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Mr. Honesto Gatchalian
California Public Utilities Commission
Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, CA 94102

Subject: **Response to Division of Ratepayer Advocates' Protest to Pacific Gas and Electric Company's Advice 3120-G/3675-E; Southern California Edison Company Advice's 2476-E; Southern California Gas Company Advice's 4114; and San Diego Gas & Electric Company Advice's 2172-E/1951-G**

Dear Mr. Gatchalian:

Pacific Gas and Electric Company, on behalf of the California investor-owned utilities (IOUs) (PG&E, SDG&E, SoCalGas, and SCE), hereby submits a joint response to the protest of the Division of Ratepayer Advocates (DRA) to the joint advice filing to establish Program Performance Indicator (PPI) Metrics Worksheets for each energy efficiency statewide program and associated sub-programs. The Advice Letter (AL) (referenced above) was submitted per the directives of the Energy Efficiency Decision (D.) 09-09-047 (Decision) and consistent with additional guidance from the Energy Division (ED).

Introduction and Overview

The IOUs appreciate this opportunity to respond to the issues raised by DRA in its protest. Specifically, the IOUs will demonstrate that in developing the PPI Metrics Worksheets, the utilities met the requirements of the Decision, as follows:

- The IOUs followed the process, procedures, and guidance of the Decision and the clarifications and additional guidance of ED.
- The IOUs developed metrics that support the goals and objectives of the Long-Term Energy Efficiency Strategic Plan (Strategic Plan), the document established by California to guide the state toward energy efficiency market transformation.

As a result, the IOUs are qualified to continue to identify, track, and report on metrics that support the Strategic Plan and therefore market transformation, working in close concert with ED and other stakeholders. In consequence, the Joint IOUs recommend that the California Public Utilities Commission (Commission) dismiss DRA's protest, which is based on incorrect and misguided logic and assumptions. The utilities also recommend that the Commission approve the proposed PPI metrics and consider the Joint IOU recommendations outlined in this response.

Background

To comply with the Decision's Ordering Paragraph (OP) 11, the Joint IOUs submitted Program Performance Indicator Worksheets, as revised by Energy Division on March 15, 2010, for each energy efficiency statewide program and associated sub-programs, as well as additional program documentation required by OP11 a-h. The IOUs followed formal procedures to jointly request a four-month—and then a one-week—extension for this filing, to establish a final due date of May 28, 2010, which the IOUs met.

These extensions were intended to allow ED and the IOUs time to clarify PPI metric purposes, characteristics, and formats, as well at to enable the IOUs to align the metrics work with another large undertaking: ensuring the 2010-2012 EE Portfolio incorporated appropriate elements and findings of 2006-2009 EM&V process and impact evaluations.

The need for clarification was especially critical, given that the metrics were being developed after approval of Portfolio's activities and budgets, and in a context of Decision limits on administrative and EM&V funding. In an ideal world—as PG&E has outlined in another filing (Rulemaking 09-11-014, PG&E's Response to Administrative Law Judge's Ruling Setting Prehearing Conference, submitted March 15, 2010)—metrics would be an integral component of pre-portfolio planning, as summarized below:

- First, the Commission should examine the current cost-effectiveness framework to ensure that the amount of available cost-effective EE potential is consistent with both EM&V results and methods employed to determine potential.
- Second, the Commission should set attainable goals for the 2013-2015 Energy Efficiency program cycle.
- Third, in a concurrent and separate proceeding, the Commission should establish and finalize a performance earning mechanism for the 2013-2015 Portfolio.
- ***Fourth, the Commission should determine how the success of the IOUs' energy efficiency programs will be measured*** (emphasis added). The technical protocol for final measurement and evaluation of EE programs should provide for application of uniform evaluation methodologies, concrete timelines and milestones, protocols for provision of supporting data, sufficient time for comprehensive analysis of findings, and a mutually agreed upon dispute resolution procedure.

ED worked closely with the IOUs to help define goals and characteristics of metrics, determining that the purpose of the metrics would be to support the goals and objectives of the Strategic Plan and provide indicators of any need to enhance program design. In its e-mail of May 15, 2010, ED instructed the Joint IOUs to apply the guidance in the list below—which summarizes communications between the Joint IOUs and ED on PPI Metrics—in preparing the program performance metrics (PPMs):

