

**DEMAND-SIDE
MANAGEMENT PROGRAMS
ANNUAL SUMMARY**

Program Years 1994-1997
May 2005



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SECTION 1

EXECUTIVE SUMMARY

SDG&E's Demand-Side Management (DSM) activities in 2004 were limited to carryover commitments from program years 1994 through 1997.

This year, the DSM Annual Summary and Technical Appendix encompasses primarily the Fourth Earnings Claims for Program Years 1994 & 1995 ("PY94" & "PY95"). A discussion of the retention studies that were performed for the PY94 & PY95 programs are included.

Section II would normally describe both the residential and nonresidential DSM **Conservation/ Energy Efficiency Programs**. SDG&E did not implement any new programs in 2004, however there were minor program activities in 2004 related to prior year(s) programs (or "pre-1998" programs).

Section III describes **Load Management Programs** which did continue to be offered in 2004. The Residential Time-Of-Use program (1,944 customers) and the Individual Load Curtailment program had moderate activity during 2004. For Individual Load Curtailment program there were 63 participants at the start of the year, by year-end 63 participants remained in the program with 24.6 MW of demand reduction.

Section IV would normally describe the **Fuel Substitution Programs** offered, however SDG&E did not carryover any prior years' program activities into 2004.

Measurement, Forecasting and Regulatory Reporting activities discussed in **Section VI** continued to play an important role in SDG&E's DSM efforts. Studies agreed to in past proceedings were completed or continued in 2004 to determine program achievements and successes.

Section VII describes **Other Demand-Side Management** activities. There were no activities to report for 2004.

Section VIII provides results under the current shareholder incentive mechanism for Program Year 1994.

Lastly, **Section IX Miscellaneous** discusses the financing rate program and other pre-1998 program commitments as ordered in D.97-09-117.

Note that there is no separate Technical Appendix for this report as all necessary information has been incorporated.

SECTION 2

CONSERVATION/ENERGY EFFICIENCY

Not applicable.

SECTION 3

LOAD MANAGEMENT

Residential Programs

Residential Time-Of-Use Rate

Description

The objective of the Residential Time-Of-Use (TOU) Rate program is to offer customers an economically attractive rate that will induce them to shift their usage from on-peak to off-peak hours.

2004 Results and Major Accomplishments

During 2004, SDG&E did not proactively market the R-TOU program. Upon request, program information was sent to customers. There were 1,944 customers actively participating in the program at year end. Support for customers on these rates include setting and maintaining monitoring equipment, and notifying customers when curtailment is necessary. As a result of the Cost of Service proceeding per Commission Decision 04-12-015 these costs will now be recovered in rates.

2004 Program Costs

Authorized	\$0
Budgeted	\$0
Actual	\$0

Although no funding was authorized by the Commission for this program, it was mandated (by the Commission) that the R-TOU rate remains open.

Nonresidential Programs

Interruptible/Curtailable: Individual Load Curtailment (ILC)

Description

This program's strategy to achieve load reduction is based on implementation the AL-TOU-CP¹ interruptible rate. This rate designed for commercial/industrial customers, was developed to reduce system load during critical peak periods. As a result of the Cost of

¹ Formerly A-V1, closed on October 1, 2002.

Service proceeding per Commission Decision 04-12-015 these costs will now be recovered in rates.

2004 Results and Major Accomplishments

In 2004, ILC customers were called on to curtail as follows:

AL-TOU-CP 6 Event

In 2004, there were 63 participants on the AL-TOU-CP rate representing 24.6 MW of demand reduction.

SECTION 4

FUEL SUBSTITUTION

Not applicable.

SECTION 5

LOAD RETENTION AND LOAD BUILDING

Not applicable.

SECTION 6

MEASUREMENT, FORECASTING, AND REGULATORY REPORTING

Introduction

Since the 1989 GRC decision, SDG&E's measurement and evaluation (M&E) focus has been to improve the methods used for planning, measuring, and evaluating DSM programs. Efforts have concentrated on improving the level of customer information, as well as on improving estimates of energy and demand impacts. In the 1990 Collaborative program filing (A.90-04-034), SDG&E's 1992 Modified Attrition filing (A.91-03-001), and SDG&E's 1993 General Rate Case filing (A.91-11-024), a methodology for linking shareholder incentives with agreed upon pre-implementation (*ex ante*) program impacts was proposed and adopted, and this was continued through 1993. Direction was also given on the appropriate techniques that should be used for estimating both pre-implementation and post-implementation (*ex post*) program impacts, and SDG&E incorporated those techniques in its measurement and evaluation activities since 1993.

As a result of the M&E Phase in the DSM OIR, the CPUC adopted a comprehensive set of protocols for measuring *ex post* DSM program savings and for linking the results of those measurements to utility earnings. PY94 was the first year for which the adopted M&E Protocols were implemented. These M&E Protocols are updated during the Annual Earnings Assessment Proceeding (AEAP) as a result of recommendations made based on completed utility impact evaluations.

