**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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

COMMENTS OF THE UTILITY REFORM NETWORK ON THE PROPOSED DECISION ADOPTING AN EFFICIENCY SAVINGS AND PERFORMANCE INCENTIVE MECHANISM

TURN
THE UTILITY REFORM NETWORK
Lower bills. Livable planet.

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COMMENTS OF THE UTILITY REFORM NETWORK ON THE PROPOSED DECISION ADOPTING AN EFFICIENCY SAVINGS AND PERFORMANCE INCENTIVE MECHANISM

1. Summary

The Proposed Decision of ALJ Pulsifer ("PD") adopts an Efficiency Savings and Performance Incentive ("ESPI") mechanism for 2013-2014, to be continued beyond unless modified by the Commission. The ESPI rewards the four energy IOUs for administering energy efficiency programs, based on performance in four categories. Maximum shareholder earnings are capped at 9.1% of utility budgets, or about $75 million per year.

The proposed ESPI largely follows the design of the incentive mechanism suggested in the Assigned Commissioner's Ruling circulated for comment on April 4, 2013. TURN submitted comments on that proposal on April 26 and May 3, 2013.

While TURN does not support all of the policy decisions and rationales in the PD, TURN does not find legal or factual errors in the proposed ESPI, which provides a reasonable compromise of the various positions and adopts a mechanism that adequately rewards the utilities for measurable energy efficiency performance. TURN reserves the right to offer additional comments in response to other parties.

TURN thus recommends that the Commission adopt the Proposed Decision with certain minor clarifications as detailed below.

2. Recommendations for Clarifications and Ministerial Changes

TURN suggests the following clarifications to ensure that the text and ordering paragraphs accurately and unambiguously define the ESPI:

- The text of Ordering Paragraph 3A should be revised to clarify that EE resource savings are capped at 8% of the *approved EE budgets*, not "8% of resource program expenditures." Both the text of the PD and Attachment 1 explain that the cap is based on budgets, so the utility could not earn more than the maximum potential (as shown in the table on p. 29) by spending more than budgeted on resource programs.
- Similarly, Ordering Paragraphs 14 and 16 should be modified to include the phrase "not to exceed authorized expenditures" as used in Ordering Paragraph 3C and 3D.
- The PD text explains that "the maximum potential earnings for each component is specific to that component."[1] While this limitation is implicit in the description of the individual components in the Ordering Paragraphs, TURN recommends the addition of language in the Ordering Paragraphs or an Attachment that explicitly clarifies that

[1] PD at 29.

each component has its own cap, in addition to the overall cap on earnings.

- The description of *ex post* savings claims in Attachment 6 clarifies that Commission staff shall finalize the "high uncertainty measure list" by "October 31 *of the previous PY*."[2] TURN recommends that the text in Section 7.3 be modified to include the phrase "of the previous PY" to clarify that, aside from 2013, staff shall identify the uncertain measure list prior to the start of the program year.
- The Table on p. 64 should include the 1/31/2015 deadline for written comments on the Draft Evaluation Reports, as explained in Paragraph 7 of Attachment 6.[3]

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Respectfully submitted,

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[2] PD, Attachment 6 at 3 (emphasis added).
[3] PD, Attachment 6, p. 5.