- Decision Appendix 2.2 and 2.3 will be replaced by an Excel spreadsheet provided by ED on 3/15/10. No other submissions will be required.
- The IOUs will propose metrics for outcomes within the utility control. Thus, PPMs will not be proposed for the mid- and long-term outcomes described in the Logic Models. The IOU metrics will focus on each program's Short Term Outcomes, not activities or linkages, per revised criteria from ED.
- On a 4/19 call, the IOUs and ED agreed that if outcomes could be tracked on an annual basis, then the IOUs would not track interim milestones. However, if an outcome were difficult to achieve, could not be tracked meaningfully annually, or would require an EM&V study, then the IOUs would propose metrics based upon outputs or activities. Thus, the IOUs would use "proximal" (closer) indicators, instead of "distal" (farther) indicators. This would allow the IOUs to "roll up" metrics, and use resources more efficiently.
- The IOU and ED EM&V groups are discussing all 2010-2012 overarching market studies—an appropriate venue for identifying market-based PPMs for the IOUs to track on an annual basis. Therefore, the IOUs will not propose market-wide goals for its EE programs.
- Based on resources and need, the IOUs will select a variety of metrics to track internally, and will not necessarily track every linkage to the program logic models. ED and the IOUs agreed that the specific "linkage" metrics to track could be discussed by the program managers and ED in subsequent 2010-2012 EM&V planning meetings, allowing more time to explore which metrics might prove most useful to all parties.

Discussion

The Joint IOUs established this background to provide the context for their specific responses to the many incorrect statements made by DRA in its protest.

Issue 1: Adequacy of PPI Metrics
On page 1, DRA states that the ". . . Performance Metric ALs do not contain meaningful performance metrics" and elaborates on this complaint on p. 3 with a list of deficiencies (the metrics are not long-term, are minimal and ambiguous, are not related to programs, etc.)

The Joint IOUs' Response:
These concerns are unfounded. The proposed PPI Metrics were designed to meet the guidance provided by ED, and link directly to both program activities and Strategic Plan goals and objectives. As such, the proposed metrics provide information on the health of the EE program and Strategic Plan alignment—as well as market transformation, in that the Strategic Plan is California's road map to market transformation.

A closer examination of a representative set of proposed PPI metrics demonstrates these points. As an example, the Codes and Standards (C&S) PPI Metrics, (found in C&S PPM Table, AL Attachment A) include the following:

- Submitted code enhancement proposals, mutually agreed upon by IOU and the California Energy Commission (CEC), to address significant energy savings to the CEC docket, within authorized budget
- Participation in state and federal code setting (appliance, building) proceedings, including workshops and meetings directly related to IOU California code enhancement topics and as requested by CEC or others
- C&S roadmap to support ZNE reach codes and Residential New Construction

Each of these metrics is linked by a number (see columns C, D, E, and F of the C&S PPM Table) to the outputs/outcomes portions of specific logic models (see the four tabs following C&S PPM), which in turn link directly to the relevant program/or sub-program description. The metrics thus demonstrate direct links to the EE programs.

These programs in turn were designed to achieve objectives and goals (see rows 14 and 15 of the C&S PPM table) that are linked to specific goals of the Strategic Plan (see rows 6-12 of the C&S PPM table). (Extensive details on EE program links to the Strategic Plan can be found in the Program Implementation Plans.)

All the PPI Metrics were similarly developed to link directly to EE programs and the Strategic Plan goals and are thus inherently designed to track both the health of the programs and their alignment with the Strategic Plan. The Commission should therefore reject DRA's allegations in this area.

Issue 2: End Games for Technologies/Practices
DRA on page 4 comments on the lack of an end game for each technology or practice in each program and sub-program.

The Joint IOUs' Response:
In AL Attachment B, the utilities stated that end games for technology/practice could not be provided for the following reasons:

- The utility programs are not the sole influencing factor in the market.
- California generally lacks the type of data needed to understand and analyze market transformation.

Instead, the IOUs explained that programs generally follow traditional market adoption curves and that technologies typically exit programs ". . . when they are no longer cost-effective from a program implementation perspective, when they are integrated into codes and standards or become industry standard." This is an accurate and adequate description of EE program evolution in response to market forces. Developing the data required to expand on this description for the hundreds of products and practices within the EE Portfolio would clearly be an inefficient use of ratepayer funding.

However, in Attachment B, the IOUs also that said they would ". . . continue to work with the EM&V process to plan, perform, and analyze further studies to identify the end games for specific technologies or practices of specific interest or concern." The IOUs ability to collect the data needed for end-game analysis will depend on ED decisions about EM&V.

With more than 30 years experience in implementing successful EE programs, the Joint IOUs are integral to the market transformation process and will continue to work with ED and other stakeholders to understand and effect market transformation. The Commission should therefore dismiss DRA's concerns in this area.

Issue 3: Adequacy of the 2010-2012 Portfolio
On page 2, DRA expresses discontent with the 2010-2012 EE Portfolio at large, stating that the utility applications ". . . resulted in little difference between the 2010-2012 portfolio from the 2006-2008 portfolios."

The Joint IOUs' Response
Significant features—many initiated and championed by ED—distinguish the 2020-2012 Portfolio from that of the previous cycle: 12 statewide and a few local programs instead of 86 programs in 2006-2008; documented alignment with the Strategic Plan; a focus on integrating EE with demand response and distributed generation to create offerings of greatest benefit to customers; and a focus on educating customers about the benefits of holistic, rather than piecemeal, energy renovations, to name just a few.