On December 20, 2004, SDG&E together with SoCalGas, filed a Joint Motion with the Office of Ratepayer Advocates to adopting an AEAP Settlement Agreement that resolves all outstanding shareholder earnings issues concerning the DSM, EE and Low Income energy Efficiency programs of SoCalGas and SDG&E submitted in outstanding AEAPs filed in 2000, 2001, 2002, 2003 and 2004, as well as earnings from past programs that would otherwise be claimed in the AEAPs to be filed through 2009. If the Commission approves this Joint Motion, the DSM earnings associated with this application will change. Furthermore, it will remove the need for further hearings on this matter.

Program Measurement

Program measurement is the set of activities needed to determine the load impacts, persistence, and performance of existing individual programs or groups of programs, as well as activities needed to conduct process evaluations on existing programs. Associated data collection, analysis, and management, long-run program tracking, (statewide measurement studies), and projects that study DSM program measurement methodologies are also contained in this category. Program measurement includes demand-reducing, load management, and fuel substitution.

SDG&E is committed to the measurement and evaluation process for all of its demand-side management programs. SDG&E conducts program evaluation for two primary reasons: (1) to capture sufficient data to estimate actual load impacts resulting from the

implementation of DSM programs as mandated by the M&E Protocols, and (2) to capture information that will allow SDG&E to improve the effectiveness and efficiency of existing programs and to develop new programs in the future (process evaluation).

The third/fourth year retention studies were completed per the schedule established in Table 8A of the M&E Protocols.

This section provides information that follows the order in which studies are presented in Tables 6.1 and TA-6.1 per the DSM Reporting Requirements Manual, Sixth Edition. The succeeding pages describe the studies conducted to support SDG&E's PY96 and PY97 fourth earnings claim.

SDG&E is submitted ninth year retention studies for PY94/PY95 as required in Table 8A of the M&E Protocols for consideration -in the 2005 AEAP.

Retention Studies

Residential Weatherization Retrofit Incentives Program

Retention Study

1995 RESIDENTIAL WEATHERIZATION RETROFIT INCENTIVES
Ninth Year Retention Evaluation
Study number 958
SDG&E
March 2004

SDG&E's PY95 Residential Weatherization Retrofit Incentive Program (RWRI) was part of the DSM Replacement Bid Pilot. To meet the CPUC's goal of DSM bidding, SDG&E contracted with SESCO to operate the RWRI program. SESCO offered free conservation improvements to selected homes, including attic and ceiling insulation, weatherstripping, caulking, outlet insulation, sealing by-passes, low-flow showerheads, water heater and pipe wraps, and compact fluorescent lights.

See the econometrics portion of the report for a description of the modeling and data methods.

The results of this retention study will be used to verify the program's PY95 fourth earnings claims in the 2005 AEAP.

Residential Appliance Efficiency Incentives Program: High Efficiency Lighting

Retention Study

There is no retention study required.

**Residential Appliance Efficiency Incentives Program: High Efficiency Refrigeration
Retention Study**

1994 & 1995 RESIDENTIAL APPLIANCE EFFICIENCY INCENTIVES: REFRIGERATORS
Ninth Year Retention Evaluation
Study number 916
SDG&E
March 2004

SDG&E's PY94 & PY95 Residential Appliance Efficiency Incentives (RAEI) - High Efficiency Refrigerators was designed to capture potential lost opportunities by encouraging residential customers to purchase higher efficiency units when replacing current refrigerators. The strategy for this program was to (1) offer discounts to customers purchasing refrigerators exceeding federal standards of appliance efficiency and (2) encourage manufacturers to produce higher efficiency units. The program also included freezers.

See the econometrics portion of the report for a description of the modeling and data methods.

The results of this retention study will be used to verify the program's PY94 and PY95 fourth earnings claims in the 2004 AEAP and 2005 AEAP, respectively.

Commercial Energy Efficiency Incentives Program

Retention Study

1994 & 1995 COMMERCIAL ENERGY EFFICIENCY INCENTIVES
Ninth Year Retention Evaluation
Study number 925 and 961
SDG&E
March 2004

SDG&E's PY94 & PY95 Commercial Energy Efficiency Incentives Program was designed to help customers reduce energy costs and increase efficiency at their facilities while providing resource value to society.

See the econometrics portion of the report for a description of the modeling and data methods.

The results of this retention study will be used to verify the program's PY94 and PY95 fourth earnings claims in the 2004 AEAP and 2005 AEAP, respectively.

Industrial Energy Efficiency Incentives ProgramRetention Study

There is no retention study required.

Fuel Substitution ProgramRetention Study

There is no retention study required.

