BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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

THE DIVISION OF RATEPAYER ADVOCATES' COMMENTS ON THE ALTERNATE PROPOSED DECISION OF PRESIDENT PEEVEY REGARDING THE RISK/REWARD INCENTIVE MECHANISM EARNINGS TRUE-UP FOR 2006-2008

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December 6, 2010

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates (DRA) submits these comments on the "Alternate Proposed Decision Regarding the Risk/Reward Incentive Mechanism Earnings True-Up For 2006-2008 of Commissioner Peevey (APD) issued November 16, 2010. The APD would resolve the final true-up of Risk/Reward Incentive Mechanism (RRIM) earnings for the 2006-2008 program cycle for energy savings resulting from ratepayer funded energy efficiency programs of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas).[1] The APD, in contrast to the Proposed Decision issued September 28, 2010 (PD), would not rely on "savings accomplishments that have been independently evaluated by the Commission's Energy Division in comparison to adopted savings goals"[2] but would instead use *ex ante* values from 2005 to

[1] DRA's comments refer collectively to PG&E, SCE, SDG&E, and SoCalGas as "Utilities."

[2] PD, p.3.

estimate energy savings and award incentives. The APD would allow all four Utilities to keep their interim incentive payments totaling $143.7 million, even though Energy Division's independent verification of energy savings showed that three of the four Utilities should return their interim incentive payments and should owe penalties for failing to achieve their energy efficiency goals, and would award additional incentives of $62.7 million to the Utlities for their 2006-2008 energy efficiency programs. The APD would award the additional incentives to SDG&E and SoCaGas, even though paying additional incentives to those Utilities makes their energy efficiency programs fall further below the threshold for cost-effectiveness.

The APD and to a lesser extent the PD would contravene the intent of the RRIM, which determined that:

> "[r]atepayers will only be required to share net benefits with shareholders to the extent that those net benefits actually materialize, based on Energy Division's EM&V results."[3]

DRA recommends that the Commission revise the PD to require the return of incentives and the payment of penalties, as the RRIM intended if a utility fails to meet its energy efficiency goals, and that that the Commission reject the APD.

II. The Commission should reject the APD or at a minimum, revise the shared savings rate to 5%.

Two years after the end of the 2006-2008 energy efficiency program cycle, the APD would substantially modify the incentive mechanism adopted in D.07-09-043 to allow the Utilities to earn incentives using 2005 DEER *ex ante* values. This would radically change the bargain that was struck by D.07-09-043, which stated that ratepayers would only incentives for energy savings that were independently verified by the Energy Division to the extent that those benefits actually materialize. Instead, the APD would award incentives based on outdated parameters, ignoring the evaluation, measrment and verification studies completed by the Energy Division and its consultants at a costs of $97 million. Rewarding Utilites based on energy savings that exist only on paper will not promote maximum energy savings and will not advance the goals of California's Energy Efficiency Strategic Plan. The Commission should instead adopt the PD, after revising it consistent with DRA's October 18, 2010 comments.

If the Commission determines nevertheless to adopt the APD, it should further lower the proposed savings rate from 7% to 5% to reflect the substantially lower risk faced by the Utilities.

III. CONCLUSION

DRA respectfully requests that the reject the APD. Instead, the Commission revise the PD to require the calculation of the final true-up to reflect the results shown in the 2006-2008 Energy Efficiency Evaluation Report's "Comparative of Program Cycle 2006-2008 Evaluated Results to Goal" and D.07-09-043's penalty directives.

Respectfully submitted,

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December 6, 2010

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[3] D.07-09-043, p. 12.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **"THE DIVISION OF RATEPAYER ADVOCATES' COMMENTS ON THE ALTERNATE PROPOSED DECISION OF PRESIDENT PEEVEY REGARDING THE RISK/REWARD INCENTIVE MECHANISM EARNINGS TRUE-UP FOR 2006-2008"** to the official service list in **R.09-01-019** by using the following service:

[**X**] **E-Mail Service:** sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

[**X**] **U.S. Mail Service:** mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on December 6, 2010 at San Francisco, California.

/s/ ALBERT HILL

Albert Hill