These changes and innovations are a testament to ED's and the Joint IOUs' commitment to refining—even revolutionizing—the portfolios in sync with market evolutions and environmental imperatives, and wholly undermines the legitimacy of DRA's concern that the ". . . the PPM proposal will only serve to ensure that portfolios filed in 2013 will continue the same outdated Utility energy efficiency (EE) programs." The Commission should therefore disregard DRA's comments.

Issue 4: Conflict of interest limits IOUs' ability to develop metrics or realize market transformation
On page 4, DRA states, ". . . the Utilities are not best positioned by expertise or their agenda to maximize shareholder profits to envision or realize market transformation. Clearly, there is an inherent conflict of interest to keep cost-effective programs in Utility portfolio—and not to envision work toward an end game."

The Joint IOUs' Response
The Joint IOUs emphatically state that delivering the best possible energy efficiency portfolio is absolutely aligned with our core values and goals of serving our customers' needs while minimizing the environmental impacts of energy use. The IOUs—working closely with ED—have therefore created innovative EE portfolios that have won national and international accolades and that are widely imitated.

To constantly improve programs and keep pace with evolving market developments and needs, the Joint IOUs use numerous methods—including tracking energy savings, commissioning EM&V process evaluations, studying customers, evaluating emerging technologies, and monitoring internal performance metrics—to refine program design and effectiveness on an ongoing basis. While welcoming ideas and assistance from other stakeholders, the IOUs remain the experts in program design, implementation, and monitoring, and are therefore uniquely qualified to develop metrics to monitor discrete aspects of program effectiveness, including that ability to support the Strategic Plan, and by extension, market transformation.

The IOUs cannot ignore DRA's false implication that the IOUs are somehow gaming the system to increase the Shareholder Incentive. In implementing programs, the IOUs follow strict laws and regulations, including the imperative to achieve a cost-effective portfolio and support the goals of the Strategic Plan. The IOUs also seek to be rewarded for their efforts through the Shareholder Incentive mechanism, also clearly provided for by regulation. The Joint IOUs note that ED has stated that PPI Metrics are not being designed for use in a future performance earnings mechanism.

In short, DRA's comments about the IOUs' ability to effect market transformation are unfounded and should be dismissed.

<u>The Joint IOUs' Recommendations</u>

The Joint IOU analysis has led to the following critique of DRA's principal recommendations, as well as a grounded and reasonable set of replacement recommendations.

DRA Recommendation	IOU Critique	IOU Recommendation
ED should immediately take over the management of the PPM as it did with the Strategic Plan, using its expert evaluators to develop the PPM (consistent with its evaluation role).	This recommendation is unnecessary; squanders the unparalleled EE program planning and implementation expertise of the Joint IOUs; and requires an unnecessary, fundamental, and incorrect change of the regulatory role.	1. As part of preplanning for 2013-2015, the IOUs, working closely with ED and inviting input from other stakeholders, should identify a set of metrics to guide future portfolio planning to align with the goals of the strategic plan. The metrics should be appropriate to a given timeframe, provide valuable information about program health and alignment with the Strategic Plan, and be relatively easy and inexpensive to track. The metrics should be developed in logical sequence with other pre-planning activities.
ED and its evaluators should develop more robust short-term PPM criteria.	The proposed metrics were designed to meet ED's stated guidance. Funding of evaluators to create a new, less adequate set of metrics would constitute unwise use of ratepayer funds.	2. ED should review the proposed PPI metrics and work with the Joint IOUs to refine, as needed, and then approve the PPI metrics.

ED and its evaluators should develop long-term MT indicators similar to those used by the Northwest Energy Efficiency Alliance (NEEA) model.	Funding of evaluators to create new long-term metrics is not a wise use of ratepayer funds.	See recommendation 1 above for long-term PPI metric planning and development. Input from NEEA, along with other stakeholders, would be valued.
Finalized PPM should be sufficiently usable to serve as a threshold for determining the end-game for a given technology and whether it is justified to continue to receive ratepayer subsidies in future EE portfolios.	This recommendation confuses product life-cycle planning with market transformation.	3. The Joint IOUs, working closely with ED, will continue to evolve portfolios in response to market and technology developments and in alignment with the Strategic Plan, the state's roadmap for Market Transformation. IOUs will continue to support the development of state and national codes and standards, among the most robust of methods for ensuring market transformation.

Conclusion

The Commission should dismiss DRA's protest on the grounds that its incorrect assumptions and logic led to flawed conclusions. The Joint IOUs and the Energy Division should continue to work together to refine the proposed PPI metrics as needed, and the Joint IOUs request that the Commission approve the final set of PPI metrics, which are designed to acquire valuable information on program health and progress toward appropriate-term Strategic Plan goals. The IOUs also request the Commission to consider the Joint IOUs recommendations on pre-planning efforts toward the design a 2013-2015 portfolio that will maximize energy savings and other benefits for the ratepayers of California.

Respectfully submitted,

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