Agricultural Energy Efficiency Incentives ProgramRetention Study

There is no retention study required.

Residential Energy Management Services ProgramRetention Study

There is no retention study required.

Residential New Construction ProgramRetention Study

1994 & 1995 RESIDENTIAL NEW CONSTRUCTION PROGRAM
Ninth Year Retention Evaluation
Study number 934 and 970
SDG&E
March 2004

SDG&E's PY94 and PY95 Residential New Construction Program encouraged new homebuilders to incorporate energy saving advanced building technologies and appliances that exceeded Title 24 State Building Energy Efficiency Standards. By so doing, developers were able to take advantage of conservation opportunities at the optimum time. All residential builders who exceeded the space cooling, space heating, or water heating standards of Title 24 by a minimum of five percent were eligible to participate in this program.

See the econometrics portion of the report for a description of the modeling and data methods.

The results of this retention study will be used to verify the program's PY94 and PY95 fourth earnings claims in the 2004 AEAP and 2005 AEAP, respectively.

Nonresidential New Construction ProgramRetention Study

1994 & 1995 NONRESIDENTIAL NEW CONSTRUCTION PROGRAM
Ninth Year Retention Evaluation
Study number 937 and 973
SDG&E
March 2004

SDG&E's PY94 and PY95 Nonresidential New Construction (NRNC) Program was called "Savings Through Design." The Savings Through Design Program offered 2 options, Performance and Prescriptive.

The Performance Option was designed to encourage the installation of new construction projects that exceeded California's Title 24 Building Energy Efficiency Standards. SDG&E offered free energy efficiency design review services for commercial projects during the planning or design phase. Cash incentives were available to those willing to revise their building plans to exceed Title 24 standards and achieve energy savings of 10% or greater in cooling, heating, lighting, fans/motors, pumps, and/or hot water.

The Savings Through Design Prescriptive Option encouraged the incorporation of energy efficient technologies into the design of commercial buildings which exceeded building energy efficiency standards, including California's Title 24 Standards. This was accomplished by providing assistance with the review of building plans, by offering cash incentives for standard and custom measures, and by educating target audiences through a variety of communication tactics.

See the econometrics portion of the report for a description of the modeling and data methods.

The results of this retention study will be used to verify the program's PY94 and PY95 fourth earnings claims in the 2004 AEAP and 2005 AEAP, respectively.

Residential Direct Assistance Program

Retention Study

There is no retention study required.

Commercial Energy Management Services Program

Retention Study

There is no retention study required.

Industrial Energy Management Services Program

Retention Study

There is no retention study required.

Agricultural Energy Management Services Program

Retention Study

There is no retention study required.

Study reference material**Table 1--Over of data type and survivor curve specification**

Study	Type of Data Used		Type of Specification Used		
	Independent Failures	Dependent Failures	Exponential	Linear	Combination Linear/Exponential
Study 958: 1995 Residential Weatherization Retrofit Incentives—Ninth Year Retention Evaluation	X		X		
Study 916: 1994 & 1995 Residential Appliance Efficiency Incentives: Refrigerators—Ninth Year Retention Evaluation	X		X	X	
Study 937 & 973: 1994 & 1995 Nonresidential New Construction Program—Ninth Year Retention Evaluation	X	X	X		
Study 934 & 970: 1994 & 1995 Residential New Construction Program—Ninth Year Retention Evaluation	X		X		
Study 925 & 961: 1994 & 1995 Commercial Energy Efficiency Incentives—Ninth Year Retention Evaluation	X	X	X		

The survivor curves and the expected median lifetimes were estimated using maximum likelihood procedures applied to measure failure data. Independent failures are failures of individual measures. Dependent failures are clusters of measures having failed jointly. Estimated median lifetimes resulted from both types of data. An exponential specification is associated with a constant failure rate over time, while a linear specification point to an increasing rate of failure.

Statewide Measurement Studies

The M&E Protocols adopted in D. 93-05-063 in the DSM OIR in May 1993 made provision for CADMAC and also for CADMAC funding of nine statewide studies. To be consistent with the Interim Opinion on Measurement and Evaluation Cost Containment Rules (D.93-10-063), the four California utilities determined that CADMAC funding would come from the one percent funding allocated for CCIG since there was some duplication of statewide efforts.

SDG&E personnel are also subcommittee members on the other seven statewide subcommittees.

Retrofit Modeling Subcommittee

The subcommittee was inactive in 2004.

New Construction Modeling Subcommittee

The subcommittee was inactive in 2004.

Persistence Subcommittee

The subcommittee was inactive in 2004.

Base Efficiency Subcommittee

The subcommittee was inactive in 2004.

Measure Cost Subcommittee

The subcommittee was inactive in 2004.

Residential High Efficiency Refrigerator Subcommittee

The subcommittee was inactive in 2004.

