

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking to Examine the
Commission's Energy Efficiency Risk/Reward
Incentive Mechanism.

Rulemaking 09-01-019
(Filed January 29, 2009)

**THE DIVISION OF RATEPAYER ADVOCATES' COMMENTS
ON ADMINISTRATIVE LAW JUDGE RULING
SOLICITING COMMENTS ON SCHEDULE IMPACTS**

I. INTRODUCTION

Pursuant to the December 29, 2009 "Administrative Law Judge Ruling Soliciting Comments on Schedule Impacts" (Ruling), the Division of Ratepayer Advocates (DRA) submits the following comments in response to the Ruling. DRA appreciates the Ruling's recognition that it will be necessary to modify the current schedule for the final true-up of energy efficiency costs and savings achieved by the 2006-2008 portfolios in order to implement Decision (D.) 09-12-045's requirement of independent verification of the Utilities'¹ Incremental Measure Costs (IMC). The Ruling preliminarily estimates that it will take "at least a three-month extension for completing the 2010 true up."² DRA supports the updating of 2006-2008 IMCs as soon as feasible, but respectfully requests that the Commission authorize a schedule extension that will allow the most accurate update of the IMC's, as contemplated by earlier rulings in September 2, 2005 and January 11, 2006, even if the necessary updates requires more than three months. Having accurate cost information is critically important to evaluating the effectiveness of the Utilities' 2006-2008 energy efficiency programs.

¹ DRA's reply comments refer collectively to Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas) as "Utilities."

² Ruling, p. 1.

II. DISCUSSION

A. Background

Both DRA and The Utility Reform Network (TURN) noted the importance of using updated IMCs for accurately calculating the Utilities' incentives for the 2006-2008 program cycle in their comments on the Proposed and Alternate Proposed Decisions regarding risk/reward incentive mechanism (RRIM) claims for the 2006-2008 program cycle. DRA and TURN pointed out that the updated IMCs were part of the process envisioned at the beginning of the program cycle.³ The Natural Resources Defense Council (NRDC) and SCE supported updating IMCs,⁴ while Pacific Gas and Electric Company (PG&E) did not oppose updating IMCs "provided that ED has collected actual field data on such projects and measures."⁵

SCE contended that updated IMCs would increase its entitlement to incentives,⁶ while TURN's analysis showed far different results.⁷ These diametrically opposed conclusions about the impact of updating IMCs underscore the need for a non-financially interested party, Energy Division, to revise the IMC's used in calculating the final incentive payments as part of the 2010 Verification Report.

³ See e.g. Comments of TURN on Proposed Decision and Alternate Decision Concerning Utility Incentive Claims for the 2006-2008 Energy Efficiency Program Cycle, filed December 7, 2009 (TURN Comments), p. 8; DRA Comments on Proposed and Alternate Decisions on RRIM earnings, December 7, 2009, p. 5. DRA pointed out that the January 11, 2006 ALJ Ruling in R.01-08-028, Attachment 2 required updated IMCs.

⁴ Reply Comments of NRDC on the Proposed and Alternate Decision regarding RRIM Claims for the 2006-2008 Program Cycle, filed December 14, 2009, p.4 ("NRDC supports adjustments to IMC, based on fully vetted and completed studies, in the 2010 final true-up"); SCE's Reply Comments on the Proposed Decision and Alternate Draft Decision Addressing Incentive Claims for 2006-2008 Energy Efficiency Program Performance, filed December 14, 2009 (SCE Reply Comments), p. 3.

⁵ Reply Comments of PG&E on the Proposed Decision and Alternate Proposed Decisions Addressing Incentive Claims for 2006-2008 Energy Efficiency Program Performance, filed December 14, 2009, p. 5.

⁶ SCE Reply Comments, p. 3 and fn.8, p.3.

⁷ TURN compared SCE's fourth quarter 2008 IMC values to 2009-2011 IMC values for a sample of SCE's custom measures from its Standard Performance Contracting Program. The results showed that SCE custom IMCs from its July 2009 filing were more than double those in its fourth quarter 2008 report. TURN Comments, pp. 9-10.

B. The Commission should allow adequate time to update the IMCs even if it requires longer than three months.

The Ruling recognizes that “[b]ased on preliminary estimates, the additional workload requirements of the mandated IMC verification are estimated to require at least a three-month extension for completing the 2010 true up.” The Ruling develops a schedule for payment of incentives based on that three-month estimate. DRA supports a schedule that allows accurate updating of the IMCs, even if it requires longer than three-months. With millions of ratepayer dollars at stake, accuracy is more important than expediency. The Commission should not rush to award incentives based on unsubstantiated and possibly inaccurate IMCs, even if it means a delay in the currently contemplated schedule for incentives. The process may be contentious and perhaps additional field work will be necessary. Regardless, the Commission should allow completion of the process to produce the most accurate results.

III. CONCLUSION

DRA respectfully requests that the Commission adopt a schedule that allows accurate updating of the IMCs, even if it takes longer than three-months.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **“THE DIVISION OF RATEPAYER ADVOCATES’ COMMENTS ON ADMINISTRATIVE LAW JUDGE RULING SOLICITING COMMENTS ON SCHEDULE IMPACTS”** to each party of record on the official service list in **R.09-01-019** via electronic mail.

Parties who did not provide an electronic mail address, were served by U.S. mail with postage prepaid listed on the official service list.

Executed on January 8, 2010 at San Francisco, California.

/s/ REBECCA ROJO

Rebecca Rojo