation. This rate consolidation will include the true-up of any
21 undercollection that may accrue in the PPPAM due to the time lag between implementing a revised
22 procurement-related energy efficiency revenue requirement and actually reflecting the revised revenue
23 requirement in rate levels.

⁵² The PPC, as mentioned above, applies to all of SCE's retail customers, both bundled service and direct access.

1 **E. Rate And Bill Impact Analysis**

2 In D.04-09-060, the Commission directed SCE to provide estimates of the net rate impacts and
3 bill impacts associated with the proposed portfolio of programs designed to meet the Commission-
4 adopted energy savings goals.⁵³ The Commission also directed SCE to work with the CPUC's Energy
5 Division and CEC to develop a consistent format for presenting these estimates in their filings.⁵⁴ In
6 response to these Commission directives, SCE has worked with the Energy Division and CEC staff
7 through Commission-sponsored workshops⁵⁵ and SCE's local PRG group to develop a consistent format
8 for the IOUs to use to present the net rate impacts associated with the proposed 2006-08 program
9 portfolio. The aggregate increase resulting from the proposed increase to the Procurement Energy
10 Efficiency revenue requirement is 0.5% over rates in effect today.

⁵³ Ordering Paragraph No. 4.e, p. 52.

⁵⁴ Id.

⁵⁵ Energy Division Workshop, held April 18, 2005.

1 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best
2 judgment?

3 A. Yes, it does.

4 Q. Does this conclude your qualifications and prepared testimony?

5 A. Yes, it does.

1 **SOUTHERN CALIFORNIA EDISON COMPANY**
2 **QUALIFICATIONS AND PREPARED TESTIMONY**
3 **OF DONALD P. ARAMBULA**

4 Q. Please state your name and business address for the record.

5 A. My name is **Donald P. Arambula**, and my business address is 2131 Walnut Grove Avenue,
6 Rosemead, California 91770.

7 Q. Briefly describe your present responsibilities at the Southern California Edison Company (SCE).

8 A. I am presently a Project Manager in the Regulatory group supporting energy efficiency and low
9 income programs for SCE's Customer Solutions Business Unit. My present responsibilities
10 include the preparation and/or review of various applications, advice letters, reports and other
11 filings for submittal to the California Public Utilities Commission.
12

13 Q. Briefly describe your educational and professional background.

14 A. I graduated from Loyola Marymount University in 1986, with a Bachelor of Science degree in
15 Business Administration.
16

17 I have been employed at SCE for over nine years in the Customer Solutions Regulatory Support
18 group. Prior to joining SCE, I was a systems analyst at McDonnell Douglas Corporation
19 conducting economic and lifecycle computer simulation modeling.

20 Q. What is the purpose of your testimony in this proceeding?

21 A. The purpose of my testimony in this proceeding is to sponsor the portions of Exhibit SCE-1, as
22 identified in the Table of Contents thereto.
23

24 Q. Was this material prepared by you or under your supervision?

25 A. Yes, it was.

26 Q. Insofar as this material is factual in nature, do you believe it to be correct?

27 A. Yes, I do.

28 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best
29 judgment?

30 A. Yes, it does.

1 Q. Does this conclude your qualifications and prepared testimony?

2 A. Yes, it does.

1 **QUALIFICATIONS AND PREPARED TESTIMONY**

2 **OF DAVID M. BRUDER**

3 Q. Please state your name and business address for the record.

4 A. My name is **David M. Bruder**, and my business address is 2131 Walnut Grove Avenue,
5 Rosemead, California 91770.

6 Q. Briefly describe your present responsibilities at the Southern California Edison Company (SCE).

7 A. I am presently the Manager of Non-Residential Energy Efficiency Programs for SCE. My
8 responsibilities include management and administration of SCE's portfolio of energy efficiency
9 programs for non-residential customers.

10 Q. Briefly describe your educational and professional background.

11 A. I graduated from Cal Poly San Luis Obispo in 1982, with a Bachelor of Science in
12 Environmental Engineering.

13 I am a licensed mechanical engineer with over 20 years of experience in analysis and design of
14 energy systems for commercial and industrial facilities.

15 Q. What is the purpose of your testimony in this proceeding?

16 A. The purpose of my testimony in this proceeding is to sponsor the portions of Exhibit SCE-1, as
17 identified in the Table of Contents thereto.