Residential High Efficiency Lighting Subcommittee

The subcommittee was inactive in 2004.

Market Effects Subcommittee

The subcommittee was inactive in 2004.

Process Studies

No process studies were conducted in 2004.

Regulatory Compliance & Reporting

Regulatory Compliance and Reporting is designed to capture activities that are undertaken to meet regulatory reporting oversight, and other obligations and that are not included in Program Measurement and Demand-Side Forecasting and Planning. This category has two subcategories: (1) Regulatory Reporting and Support, and (2) Regulatory Oversight.

Regulatory Reporting and Support

Regulatory Reporting and Support consists of those activities needed to verify, collect, and report descriptive and technical information related to the achievements and scope of all authorized DSM programs. Examples are annual DSM reports, filings for shareholder earnings and other DSM proceedings (except CADMAC) including workshop participation, testimony, hearings, and data requests and responses.

SDG&E filed its PY95 fourth earnings claim in the 2005 Annual Earnings Assessment Proceeding (AEAP). The following describes major regulatory activities for 2004.

Regulatory Reports

SDG&E filed its Annual Summary of DSM Activities in May 2004 as required by the Commission. SDG&E worked with regulatory staffs in providing information as requested in an open and timely manner.

Shareholder Incentives

The 2004 AEAP was not active in 2004.

Regulatory Oversight

Regulatory oversight consists of activities related to the administrative costs associated with running the California Demand-Side Management Advisory Committee (CADMAC), the costs of the Commission's Energy Division audits and analysis, and the funds devoted to the verification of utility DSM earnings managed by the Commission's Office of Ratepayer Advocates (ORA).

CADMAC Administration

The CADMAC is comprised of the four major energy utilities, ORA, the Energy Division, the California Energy Commission, California Institute for Energy Efficiency, Lawrence Berkeley Laboratory/Energy and Environment Division, and Natural Resources Defense. CADMAC responsibilities are outlined in Appendix B of the adopted M&E Protocols. The purpose of the group is to provide a forum for presentations, discussions, and review of DSM program measurement studies underway or completed, to coordinate the development and implementation of measurement studies common to all or most of the utilities, and to facilitate the development of effective, state-of-the-art protocols for measuring and evaluating the impacts of DSM programs.

In 2004, SCE was chair of CADMAC. One informational filing was made that updated the Commission on the status of the statewide study efforts and provided summary information on unanimous retroactive waivers granted by CADMAC. In 2005, SDG&E will continue to actively participate in the CADMAC and participating on the other subcommittees as necessary.

ORA Evaluation and Analysis

In the Collaborative Settlement Agreement adopted in 1990, SDG&E and the other California utilities committed to contribute funding to a CPUC/ORA evaluation and analysis process. SDG&E has participated in this activity since 1990, and will continue to do so in 2005. The ORA has ultimate discretion over the use of these funds.

AEAP Settlement

On December 20, 2004, SDG&E together with SoCalGas, filed a Joint Motion with the Office of Ratepayer Advocates to adopting an AEAP Settlement Agreement that resolves all outstanding shareholder earnings issues concerning the DSM, EE and Low Income energy Efficiency programs of SoCalGas and SDG&E submitted in outstanding AEAPs filed in 2000, 2001, 2002, 2003 and 2004, as well as earnings from past programs that would otherwise be claimed in the AEAPs to be filed through 2009. If the Commission approves this Joint Motion, the DSM earnings associated with this application will change. Furthermore, it will remove the need for further hearings on this matter.

Energy Division Audit of Pre-98 Earnings Claims

At the direction of the Commission in Decision (D.) 03-04-055, Energy Division conducted an independent review of retention and persistence studies, via a contract with Skumatz Economic Research Associates, Inc. (SERA). SERA issued its report, "Review of Retention and Persistence Studies for the California Public Utilities Commission" on October 20, 2004.

**TABLE 6.1
MEASUREMENT, FORECASTING, AND REGULATORY REPORTING EXPENDITURES (2004)**

	2004		
	Authorized	Budgeted	Actual
PROGRAM MEASUREMENT¹			
Retention Studies			\$99,595
Statewide Measurement Studies			\$0
Process Studies			\$0
Other			\$0
Subtotal			\$99,595
DEMAND-SIDE FORECASTING & PLANNING²			
Load Metering Studies			
CEC Data Collection Plan			\$0
Other Load Metering			\$0
Subtotal			\$0
Saturation Surveys			
CEC Data Collection Plan			\$0
Other Saturation Surveys			\$0
Subtotal			\$0
Market Assessment and Other Research			\$0
New Technology Evaluation			\$0
Long Range Forecasting and Planning			\$0
Subtotal Forecasting and Planning			\$0
REGULATORY COMPLIANCE & REPORTING			
Regulatory Reporting and Support			\$0
Regulatory Oversight			\$0
Subtotal			\$0
TOTAL MFFR			\$99,595

