

**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)

**PRE-HEARING CONFERENCE STATEMENT OF
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) AND
SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)**

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**I.
INTRODUCTION**

Pursuant to the Commission's Rules of Practice and Procedure and in response to the Administrative Law Judge's Ruling Setting Prehearing Conference ("PHC"), San Diego Gas & Electric Company ("SDG&E") and Southern California Gas Company ("SoCalGas") (collectively, the "Joint Utilities") provide their Prehearing Conference ("PHC") Statement in the above captioned proceeding.

**II.
STATEMENT**

In this PHC, the Joint Utilities offer three comments.

A. JOINT PARTIES POSITION

On February 2, 2012 the Joint Parties filed their comments in response to the Assigned Commissioner's Ruling providing the Commission with their comments and modified proposal regarding the Risk/Reward Incentive Mechanism ("RRIM"). In addition, the Joint Utilities provided the relevant calculations and supporting assumptions applicable to the calculation of a shared savings rate for the 2010-2012 cycle using the steps described in the Ruling.

The Joint Utilities' proposal for an appropriate shared savings rate is based on utility incentives to achieve targeted energy efficiency savings designed to align the goals of utility management and shareholders, toward whom management has fiduciary responsibility, with those of customers and regulators by providing an opportunity to earn a return on the net benefits that accrue from implementing successful energy efficiency programs. In order to facilitate the most cost effective and successful energy efficiency programs, incentives should be of sufficient

size and structured in such a manner to encourage utility management to give attention to these programmatic opportunities. Such an approach is publicly endorsed by both the State of California¹ and the federal Department of Energy².

The Joint Utilities first preference remains for the Commission to adopt the Joint Utilities' proposal for the reasons set forth in their February 2 comments.

B. SCHEDULE

In attempting to construct and offer the Commission and parties a schedule, the Joint Parties became concerned with the competing demands upon limited resources of the Commission and parties. The Joint Utilities anticipate they, and the other IOUs will be required to file their 2013-2014 EE applications sometime in July. Should the Commission approve the 2010-2012 RRIM, the preparation and filing of these 2013-2014 EE applications will coincide with the proposal to submit a 2010-2011 RRIM claim. These dual overlapping requirements will not only stretch the IOU resources but also Energy Division's ("ED") resources.

For example, ED is already behind on major deliverables for the EE bridge funding application--E3 calculator, Workpapers, DEER updates, PIP templates, etc. and will need to do its detailed reviews of the EE bridge funding application. For the RRIM, if IOUs are to use the same 2009 RRIM, ED would necessarily be required to deliver the ERT database with ED's inputs for verification and then subsequent IOU review of the inputs, submission of adjustments, as appropriate and submit as part of the RRIM application. In sum, the above will require ED resources to be shifted from the 2013-2014 EE application to the RRIM.

Therefore, rather than attempt to offer specific dates at this time, the Joint Utilities offer in Attachment A, targets for completion by quarter so that parties may have a vehicle to better discuss and resolve conflicts and resource constraints.

¹ EAP 1, p. 5.

² State and Regional Policies that Promote Energy Efficiency Programs Carried Out by Electric and Gas Utilities, A Report to the United States Congress Pursuant to Section 139 of the Energy Policy Act of 2005, March 2007, U.S. Department of Energy, pages 57-58.

C. SUPPORT FOR ALTERNATE PROPOSAL

As referenced above, the Joint Utilities continue to recommend their proposal as submitted on February 2nd. However, the Joint Utilities believe a recommendation by PG&E to use the 2009 RRIM for 2010-2012, while not consistent with their current proposal, is an acceptable alternative considering that only nine months of IOU performance remains for the 3-year 2010-2013 performance period and parties resources are all stretched.

The Joint Utilities submit that the 2009 decision be used to measure IOU performance and earnings for the 2010-2013 performance period and focus on using the parties' RRIM comments to develop a new RRIM for the 2013-2014 performance period.

Dated March 19, 2012.

Respectfully submitted

By /s/ Steven D. Patrick
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