18 Q. Was this material prepared by you or under your supervision?

19 A. Yes, it was.

20 Q. Insofar as this material is factual in nature, do you believe it to be correct?

21 A. Yes, I do.

22 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best
23 judgment?

24 A. Yes, it does.

25 Q. Does this conclude your qualifications and prepared testimony?

26 A. Yes, it does.

1 **SOUTHERN CALIFORNIA EDISON COMPANY**
2 **QUALIFICATIONS AND PREPARED TESTIMONY**
3 **OF MARIAN V. BROWN**

4 **Q. Please state your name and business address for the record.**

5 A. My name is Marian V. Brown, and my business address is 2131 Walnut Grove Avenue,
6 Rosemead, California 91770.

7 **Q. Briefly describe your present responsibilities at the Southern California Edison Company (SCE).**

9 A. I am the manager of Measurement and Evaluation. My primary responsibilities are planning,
10 supervising staff, and supervising projects involving measurement, market assessment, and
11 evaluation of energy efficiency, low income, and demand response programs.

13 **Q. Briefly describe your educational and professional background.**

14 A. I received a Doctor of Philosophy (Ph.D.) degree in Economics from Stanford University in 1979
15 and a Bachelor of Arts (B.A.) degree in Economics from Pomona College in 1968. Prior to
16 joining SCE in 1986, I was an Assistant Professor of Economics at Pomona College from 1977
17 to 1986, a Visiting Scholar to the Social Security Administration in 1984-1985, and a Senior
18 Research Analyst at the National Bureau of Economic Research--West from 1975-1977.

20 I have been SCE's witness for program measurement and evaluation issues in energy efficiency
21 and demand response proceedings since the early 1990s. I am SCE's representative to the
22 California DSM Measurement Advisory Committee (CADMAC) and the California
23 Measurement Advisory Council (CALMAC), and I currently serve as chair of CALMAC. I am a
24 life member and past president of the Association of Energy Services Professionals.

26 **Q. What is the purpose of your testimony in this proceeding?**

27 A. The purpose of my testimony in this proceeding is to sponsor the portions of Exhibit SCE-1, as
28 identified in the Table of Contents thereto.

29 **Q. Was this material prepared by you or under your supervision?**

30 A. Yes, it was.

31 **Q. Insofar as this material is factual in nature, do you believe it to be correct?**

1 A. Yes, I do.

2 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best
3 judgment?

4 A. Yes, it does.

5 Q. Does this conclude your qualifications and prepared testimony?

6 A. Yes, it does.

7

1 **SOUTHERN CALIFORNIA EDISON COMPANY**
2 **QUALIFICATIONS AND PREPARED TESTIMONY**
3 **OF JILL HOLMES**

4 **Q. Please state your name and business address for the record.**

5 **A. My name is Jill Holmes, and my business address is 2244 Walnut Grove Avenue, Rosemead,**
6 **California 91770.**

7 **Q. Briefly describe your present responsibilities at the Southern California Edison Company.**

9 **A. I am a Financial Analyst in the Revenue Requirements section of SCE's Regulatory Policy and**
10 **Affairs (RP&A) Department. I am responsible for the monthly calculations and balances of**
11 **various Balancing and Memorandum Accounts and the calculations of various fuel-related and**
12 **DSM related filings.**

13 **Q. Briefly describe your educational and professional background.**

14 **A. I graduated from San Diego State University in 1980 with a Bachelors of Science Degree in**
15 **Business, specializing in Marketing. I worked in the telecommunications industry from 1980 to**
16 **1984. In September of 1984, I went to work for Southern California Edison as a**
17 **Telecommunication Specialist. I transferred to Regulatory Policy and Affairs in October of**
18 **1986 as a Regulatory Analyst. I have been resposonsible for revenue requirement and rate**
19 **design calculations for resale customers. I have previously testified before the California Public**
20 **Utilities Commission.**

22 **Q. What is the purpose of your testimony in this proceeding?**

23 **A. The purpose of my testimony in this proceeding is to sponsor the portions of Exhibit SCE-1, as**
24 **identified in the Table of Contents thereto.**

25 **Q. Was this material prepared by you or under your supervision?**

26 **A. Yes, it was.**

27 **Q. Insofar as this material is factual in nature, do you believe it to be correct?**

28 **A. Yes, I do.**

29 **Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best**
30 **judgment?**

31 **A. Yes, it does.**

1 Q. Does this conclude your qualifications and prepared testimony?

2 A. Yes, it does.

3

4