

**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)

**NOTICE OF EX PARTE COMMUNICATION**

October 18, 2012

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Pursuant to Rule 8.2, 8.3, and 8.5 of the California Public Utilities Commission's Rules of Practice and Procedure, the Natural Resources Defense Council (NRDC) hereby gives notice of the following ex parte communications. NRDC initiated the communications, which occurred at the California Public Utilities Commission (CPUC). On Monday, October 15, 2012, Devra Wang, Director, California Energy Program and Sierra Martinez, Legal Director, California Energy Projects at NRDC met with:

- Colette Kersten, advisor to Commissioner Sandoval, for approximately forty-five minutes at 1:15 pm, and
- Michael Colvin, advisor to Commissioner Ferron, for approximately fifteen minutes at 4:15 pm.

On October 17, 2012, Ms. Wang, Mr. Martinez and Stefanie Tanenhaus, Sustainable Energy Fellow at NRDC met with Bishu Chatterjee, advisor to Commissioner Simon for approximately forty-five minutes at 3 pm.

NRDC provided the written materials in Attachment A to Ms. Kersten, Mr. Colvin, and Mr. Chatterjee. NRDC also sent Mr. Colvin the email in Attachment B today.

*Summary of Meeting with Ms. Kersten*

Ms. Wang highlighted the importance of an efficiency incentive mechanism to align the Commission's financial regulation of the utilities with its policy that makes energy efficiency the top priority resource. She discussed NRDC's proposal for a new efficiency incentive mechanism for 2013-14 (described in NRDC's July 16 and October 1 comments), why it is better aligned with

the CPUC's current energy efficiency policy objectives, and how it improves upon the CPUC's prior risk/reward incentive mechanism (RRIM) approach. Ms. Wang summarized NRDC's understanding of other parties' proposals, and provided a conceptual framework to evaluate the various proposals for the magnitude of potential earnings relative to the criteria the CPUC adopted in D.07-09-043. NRDC provided the attached materials that summarize these issues.

Ms. Wang also discussed NRDC's support for an earnings opportunity for 2010-12 and recommended simply extending the 2009 RRIM or, failing that, providing approximately 10% of expenditures. She briefly discussed NRDC's strong opposition to the framework described in the September 25, 2012 ALJ Ruling, for the reasons discussed in NRDC's October 5, 2012 comments. Ms. Wang urged the Commission to send a strong signal that efficiency remains a top priority resource.

*Summary of Meeting with Mr. Colvin*

Ms. Wang discussed NRDC's view that if the Commission does not extend the 2009 RRIM to 2010-12 as NRDC recommends, then we would support earnings of approximately 10% of expenditures. Even though NRDC normally opposes mechanisms that base earnings on the amount of money spent, since the Commission is so far behind schedule for 2010-12 it would be a reasonable approach to facilitate a swift decision. Going forward, NRDC continues to recommend that any incentive mechanism be tied to the CPUC's key objective for the efficiency programs - energy savings - and NRDC opposes "cost-plus" approaches except potentially a small "adder" for non-resource program efforts. Ms. Wang noted that NRDC changed a few elements of its proposed mechanism for 2013-14 in its October 1, 2012 comments, and provided the attached summaries of NRDC's current proposal, and NRDC's understanding of other parties' proposals.

*Summary of Meeting with Mr. Chatterjee*

Ms. Wang highlighted the importance of an efficiency incentive mechanism to align the Commission's financial regulation of the utilities with its policy that makes energy efficiency the top priority resource. She discussed NRDC's proposal for a new efficiency incentive mechanism for 2013-14 (described in NRDC's July 16 and October 1 comments), why it is better aligned with the CPUC's current energy efficiency policy objectives, and how it improves upon the CPUC's prior risk/reward incentive mechanism (RRIM) approach. Ms. Wang provided a conceptual framework to evaluate the various proposals for the magnitude of potential earnings relative to the

criteria the CPUC adopted in D.07-09-043. NRDC provided the attached materials that summarize this issue and NRDC's understanding of other parties' proposals. Finally, Ms. Wang urged the Commission to award earnings for 2010-12 in order to keep the Commission's commitment that the 2006-09 incentive mechanism would continue until modified and to send a strong signal that efficiency remains a top priority resource.

To obtain a copy of this notice please contact:

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Dated: October 18, 2012

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Devra Wang", with a horizontal line underneath.

Devra Wang  
Director, California Energy Program