BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Programs, Evaluation and Related Issues.	Rulemaking 13-11-005 (Filed November 14, 2013)

REPLY COMMENTS OF THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL ON PROPOSED DECISION CONTINUING EFFICIENCY SAVINGS AND PERFORMANCE INCENTIVE MECHANISM AND ALTERNATE PROPOSED DECISION IMPOSING MORATORIUM ON EFFICIENCY SAVINGS AND PERFORMANCE INCENTIVE PROGRAM

Dated: October 27, 2020

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I. INTRODUCTION

The California Efficiency + Demand Management Council[1] ("The Council") respectfully submits these Reply Comments on the Proposed Decision Continuing Efficiency Savings and Performance Incentive Mechanism ("Proposed Decision" or "PD") and the Alternate Proposed Decision Imposing Moratorium on Efficiency Savings Performance Incentive Program ("Alternate Proposed Decision" or "APD"). Both the PD and the APD were mailed in this proceeding on October 2, 2020. These Reply Comments are timely filed and served pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure and the instructions accompanying the PD and APD.

In these Reply Comments, The Council underscores and lauds the American Council for an Energy Efficient Economy's ("ACEEE's") opposition to the APD via a letter ("ACEEE's letter") served to the R.13-11-005 service list on October 22, 2020 and attached hereto as Exhibit A. In addition to noting our agreement, The Council wishes to enter into this letter record by attaching it to these Reply Comments.

II. THE COUNCIL LAUDS ACEEE'S ACCURATE APPRAISAL OF THE NEED FOR CONTINUED ENERGY EFFICIENCY INCENTIVES

The Council wishes to laud ACEEE for the accurate characterization of the need for continued energy efficiency ("EE") incentives they expressed in their letter sent to the R.13-11-

[1] The views expressed by the California Efficiency + Demand Management Council are not necessarily those of its individual members.

005 service list on October 22, 2020. ACEEE is an organization with deep national perspective on, knowledge of, and expertise in EE; The Council unequivocally agrees with their appraisal of a moratorium on incentive payments:

> "If a moratorium is put into place, then there will be less incentive to reach goals and to creatively supervise the transition to third-party programs, and therefore program performance could well slip."[2]

The Council reiterates its statement from our Opening Comments that we are under no illusion that ESPI is perfect and supports efforts for reform – but crucially, that incentives continue. Nonetheless, like ACEEE, The Council believes that ESPI incentivizes the IOUs not just to achieve EE goals, but to appropriately allocate resources to programmatic oversight of energy efficiency programs. As such, The Council wholeheartedly agrees with ACEEE that, "Without ESPI, attention to energy efficiency goals will likely slip." Therefore, The Council encourages the Commission to adopt the PD, particularly during this difficult time when Californians are impacted by multiple crises and appropriate incentivization of EE is critical.

VI. CONCLUSION

The Council respectfully requests that the Alternate Proposed Decision be rejected and that the Proposed Decision be adopted for the reasons stated above.

Respectfully submitted,

October 22, 2020

/s/ SERJ BERELSON

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[2] ACEEE's Letter, at p. 2.

EXHIBIT A

ACEEE
American Council for an Energy-Efficient Economy
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October 22, 2020

Hon. Marybel Batjer
President
California Public Utilities Commission

Hon. Liane M. Randolph
Commissioner
California Public Utilities Commission

Hon. Martha Guzman Aceves
Commissioner
California Public Utilities Commission

Hon. Cliff Rechtschaffen
Commissioner
California Public Utilities Commission

Hon. Genevieve Shiroma
Commissioner
California Public Utilities Commission

Sent via electronic mail

Re: RULEMAKING 13-11-005
Agenda ID's 18834 and 18835

Dear Commissioners,

We are writing to weigh in on the proposed Efficiency Savings and Performance Incentive (ESPI) decision and proposed alternate decision in the above-referenced case. We are writing on behalf of the American Council for an Energy-Efficient Economy (ACEEE), a non-profit research organization incorporated in California in 1980 and with deep experience researching energy efficiency policies and programs.

California has a long history of utility energy efficiency programs dating back to the 1980s. California also has a long history of establishing goals for utility energy efficiency programs, and for many years has provided shareholders with financial incentives for reaching and exceeding program goals, currently through the ESPI process.

However, energy efficiency programs are evolving in California, through more statewide programs and a shift to third-party program administration for the majority of program efforts. In addition, there is a growing focus on meeting state greenhouse gas reduction goals which may well change how energy efficiency program goals are defined and structured. The CPUC has a variety of proceedings considering these issues and both the proposed decision and the alternative proposed decision envision changes to ESPI after these issues are resolved.

Therefore, the difference between the two proposed decisions is what happens in the period before these various issues are resolved and a new set of goals established and the transition toward greater third-party program administration is complete. In our view, in order to help ensure that energy efficiency goals are reached during this interim period, and in order to have good and proper supervision of the start-up of new third-party programs, an ESPI mechanism or some appropriate alternative needs to put into place. The transition to statewide and third-party programs will inevitably face some challenges, and during this start-up period the programs will particularly need supportive oversight. Currently, the utilities as program and contract administrators have the best view on achievement across the portfolio of statewide, utility-specific, and third-party offerings. If a moratorium is put into place, then there will be less incentive to reach goals and to creatively supervise the transition to third-party programs, and therefore program performance could well slip. We base this opinion on our previous research on performance incentive mechanisms (e.g. our 2011 and 2015 reports as referenced in both proposed decisions as well as our 2018 Topic Brief on this subject[1]). In addition, our perspective is informed by discussions we have had in years past with management at all four California IOUs in which we were told, with examples, how the performance incentives focus senior management attention on achieving and exceeding program goals. From what we have seen in California and elsewhere, when utilities are given many goals (which extend well beyond energy efficiency), they do try to achieve their goals, but they cannot give top attention to every set of policy instruction from the Commission. Hence, mechanisms such as ESPI tell them to pay particular attention to some goals. Without ESPI, attention to energy efficiency goals will likely slip.

In the future, rewards for achieving goals can potentially be built into third-party contracts, and ESPI mechanisms for utilities can be focused primarily on achieving goals for programs where utilities have a more direct role in program decisions that affect success. But our understanding is such a system is not in place yet, and therefore we recommend that ESPI be continued until such time as an alternative mechanism is put in place. We support efforts to accelerate the process so the transition is sure to be made in 2021. But in our opinion, imposing a moratorium during what is a critical transition period towards third party programs is the wrong way to go. Someone needs to be incented to make sure the transition goes well. Otherwise, the state risks finger pointing when inevitable problems arise.

We also note that the ESPI incentives are primarily based on just a few high-level goals. In the future the CPUC might want to consider more targeted goals each year, based on policy priorities. In addition to achieving savings goals (which might be in some combination of kWh, therms, kW, BTU, total economic value of benefits, and/or MMT CO_2e), specific goals could be established for such items as reaching disadvantaged households and communities and workforce development. Examples of such mechanisms are discussed in our 2018 Topic Brief referenced in footnote #1.

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[1] https://www.aceee.org/sites/default/files/pims-121118.pdf .

If you have any questions about these comments or the underlying research, please contact us. Thank you for considering these comments.

Sincerely,

Steven M. Nadel
Executive Director

Rachel Gold
Utilities Program Director

Cc: Administrative Law Judge Julie Fitch
Jason Ortego
Edward Randolph, Energy Division
Service List