California Public Utilities Commission
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CPUC CREATES NEW INCENTIVE STRUCTURE TO FURTHER PROMOTE ENERGY EFFICIENCY

SAN FRANCISCO, Sept. 5, 2013 - The California Public Utilities Commission (CPUC) today adopted new performance incentives to promote achievement of energy efficiency goals, reinforcing the state's commitment to energy efficiency as the preferred way to meet California's energy demand.

The state's Energy Action Plan places energy efficiency first in the priority sequence of preferred means of meeting growing energy needs. The incentive mechanism adopted today, called the Efficiency Savings and Performance Incentive Mechanism, is designed to motivate utilities to prioritize energy efficiency goals, while protecting ratepayers through necessary cost containment mechanisms.

Under today's decision the state's investor-owned utilities will earn incentive awards by meeting or exceeding designated energy efficiency goals in four performance categories: 1) Actual energy savings achieved, which represents roughly 70 percent of potential incentives; 2) A constructive and collaborative effort during the review process associated with evaluation, measurement, and verification; 3) Effective advocacy for the development of new codes and standards both within California and at the Federal level; and, 4) Implementation of non-resource programs of the portfolio through a fixed portfolio management fee.

"All four performance categories are essential to a successful portfolio, but this is the first time that any state has attempted to financially incent each of these key aspects explicitly. Once again, California is leading in energy efficiency innovation," said CPUC Commissioner Mark J. Ferron, the lead Commissioner for this proceeding. “In short, the Efficiency Savings and Performance Incentive Mechanism will align the interests of utility shareholders and management with our energy efficiency policy goals and will provide the kind of predictability and durability in earnings that will reinforce and enhance the attractiveness of investing in California’s top energy resource. This enhanced investment environment will directly benefit customers in terms of lower bills and, ultimately, benefit our citizens in terms of lower greenhouse gas emissions.”

Added CPUC President Michael R. Peevey, “Today’s decision further creates a utility culture focused on energy savings, not energy generation. The CPUC continually works on improving utility incentive structures to ensure safe, clean, and reliable energy service at just and reasonable rates. This iteration of energy efficiency incentives is a step in the right direction.”

The Efficiency Savings and Performance Incentive Mechanism will apply starting with the 2013-2014 program cycle and the earnings available over that time are capped at $178 million. Assuming current portfolio make-up and “business as usual” program implementation, however, the earnings would approximate $119 million.

The new mechanism supersedes the CPUC’s Risk/Reward Incentive Mechanism approved in December 2012 in order to primarily reward directly measureable efficiency savings while encouraging cost effective investments in supporting program elements that are essential for sustained savings. The CPUC determined that the Efficiency Savings and Performance Incentive Mechanism strikes the right balance between creating appropriate financial incentives for utility investors and senior management and providing real value to rate paying customers.

The proposal voted on today is available at http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M076/K741/76741730.PDF.

For more information on the CPUC, please visit www.cpuc.ca.gov.

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