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Cc:
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FOR IMMEDIATE RELEASE

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DRA Dismayed by $104 Million in Undeserved Bonuses for PG&E for Poor-Performing Energy Efficiency Programs

SAN FRANCISCO, December 16, 2010 – The Division of Ratepayer Advocates (DRA), an independent consumer advocacy division of the California Public Utilities Commission (CPUC), today announced its opposition to an additional $29.1 million in shareholder bonuses to Pacific Gas and Electric Company (PG&E) for 2006-2008 energy efficiency programs. This brings PG&E's total bonuses to $104 million for their poor performance implementing 2006-08 energy efficiency programs. Rather than receiving an additional $29 million bonus, PG&E should repay $74.9 million in bonuses already awarded for energy efficiency programs that failed to meet CPUC-established energy savings goals, and it should pay an additional $1.3 million in penalties, based on the original incentive mechanism.

In order to persuade investor owned utilities to promote energy efficiency programs to consumers, the CPUC set up a bonus mechanism designed to reward utility shareholders for efficiency gains and penalize them for failure to meet reasonable energy efficiency goals. A comprehensive CPUC staff report released in April 2010 found that from 2006 to 2008, PG&E and the state's other three major utilities (Southern California Edison, San Diego Gas and Electric Company, and Southern California Gas Company) did not make enough progress to trigger bonus payments; in fact, the report found that all four of the state's largest investor owned utilities failed to meet the performance threshold set by the CPUC, and based on the CPUC's bonus mechanism three utilities, including PG&E, should owe penalties.

Despite this, the CPUC has awarded $104 million in bonuses to PG&E -- all of which was unearned, based on CPUC staff's evaluation findings. The CPUC today approved the additional $29.1 million award to PG&E in a 3-2 split vote, despite an Administrative Law Judge's finding that no further bonuses should be awarded, nor penalties levied, on three of the four utilities that underperformed. The proposal adopted today, grants an additional $68.2 million in ratepayer-funded bonuses to the utilities, including $29.1 million to PG&E, based solely on the utilities' efforts to achieve energy savings, and not on actual energy savings results.

The decision also opens the door for the utilities to claim additional bonuses for bridge-funding year 2009. The utilities' energy savings performance during 2009 has not been evaluated nor verified.

DRA said the alternate proposal ignores the CPUC's own $97 million independent evaluation, measurement, and verification process. That process resulted in a report that shows that the utilities do not deserve any bonuses.

Utility	Bonuses Paid to Date	Additional Bonuses to Be Paid: Proposed Decision	Additional Bonuses to be Paid: Alternate Proposed Decision	2006-2008 Total Bonuses to be Paid	Earned Bonuses or Penalties, per CPUC Evaluation	Total That Should Be Returned to Ratepayers Based on CPUC Rules and Evaluation
PG&E	$74.9 million	$0	$29.1 million	$104.0 million	$1.3 million penalty	$76.2 million
SCE	$50.4 million	$0	$24.1 million	$74.5 million	$125,000 penalty	50.5 million
SDG&E	$11.1 million	$0	$5.1 million	$16.2 million	Penalty TBD	$11.1 million
SoCalGas	$7.3 million	$0	$9.9 million	$17.2 million	$0	

						$0
Total	$143.7 million	$0	$68.2 million	$211.9 million	$1.4 million penalties	$137.8 million

The Commission designed shareholder bonuses as a means to put energy efficiency on an equal footing with utility investment in fossil fuel procurement so that utilities would be persuaded to invest in energy efficiency instead of building new power plants. But despite the bonus program, the CPUC's staff report and DRA's own analysis finds that the utilities have failed to develop and implement energy efficiency programs that produce long-term energy savings that can be used to offset the need to build more power plants.

"California has budgeted nearly $7 billion for California's energy efficiency programs since 2006," said DRA acting director Joe Como. "Most of those energy savings come from efficient light bulbs, which no longer require subsidies. If the CPUC does not make fundamental improvements to energy efficiency programs, ratepayers will receive little benefit to the billions they are investing."

For more information on the shareholder risk-reward incentive mechanism, please visit www.dra.ca.gov/DRA/energy/sim10.htm.

For more information on DRA, please visit www.dra.ca.gov.

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