BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Reform the Commission's Energy Efficiency Risk/Reward Incentive Mechanism.	Rulemaking 12-01-005 (Filed January 12, 2012)

REPLY COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) AND SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) ON ORDER INSTITUTING RULEMAKING R.12-01-005 AND ASSIGNED COMMISSIONER'S RULING SOLICITING FURTHER COMMENTS AND PRODUCTION OF DATA REGARDING ENERGY EFFICIENCY INCENTIVE REFORMS

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I.
INTRODUCTION

Pursuant to direction provided in R.12-01-005 and the December 16, 2011 Assigned Commissioner's Ruling Soliciting Further Comments and Production of Data Regarding Energy Efficiency Incentive Reforms ("Ruling"), San Diego Gas & Electric Company ("SDG&E") and Southern California Gas Company ("SoCalGas") (also referred to as the "Joint Utilities") respectfully provide their reply comments and modified proposal regarding the "Risk/Reward Incentive Mechanism ("RRIM"). The Joint Utilities respond specifically to The Utility Reform Network ("TURN") and Women's Energy Matters ("WEM").

II.
REPLY COMMENTS TO TURN

TURN recommends a statewide cap of $90 million and an earnings rate of 6.2%. The utilities have provided their analyses as requested by the Ruling to provide their estimates of PEB at both 100% and 125% of the goal. If the utilities achieve the goal at 100% then TURN's recommendation for both the cap and earnings rate are untenable as the resulting earnings would exceed the $90 million cap at a 6.2% earnings rate based on the data provided by the utilities in response to the Ruling's Step 2. Therefore, what would be reasonable would be to set a cap that would allow the utilities to be within the cap at 100% performance but have an opportunity to receive higher incentives if they provide superior performance. Capping that total statewide earnings would be reasonable at the 125% performance. This is consistent with D.07-09-043 (at page 6).

The four utilities provided their estimates of what their PEB would be if they met 100% and 125% of the goal. Pursuant to the Ruling's Step 2, SDG&E and SoCalGas developed a PEB per unit value based on its current performance and projections that they are on track to meet goals[1] (e.g., PEB$ per KWH for SDG&E and PEB$ per therm for SoCalGas) which was then multiplied to their respective KWH and therm goals to estimate what the PEB would be at the points specified by the Ruling.

To ensure there is no confusion as to the calculation of the PEB, the Joint Utilities did not calculate PEB values that are based on their projections on what final savings achievements would be recorded at the end of the 2010-2012 program cycle as this was not requested in the Ruling. In addition, the Joint Utilities did not include any new savings from its Codes and Standards programs and any credits from any updates to Federal standards based on the new study used for the 2009 RRIM. Lastly, SDG&E did not include savings from carry over CFLs from prior year's purchases in the Upstream Lighting program.[2] Although, it does not affect the actual calculation of the PEB at 100% and 125% of the goal, the Joint Utilities assumed that the Ruling's request for calculations at the 100% and 125% levels was not cumulative from 2006.

The Joint Utilities agree with the premise that with more certainty using ex ante values that it is reasonable to reduce the earnings from the original 12% adopted in D.07-09-043. However, in D.11-07-030, the Commission ordered the utilities to adjust their savings assumptions and all custom projects (either through an actual Energy Division review or the application of the gross realization rate of 90% for unreviewed projects), there has been substantial adjustments already to the 2010-2012 ex ante assumptions as compared to the 2006-2008 program cycle. Therefore TURN's recommended 55% risk adjustment factor should be much lower. Looking to the future cycles, if the Commission has the DEER, EE Potential Study and goals reviewed and approved before program applications are developed, then there should be less of a disparity between ex ante and ex post values and therefore this type of risk adjustment should be largely eliminated.[3]

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[1] SDG&E is currently not on track to meet its therm goal due in part to the significant interactive effects impact resulting in using the Energy Division's approved negative therm assumptions. However, SDG&E's projected PEB calculation accounts for this performance.

[2] SoCalGas and SDG&E did not include these additional savings from Codes & Standards, Federal standards and CFLs at this time since there were controversies noted in D.11-12-036 on these savings.

[3] Or completely eliminated if utilities are not penalized for market transformation.

TURN once again reintroduces past discussion regarding the use of supply side options as one of the bases to determine an appropriate earnings rate. There are no new facts that are presented that have not been discussed at length in D.11-07-030. Therefore, the Joint Utilities recommend that the Commission not spend its time going over the same arguments but rather focus on the information provided by the updated analysis requested by the Ruling and its value to informing the appropriate earnings rate for EE programs understanding that supply side options are the alternative to meeting customer energy needs.

III.
REPLY COMMENTS TO WEM

WEM claims that there is no systematic oversight of utility administration (at page 3). On the contrary, the Commission has systematic oversight of utility administration. The utilities comply with the Commission's reporting requirements by providing monthly, quarterly and annual reports. The utilities provide annual reports on Commission-approved program performance metrics.[4] Any program changes are reported through Program Implementation Plan addenda. Fund shifts are also reported quarterly and for any shifts that are outside the 15 percent rule, Commission approval through the advice letter process is required. All of these documents are available on the Commission's Energy Efficiency Groupware Application ("EEGA").[5] These reporting requirements are updated regularly by the Commission, most recently through the January28, 2012 Administrative Law Judge's Ruling Regarding 2013-14 Energy Efficiency Goals Attachment D. Furthermore, and more importantly, the utilities are audited annually by the Commission's Department of Water and Audits. The Energy Division staff also regularly meets with the various IOU statewide program teams to track progress and exchange ideas on program improvement. More traditionally, the Commission staff is also overseeing the EM&V efforts for both the utilities' projects and their own. Data requests have also become another method by which Energy Division tracks the programs. Finally, with the institution of the custom project review process and the workpaper review process, there is real time review and oversight from Energy Division.

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[4] See Resolution E-4385.

[5] See http://eega.cpuc.ca.gov

With all these reporting, audits, data requests, program meetings and EM&V studies, the Joint Utilities reject WEM's claim that the Commission does not have any systematic oversight of utility administration. In actuality regulatory oversight needs to be streamlined, simplified, and improved, with redundancies removed, to provide more customer centric, cost effect EE solutions to our customers.

WEM, (at page 4) brings up the issue of independent administration once again. The Commission had already made a detailed analysis of the various independent administration structures in D.05-01-055. Unless, WEM can point to new facts that the Commission has not addressed, rehashing the same arguments is not a productive use of everyone's time.

WEM states (at page 7) that the "supply-side folks simply ignore EE." WEM misses that point of the numerous discussions on this issue, that is, to ensure that there is no "double counting" of EE benefits in the forecast. Much of the past discussion regarding the forecast had to do with whether or not uncommitted EE savings have been accounted for and the attribution of savings.

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Respectfully submitted

By *_____/s/ Steven D. Patrick_____*

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