**BEFORE THE PUBLIC UTILITIES COMMISSION**

**OF THE STATE OF CALIFORNIA**

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| Order Instituting Rulemaking to Examine the Commission's Energy Efficiency Risk/Reward Incentive Mechanism | R.09-01-019<br>(Filed January 29, 2009) |

# COMMENTS OF THE UTILITY REFORM NETWORK ON PROPOSED DECISION MODIFYING REQUIREMENTS FOR VERIFICATION OF UTILITY INCREMENTAL MEASURE COSTS

TURN
affordable utilities
livable communities


Marcel Hawiger, Energy Attorney
Cynthia Mitchell, Energy Economics, Inc.
Consultant to TURN
**THE UTILITY REFORM NETWORK**
115 Sansome Street, Suite 900
San Francisco, CA 94104
Phone: (415) 929-8876 ex. 311
Fax: (415) 929-1132
Email: marcel@turn.org


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**COMMENTS OF THE UTILITY REFORM NETWORK ON PROPOSED DECISION MODIFYING REQUIREMENTS FOR VERIFICATION OF UTILITY INCREMENTAL MEASURE COSTS**

Pursuant to Rule 14.3, The Utility Reform Network (TURN) submits these comments on the Proposed Decision of ALJ Pulsifer (PD) "Modifying Requirements for Verification of Utility Incremental Measure Costs," mailed on March 9, 2010. TURN's comments focus on a core error that undermines the entirety of the Proposed Decision.

The PD makes several statements alleging that the true-up process will be "robust and reliable" and includes Finding of Fact 12 as the associated finding. These statements and the finding are contradicted by theory and fact.

The calculation of shareholder incentives based on "shared savings" requires adding the benefits of energy efficiency measures and subtracting the ratepayer costs for the measures. In theory, each side of the equation could change substantially in the true-up process due to changes from the *ex ante* numbers used in forecasting the costs and benefits that date from 2005 for the 2006-08 portfolios. Certainly, the benefits side has changed very significantly due to updates to NTG, EUL and other engineering parameters associated with different energy efficiency products and measures. The Commission knows the cost side has also changed considerably. It is impossible *a priori* to say which side of the equation – the costs or benefits – will change more based upon a complete true-up of the numbers.

The only data in the record for this proceeding indicate that the impact of cost data changes may be quite substantial. For some products – CFL lightbulbs, for example – the incremental measure costs have decreased due to cost declines of the energy efficient product. SCE highlighted this fact and called for an update limited to the IMC



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data for measures included in the DEER.[1] For other products – particularly custom equipment installed as part of the Standard Performance Contracting (SPC) program – the incremental measure costs have increased. TURN highlighted this fact in our earlier comments and calculated that the change in IMCs for SCE's custom measures would reduce its second earnings claim by almost 50%, or $16.2 million.[2]

SCE claimed that DEER measures represent 80% of its portfolio. This statistic is entirely misleading, as it represents the *number* of installed measures. For this metric the installed CFLs dwarf other measure numbers. The relevant statistic is the percentage of total portfolio costs made up by standard (DEER) measures versus custom (non-DEER) measures. CFLs are cheap compared to the cost of custom measures used to upgrade a large commercial or industrial facility, for example. It is likely that the change in custom measure IMC dwarfs the declines in DEER measure IMC.

The bottom line is that an update that ignores changes to incremental measure costs cannot be "robust and reliable." Sacrificing such updates in the name of achieving a fictitious deadline only means that, once again, this Commission has chosen expediency and utility shareholder interests even where doing so is contrary to its statutory directive to ensure just and reasonable rates for consumers.

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[1] See, SCE Reply Comments on Proposed Decisions, December 14, 2009, p. 3.
[2] See, TURN Comments on Proposed Decisions, December 7, 2009, p. 9 and TURN Reply Comments on Proposed Decisions, December 14, 2009, Appendix A. SCE's SPC program does account of all of the custom measures.

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Respectfully submitted,

By: *__/S/ Marcel Hawiger_______*
Marcel Hawiger, Energy Attorney

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