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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for Approval of its 2009-2011 Energy Efficiency Program Plans and Associated Public Goods Charge (PGC) and Procurement Funding Request	Application 08-07-021 (Filed July 21, 2008)
And Related Matters.	Application 08-07-022 Application 08-07-023 Application 08-07-031 (Filed July 21, 2008)
Order Instituting Rulemaking to Examine the Commission's Energy Efficiency Risk/Reward Incentive Mechanism.	Rulemaking 09-01-019 (Filed January 29, 2009)

JOINT ASSIGNED COMMISSIONERS' RULING REGARDING CONSIDERATION OF THE ENERGY DIVISION WHITE PAPER IN COORDINATION OF PROCEEDINGS

On April 1, 2009, the Energy Division (ED) released its "white paper on Proposed Energy Efficiency Risk-Reward Incentive Mechanism and [Evaluation, Measurement, and Verification] EM&V Activities." (white paper) The white paper discusses issues relating both to the measurement of Energy Efficiency program activities as well as to the design of an incentive mechanism to motivate appropriate energy efficiency results. Accordingly, ED served the white paper on parties both in Application (A.) 08-07-021 et al. and Rulemaking (R.) 09-01-019.

In A.08-07-021 et al., the Commission will adopt Energy Efficiency (EE) portfolio plans for the major utilities for the 2009-2011 period. In R.09-01-019, the Commission will consider reforms to the EE Risk/Reward Incentive Mechanism (RRIM). Because the white paper discusses issues that implicate each of these proceedings, we hereby incorporate the white paper into the record of each proceeding. A copy of the white paper is appended to this ruling.

We also provide the opportunity for parties in each of these proceedings to comment on white paper. Opening comments shall be due on April 29, 2009 with reply comments due May 11, 2009. Comments on the white paper shall be filed and served on parties in both proceedings.

In this joint ruling, we also clarify the interrelationship between certain issues discussed in the white paper in terms of the corresponding relevance to the scope of each these proceedings.[1] We offer this guidance to promote clarity and to avoid potential confusion as to the appropriate proceeding in which relevant issues will be resolved. Given the interrelationship between A.08-07-021 and R.09-01-019, we anticipate continued close coordination between the proceedings.

The white paper raised several issues related to the calculation of portfolio energy savings and cost-effectiveness. It is worth discussing here the context for these calculations within the Commission's Energy Efficiency activities. Portfolio savings and cost-effectiveness are calculated both before and after this Commission's approval of investor-owned utilities' energy efficiency applications

[1] The schedule for receiving comments on the white paper will be addressed in a separate ruling.

for a given program cycle. Prior to program approval, our intent is to ensure that, given our best understanding of savings and cost and benefit parameters, the utilities design optimal portfolios with regard to goal attainment, cost-effectiveness, and the Commission's strategic objectives. The calculation of cost-effectiveness and savings during the course of and after program implementation serves dual objectives. In the first instance, it informs this Commission and others as to the degree to which the utilities are performing in delivering on anticipated resource savings and net ratepayer benefits through energy efficiency. This information is critical information to inform both supply-side procurement planning as well as the state's greenhouse gas objectives and strategy. It also may be utilized as a basis for mid-course correction if such is deemed necessary either by the Commission in its oversight role or the utilities as portfolio administrators.

Secondly, this information can serve to inform performance metrics under an incentive scheme. Over the 2006-2008 program cycle, resource savings and net benefits calculations have been closely integrated with the Risk Reward Incentive Mechanism. Resource savings calculations have been utilized to inform the Minimum Performance Standard, or the percentage goal attainment for which the IOUs could be credited for payments under the mechanism. Likewise, portfolio net benefits calculations have been utilized to inform the Performance Earnings Basis, the total net value of energy efficiency delivered by the IOUs to be shared at the shared savings rate between utility shareholders and ratepayers.

The degree to which a new incentive mechanism will rely on resource savings estimates or cost-effectiveness as the basis for payments is an open question within R.09-01-019. The value of tracking resource savings and

cost-effectiveness stemming from Energy Efficiency portfolios, however, exists irrespective of the overlay of an incentive mechanism. It is for this reason that we are confronting EM&V issues primarily in the EE Application docket.[2]

While the new RRIM proceeding, R.09-01-019, will likely address a number of issues related to those discussed here within the context of evaluating the appropriate principles, design and implementation of a revised RRIM, the R.09-01-019 proceeding will not dictate the manner in which we count savings and cost-effectiveness for the purposes of portfolio review and tracking and evaluation.

IT IS RULED that:

1. The Energy Division "White Paper on Proposed Energy Efficiency Risk-Reward Incentive Mechanism and [Evaluation, Measurement, and Verification] EM&V Activities," attached to this ruling, is hereby incorporated into the record of Application (A.) 08-07-021 et al. and also of Rulemaking (R.) 09-01-019, respectively.

2. Any issues the white paper relevant in resolving issues in A.08-07-021 and R.09-01-019 will be addressed in a coordinated manner in accordance with the principles discussed above.

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[2] EM&V issues raised by the white paper but unaddressed in A.08-07-021 may also be considered in R.06-04-010 or its successor.

3. Parties in each of these proceedings are authorized to comment on white paper. Opening comments shall be due on April 29, 2009, with reply comments due May 11, 2009. Comments on the white paper shall be filed and served on parties in both proceedings.

Dated April 16, 2009, at San Francisco, California.

/s/ DIAN M. GRUENEICH
Dian M. Grueneich
Assigned Commissioner

/s/ JOHN A. BOHN
John A. Bohn
Assigned Commissioner

INFORMATION REGARDING SERVICE

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a Notice of Availability of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the Notice of Availability of the filed document is current as of today's date.

Dated April 16, 2009, at San Francisco, California.

/s/ CRISTINE FERNANDEZ
Cristine Fernandez