**TABLE TA-6.1
PROGRAM MEASUREMENT COSTS (2004)**

	Program Year	Study ID	Expenditures
RETENTION STUDIES			
Residential Weather Retrofit Incentives	1995	958	
Residential Weather Retrofit Incentives	1996	991	\$ 9,680
Residential Weather Retrofit Incentives	1997	991	\$ 9,680
Residential Appliance Efficiency Incentives			
Compact Fluorescents	1994	N/A	
Compact Fluorescents	1995	N/A	
Compact Fluorescents	1996	N/A	
Compact Fluorescents	1997	N/A	
High Efficiency Refrigeration	1994	916	
High Efficiency Refrigeration	1995	916	
High Efficiency Refrigeration	1996	982	\$ 19,580
High Efficiency Refrigeration	1997	982	\$ 11,055
C/I/A Energy Efficiency Incentives			
Commercial EEI Programs	1994	925	
Commercial EEI Programs	1995	961	
Commercial EEI Programs	1996	994	\$ 9,680
Commercial EEI Programs	1997	1027	\$ 9,680
Industrial EEI Programs	1994	N/A	
Industrial EEI Programs	1995	N/A	
Industrial EEI Programs	1996	N/A	
Industrial EEI Programs	1997	N/A	
Agricultural EEI Programs	1995	N/A	
Agricultural EEI Programs	1996	N/A	
Agricultural EEI Programs	1997	N/A	
Retrofit Energy Efficiency Subtotal			\$ 69,355
Fuel Substitution Program	1997	N/A	
Residential New Construction			
Residential New Construction	1994	934	
Residential New Construction	1995	970	
Residential New Construction	1996	1003	\$ 10,880
Nonresidential New Construction			
Nonresidential New Construction	1994	937	
Nonresidential New Construction	1995	973	
Nonresidential New Construction	1996	1006	\$ 9,680
Nonresidential New Construction	1997	1006	\$ 9,680
New Construction Subtotal			\$ 30,240
Residential Energy Management Services			
Commercial Energy Management Services	N/A	N/A	
Industrial Energy Management Services	N/A	N/A	
Energy Management Services Subtotal			\$0
Direct Assistance			
Direct Assistance Subtotal	1994-1997	N/A	\$0
Retention Studies Subtotal			\$ 99,595
PROCESS AND OTHER			
Process and Other Studies Subtotal			
STATEWIDE STUDIES			
Modelling Standards -- Retrofit Programs		N/A	
Modelling Standards -- New Construction Programs		N/A	
Persistence Studies		N/A	
Base Efficiency Studies		N/A	
Measure Cost Study		N/A	
Residential High Efficiency Refrigerator Studies		N/A	
Residential High Efficiency Lighting Studies		N/A	
Quality Assurance Standards for Metering & Monitoring Equipment		N/A	
Market Effects Studies		N/A	
Statewide Study Subtotal			
TOTAL PROGRAM MEASUREMENT			\$ 99,595

**TABLE TA-6.1
PROGRAM MEASUREMENT COSTS (2004)**

	Program Year	Study ID	Expenditures
RETENTION STUDIES			
Residential Weather Retrofit Incentives	1995	958	
Residential Weather Retrofit Incentives	1996	991	\$ 9,680
Residential Weather Retrofit Incentives	1997	991	\$ 9,680
Residential Appliance Efficiency Incentives			
Compact Fluorescents	1994	N/A	
Compact Fluorescents	1995	N/A	
Compact Fluorescents	1996	N/A	
Compact Fluorescents	1997	N/A	
High Efficiency Refrigeration	1994	916	
High Efficiency Refrigeration	1995	916	
High Efficiency Refrigeration	1996	982	\$ 19,580
High Efficiency Refrigeration	1997	982	\$ 11,055
C/I/A Energy Efficiency Incentives			
Commercial EEI Programs	1994	925	
Commercial EEI Programs	1995	961	
Commercial EEI Programs	1996	994	\$ 9,680
Commercial EEI Programs	1997	1027	\$ 9,680
Industrial EEI Programs	1994	N/A	
Industrial EEI Programs	1995	N/A	
Industrial EEI Programs	1996	N/A	
Industrial EEI Programs	1997	N/A	
Agricultural EEI Programs	1995	N/A	
Agricultural EEI Programs	1996	N/A	
Agricultural EEI Programs	1997	N/A	
Retrofit Energy Efficiency Subtotal			\$ 69,355
Fuel Substitution Program	1997	N/A	
Residential New Construction			
Residential New Construction	1994	934	
Residential New Construction	1995	970	
Residential New Construction	1996	1003	\$ 10,880
Nonresidential New Construction	1994	937	
Nonresidential New Construction	1995	973	
Nonresidential New Construction	1996	1006	\$ 9,680
Nonresidential New Construction	1997	1006	\$ 9,680
New Construction Subtotal			\$ 30,240

