

**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 communication. The communication occurred for approximately one half hour on Monday, October 15, 2012, at 3:30 pm at the California Public Utilities Commission (CPUC). Devra Wang, Director, California Energy Program and Sierra Martinez, Legal Director, California Energy Projects at NRDC initiated the communication with Commissioner Ferron and Michael Colvin, advisor to Commissioner Ferron. NRDC provided the attached written materials.

Ms. Wang highlighted the importance of an efficiency incentive mechanism to align the Commission's financial regulation of the utilities with its policy priorities. 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 briefly 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 NRDC's new proposed mechanism, and evaluates parties' proposed earnings caps relative to the Commission's criteria.

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 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, including: (i)

the proposed scoring system related to EM&V is highly subjective, would spur significantly more controversy, and would set back efforts to improve collaboration on EM&V issues, and (ii) the proposed earnings level would cut earnings by approximately two-thirds even though the 2010 programs saved more energy, exceeded the Commission's goals and provided customers with about \$1 billion in net benefits. Ms. Wang urged the Commission to send a strong signal that efficiency remains a top priority resource.

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