



MEMORANDUM

To: LGSEC Energy Efficiency Policy Committee

From: Jody London, Regulatory Consultant

SUBJECT: CPUC Looking at Energy Efficiency Expenditure Reporting Requirements

DATE: August 5, 2014

This memo provides an overview of an ongoing issue at the California Public Utilities Commission that could impact the cost reporting requirements for energy efficiency program administrators and, potentially, program implementers. This morning I attended a Prehearing Conference in the docket for the 2013-2014 transition period, A.12-07-001, et al. ALJ Edmister called the Prehearing Conference to establish a schedule that will allow him to better understand a May 14 [Motion from Southern California Edison](#) to clarify how costs associated with energy efficiency fixed price contracts (aka performance-based or pay-for-performance contracts) are to be reported for accounting purposes.

The CPUC has an Audit Branch that conducts annual audits of utility energy efficiency financial compliance. In the audit that the CPUC performed of SCE for 2011, the Audit Branch apparently suggested that SCE should break down the costs of performance-based contracts into administrative, marketing, or direct implementation costs, and use actual costs as well. SCE's Motion argues that the CPUC re-affirmed in 2012 the benefits of performance-based, or fixed price, contracts, and directed the utilities to increase their use (D.12-05-015). The CPUC has previously directed that costs be reported in the three categories listed above. The Motion points out that the utilities do review fixed price contracts for estimated allocations between administrative, marketing, and direct implementation, however they do not track actual costs. SCE argues this is contrary to the intent of fixed price contracts, as well as difficult and costly.

ALJ Edmister this morning indicated that the energy efficiency application docket is the best home for this issue, and that he intends to expand the scope of the proceeding to include it. The Prehearing Conference was hampered because the CPUC Audit Branch had not received notice of it, and was not present. The ALJ therefore used the time to establish next steps. He initially said that he wants to hold evidentiary hearings, ideally just one day, so he can question the CPUC Audit Branch and the utilities. The ALJ said that accounting issues are not his strength, and he needs the opportunity to discuss them directly with experts.

The utility lawyers pushed back on the ALJ, suggesting that a workshop would be less resource intensive and provide greater opportunity for the type of educational discussion in which the

ALJ appears interested. Other issues that arose included the confidentiality of the utility audit reports, whether it is possible to drill down in third-party contracts for the costs requested, and whether the CPUC reporting requirements should be modified. EnerNoc expressed concern that modifying the cost reporting requirements for performance-based contracts could modify third-party implementer costs and change how contracts are awarded.

I was appearing on behalf of the Regional Energy Networks. I expressed concern that new reporting requirements could create additional administrative costs for energy efficiency programs. I also pointed out that this could have ripple effects on local government partnership programs, if it were to be required for all third party providers.

The ALJ adjourned after 50 minutes saying he needs to consider all the viewpoints. It would be useful to know whether any of you in your partnership programs administer any fixed price/pay-for-performance contracts. Please let me know if you do.

We will see a further ruling from the ALJ at some point indicating how he plans to proceed.

Please contact me with any questions or comments.