**TABLE TA-6.1
PROGRAM MEASUREMENT COSTS (2004)**

	Program Year	Study ID	Expenditures
Residential Energy Management Services	N/A	N/A	
Commercial Energy Management Services	N/A	N/A	
Industrial Energy Management Services	N/A	N/A	
Energy Management Services Subtotal			\$0
Direct Assistance	1994-1997	N/A	
Direct Assistance Subtotal			\$0
Retention Studies Subtotal			\$ 99,595
PROCESS AND OTHER			
Process and Other Studies Subtotal			
STATEWIDE STUDIES			
Modelling Standards -- Retrofit Programs		N/A	
Modelling Standards -- New Construction Programs		N/A	
Persistence Studies		N/A	
Base Efficiency Studies		N/A	
Measure Cost Study		N/A	
Residential High Efficiency Refrigerator Studies		N/A	
Residential High Efficiency Lighting Studies		N/A	
Quality Assurance Standards for Metering & Monitoring Equipment		N/A	
Market Effects Studies		N/A	
Statewide Study Subtotal			
TOTAL PROGRAM MEASUREMENT			\$ 99,595

**TABLE TA-6.2
DEMAND-SIDE FORECASTING AND PLANNING EXPENDITURES
(2004)**

The CEC Data Collection and Analysis activities are documented in the Market Assessment and Evaluation section of the Energy Efficiency Programs, Annual Summary and Technical Appendix 2003 Results-2004 plans.

SECTION 7

OTHER DEMAND-SIDE MANAGEMENT

Not applicable.

SECTION 8

SHAREHOLDER EARNINGS

SDG&E's fourth earnings claim for its 1995 DSM programs represents the fourth installment of the projected lifecycle shareholder earnings for those programs as revised, based upon SDG&E's third/fourth retention and performance studies which verified measure lives and technical degradation factors.

The programs for which SDG&E claims shareholder incentive earnings are: Residential Appliance Efficiency Incentives; Residential New Construction; Commercial/Industrial/Agricultural Energy Efficiency Incentives; and Nonresidential New Construction.

Accordingly, SDG&E's fourth earnings claim for the PY95 DSM programs is \$9,011,236 plus interest of \$3,975,711 (from July 1, 1995 through December 2005) and franchise fees, and uncollectibles in the amount of \$132,762.

The following earnings tables (Table E-1) shows the fourth earnings claim for PY 1995.

Table TA-8.1 (Table E-1)
Earnings Claim Summary Table: Performance Adder Programs
Program Year: 1995

	PERFORMANCE ADDER PROGRAMS										SS & PA GRAND TOTAL	
	Energy Management Services Programs					Direct Assistance Programs						PA GRAND TOTAL
	REMS		CEMS		Total	Non-Mand		Mandatory		Total		
Costs and Benefits For Earnings - Forecast (1) (000's \$)												
1 Measurement Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,340
2 Administration	\$1,530	\$2,454	\$0	\$3,984	\$0	\$563	\$1,249	\$685	\$1,249	\$5,233	\$10,333	\$22,718
3 Program Incentives	\$0	\$0	\$0	\$0	\$0	\$2,120	\$1,898	\$4,018	\$4,018	\$9,251	\$33,051	\$34,535
4 Program Costs	\$1,530	\$2,454	\$0	\$3,984	\$0	\$2,684	\$2,567	\$5,251	\$5,251	\$7,125	\$34,535	\$72,663
8 Incremental Measure Costs, net (IMCn)	\$101	\$2,906	\$0	\$3,007	\$0	\$2,220	\$1,898	\$4,118	\$4,118	\$7,125	\$34,535	\$72,663
9 Resource Benefits, net (RBn)	\$513	\$4,125	\$0	\$4,638	\$0	\$1,916	\$1,329	\$3,245	\$3,245	\$7,863	\$34,535	\$72,663
Target Earnings												
16 Target Earnings Rate	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	24%
17 Performance Earnings Basis, at target (PEBt)	\$1,530	\$2,454	\$0	\$3,984	\$0	\$2,684	\$2,684	\$5,368	\$5,368	\$6,667	\$46,737	\$11,095
18 Target Earnings	\$77	\$123	\$0	\$199	\$0	\$134	\$134	\$268	\$268	\$333	\$333	\$11,095
TRC BCR, with Earnings	0.30	0.75	0.00	0.00	0.00	0.66	0.00	0.59	0.59	0.62	1.30	1.30
UC BCR, with Earnings	0.32	1.60	0.00	0.00	0.00	0.68	0.00	0.60	0.60	0.82	1.65	1.65
First Earnings Claim: (1996 AEAP)												
Recorded Measurement Costs (3)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$208
Recorded Administration	\$1,096	\$0	\$0	\$1,096	\$0	\$651	\$1,156	\$505	\$1,156	\$2,252	\$12,062	\$30,017
Recorded Program Incentives	\$0	\$0	\$0	\$0	\$0	\$1,208	\$2,991	\$1,783	\$2,991	\$2,991	\$30,623	\$50,623
Recorded Incremental Measure Costs, net	\$223	\$0	\$0	\$223	\$0	\$864	\$1,469	\$944	\$1,469	\$2,556	\$183,222	\$183,222
Recorded Resource Benefits, net	\$242	\$0	\$0	\$242	\$0	\$944	\$944	\$0	\$944	\$1,186	\$137,030	\$137,030
Recorded PEB	\$1,096	\$0	\$0	\$1,096	\$0	\$1,860	\$1,860	\$0	\$1,860	\$2,956	\$293,199	\$293,199
Recorded PEB/PEBt (%) (Minimum 75%)	71.63%	0.00%	0.00%	27.51%	0.00%	69.30%	69.30%	N/A	69.30%	44.33%	\$36,169	\$36,169
Recorded Earnings	\$45,665	\$0	\$0	\$46	\$0	\$116	\$116	N/A	\$116	\$162	\$1,85	\$1,85
TRC BCR, with Earnings	0.18	0.00	0.00	0.00	0.00	0.58	0.26	N/A	0.26	0.24	2.34	2.34
UC BCR, with Earnings	0.21	0.00	0.00	0.21	0.00	0.48	0.22	N/A	0.22	0.22	2.55	2.55
Earnings Distribution Share (1st Claim)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Earnings Claim for Recovery (1st Claim)	\$11	\$0	\$0	\$11	\$0	\$29	\$29	N/A	\$29	\$40	\$9,042	\$9,042
Second Earnings Claim:												
Recorded Measurement Costs (3)	\$22	\$45	\$26	\$102	\$0	\$15	\$15	\$0	\$15	\$117	\$1,011	\$1,011
Earnings Distribution Share	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Recorded Earnings for Second Claim	\$23	\$0	\$0	\$23	\$0	\$58	\$58	N/A	\$58	\$81	\$18,245	\$18,245
Earnings Recovered from First Claim	\$11	\$0	\$0	\$11	\$0	\$29	\$29	N/A	\$29	\$40	\$9,042	\$9,042
Recorded Incremental Earnings	\$11	\$0	\$0	\$11	\$0	\$29	\$29	N/A	\$29	\$40	\$9,042	\$9,042
Third Earnings Claim:												
Recorded Measurement Costs (3)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Earnings Distribution Share	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Recorded Earnings for Third Claim	\$34	\$0	\$0	\$34	\$0	\$87	\$87	N/A	\$87	\$121	\$27,722	\$27,722
Earnings Recovered from First and Second Claims	\$23	\$0	\$0	\$23	\$0	\$58	\$58	N/A	\$58	\$81	\$18,245	\$18,245
Recorded Incremental Earnings	\$11	\$0	\$0	\$11	\$0	\$29	\$29	N/A	\$29	\$40	\$9,042	\$9,042
Fourth Earnings Claim:												
Recorded Measurement Costs (3)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Earnings Distribution Share	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Recorded Earnings for Fourth Claim	\$46	\$0	\$0	\$46	\$0	\$116	\$116	N/A	\$116	\$162	\$36,733	\$36,733
Earnings Recovered from 1st, 2nd, and 3rd Claims	\$34	\$0	\$0	\$34	\$0	\$87	\$87	N/A	\$87	\$121	\$27,722	\$27,722
Recorded Incremental Earnings	\$11	\$0	\$0	\$11	\$0	\$29	\$29	N/A	\$29	\$40	\$9,011	\$9,011
Total Earnings	\$46	\$0	\$0	\$46	\$0	\$116	\$116	N/A	\$116	\$162	\$36,733	\$36,733

See footnotes at end of Appendix E.

SECTION 9

MISCELLANEOUS

Pre-1998 Commitments

The Commission in Decision 97-09-117, Ordering Paragraph 12, directed PG&E, SDG&E, SCE, and SoCalGas (collectively referred to as “utilities”) to modify the scope and content of their Annual DSM Reports to include a separate section identified as pre-1998 program commitments. Table 9-1 provides the 2004 expenditures associated with pre-1998 commitments. An explanation of the commitments is provided below.

Residential Programs

The pre 1998 Residential Energy Efficiency programs actual expenditures reflect payments made for activities/services related to the DSM Bidding Pilot Program.

Nonresidential Programs

No activities to report for 2004.

New Construction Programs

No activities to report for 2004.

Load Management

2004 Load Management expenses are related to supporting the CPUC mandated load curtailment rates. Support for customers on these rates include setting and maintaining monitoring equipment and notifying customers when curtailment is necessary.

See Section III Load Management program for a description of program activities.

Other DSM

No activities to report for 2004.

DSM Financing Rate

In December 1993, SDG&E received approval from the CPUC to establish a pilot financing program. Using DSM funds, the program provides a customer with the ability to finance the cost (total project cost minus SDG&E incentive) of acquiring and installing energy efficient equipment. Financing is available on equipment that qualifies under SDG&E nonresidential DSM incentive programs.

The amount financed is reimbursed to SDG&E through a \$/kWh surcharge applied to a participating customer’s monthly energy bill. The surcharge is based upon an expected reimbursement term, estimated annual consumption, and the amount financed by SDG&E.

In 1998, SDG&E no longer offered the DSM Financing Rate program. However, SDG&E was contractually obligated to continue administration and track activities related to the outstanding financing rate agreements. To date the defaults on Financing Rate Agreements equal \$11,740. SDG&E continues to collect on outstanding loan balances. The December 2004 year-end balance is \$137 See Table 9-2.

In 2005, SDG&E will continue to administer and track activities related to the outstanding financing rate agreements.

San Diego Gas & Electric
Year-to-Date Thru: December 2004
Demand-Side Management Monthly Expenditure Report

(Pre-1998 DSM Commitments Only)

Annual Estimated Commitments¹ & 2004 Year-To-Date Actuals
(\$ in thousands)

Program Category	2004					
	Electric		Gas		Total	
	Commitment	YTD Actual	Commitment	YTD Actual	Commitment	YTD Actual
(a)	(b)	(c)	(d)	(e)	(b)+(d)=(f)	(c)+(e)=(g)
1 Energy Efficiency						
2 Residential						
3 Appliance Efficiency Incentives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4 DSM Bidding Pilot	\$ 4,135	\$ 5	\$ 1,031	\$ 2	\$ 5,166	\$ 8
5 Energy Management Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 New Construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7 Information	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8 Subtotal	\$ 4,135	\$ 5	\$ 1,031	\$ 2	\$ 5,166	\$ 8
9 Nonresidential						
10 Energy Efficiency Incentives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11 DSM Bidding Pilot	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12 Energy Management Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13 New Construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14 Information	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15 Subtotal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16 Energy Efficiency Subtotal	\$ 4,135	\$ 5	\$ 1,031	\$ 2	\$ 5,166	\$ 8
17						
18 Low Income						
19 Non-mandatory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20 Mandatory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21 Low Income Subtotal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22						
23 Load Management ²	\$ 170	\$ 87	\$ -	\$ -	\$ 170	\$ 87
24						
25 Fuel Substitution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26						
27 Load Retention & Load Building	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28						
29 MFRR						
30 Program Measurement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
31 Demand Forecasting & Planning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
32 Reg. Compliance & Reporting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33 MFRR Subtotal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
34						
35 Other DSM	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
36						
37 DSM Total (Pre-1998 Commitments)	\$ 4,305	\$ 92	\$ 1,031	\$ 2	\$ 5,336	\$ 94
38 Low Income Total Only	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39 DSM w/o Low Income Total	\$ 4,305	\$ 92	\$ 1,031	\$ 2	\$ 5,336	\$ 94

¹ Figures represent estimated costs associated with pre-1998 DSM activities including customer incentives, expected admin. costs, unpaid invoices and all other encumbrances.

² Load Management commitment dollars represent annual projected expenditures. These estimated amounts relate to costs associated with the continued maintenance of existing participants and enrollment of new customers that qualify for the rate schedule(s). Load management budgetary requirements are assumed for reporting purposes to extend only through 2013, commitment dollars may be needed for year 2014 and beyond. Actual expenses for January and February 2004 were inadvertently put in Load Retention & Load Building these are now in Load Management.

Pre-1998 DSM Balancing Account		
Electric	Gas	Total
(u)	(v)	(u)+(v)=(w)

Pre-1998 DSM/Bidding B/A Balance⁴ \$ 6,320 \$ 1,080 \$ 7,401

⁴ Includes interest through December, 2004 (preliminary, unaudited). In addition this balance doesn't include the impact of Low Income expenditures of \$4,081,428 through December 1998. Figures also reflect a transfer of \$1 million from DSM Bidding Pilot to Energy Efficiency for Pool Program.

Table 9-2
2004 DSM FINANCING RATE

DSM Financing Rate Activity Summary						
	01-Jan Beginning Balance [1]	Contracted Amount Released [2]	Interest Charged [3]	Customer Repayments [4]	31-Dec Balance(a) (1+2+3-4) [5]	Admin Costs
Energy Efficiency Loans	\$368	\$0	\$1	\$232	\$137	\$0

Notes:

1. To-date, the defaults on Financing Rate agreements equal \$11,740.

