

CPUC votes 3-2 to force ratepayers to cough up another \$68 million to “reward” utilities for “sub-par” energy efficiency programs

In a bitterly contested 3-2 decision, CPUC approved \$68 million more profits for utilities for 2006-08 energy efficiency programs that scored an “F” on the first-ever independent evaluations, overseen by the CPUC’s own staff. The utilities already received \$144 million “interim rewards” for these programs in spite of early warnings that they were falling far short of their goals.

Pres. Michael Peevey, Commissioner John Bohn and Commissioner Tim Simon voted for Pres. Peevey’s alternate decision to provide \$68 million in additional “rewards” for utilities’s 2006-08 energy efficiency programs in spite of what Commissioner Dian Grueneich politely termed their “sub-par” performance.

Commissioner Grueneich noted that the purpose of providing opportunities for utilities to earn profits on these programs was to provide incentives for “superior” programs, which they failed to deliver. She and Commissioner Nancy Ryan strongly disagreed with the majority decision. Pres. Peevey tried to justify giving profits to utilities, by claiming (1) that utilities couldn’t possibly have known that their advance estimates of energy savings were inflated and would be cut down dramatically by the evaluations, and (2) that even if they had known, they would not have been able to adjust their programs in mid-cycle to achieve a better outcome.

In a scathing critique of his arguments, Commissioner Grueneich enumerated “fundamental factual and policy flaws” on which Pres. Peevey’s alternate decision was based. She cited a document in which PG&E acknowledged that its assumptions might be inflated, that was filed six months before the programs began. She also quoted from her own ruling that documented “numerous instances of forewarning on this issue,” noting in particular that utilities assumptions for CFL savings were not supportable. Commissioner Grueneich has been the assigned Commissioner in the Energy Efficiency portfolios proceeding for several years. She noted that while Edison revised its assumptions downwards, it didn’t go far enough. PG&E’s never adjusted its assumptions.

She exposed the fact that the alternate decision deleted footnote 39 (p. 53) in the Judge’s proposed decision, which cited the trail of evidence that utilities knew full well that their estimates were vastly overstated. Grueneich insisted that utilities can and must respond to market conditions and evaluation feedback.

This is Commissioner Grueneich’s last meeting; she is termed out at the end of this year. In a resounding message to future Commissioners, she

broke with her previous positions and recommended looking at independent administration — in other words, taking utilities out of the energy efficiency mix altogether:

“If utility administrators will not adapt programs to changing market conditions – for fear of losing shareholder profits – then the time has come to examine alternate administrative structures that can adapt to dynamic market conditions, abide by independent savings evaluations, while delivering promised savings and lowering costs.”

Pres. Peevey grew noticeably agitated as Commissioner Grueneich listed one falsehood after another in his reasoning. He carried on an extended whispering session with Commissioner Bohn, who was sitting next to him, only stopping when Commissioner Grueneich finally glanced over to see what was going on. Later, while Commissioner Ryan announced she too was rejected Pres. Peevey’s alternate, Commissioner Simon crossed behind Commissioner Grueneich to have his own tete a tete with the President.

Barbara George of Women’s Energy Matters, which is a party to the proceeding, decried the majority’s insensitivity to common decency, public opinion, and the laws of California in making this decision. “In this shaky economy, it’s incredible that the Commission would force ratepayers to pay profits for utilities that missed their targets by a mile. This hurts everyone in California – cities, businesses, and residential ratepayers will all have to pay twice for utilities’ failures — once for these undeserved “rewards,” and again in high monthly utility bills that should have been reduced by these programs — but were not.”

She continued, “The Commission can no longer claim that this risk-reward mechanism has anything to do with encouraging utilities to do a better job on energy efficiency. This decision gives them profits for gaming the system and corrupting Commissioners. The judge’s proposed decision hints at the real purpose of the risk/rewards incentive mechanism — plainly speaking it is to pay tribute to utility executives and Wall St. investors, in hopes that they will not shut down California’s energy efficiency programs, which run counter to utilities’ interests in expanding their energy systems.”

In public comment at the start of the meeting, Lynn Daniels provided the Commission with results of a public opinion survey designed by WEM that was conducted by a youth team from Ujamaa, a non-profit in Hunters Point: “There were 150 people surveyed from throughout N. California. They voted 5 to 1 for an independent energy efficiency system and no profits for utilities. It is interesting that out of 24 people who voted for the PG&E monopoly on energy efficiency, only 5 of them voted to give them PG&E \$42 million more profits for failed programs – in other words, only 3% of all the people in the survey agreed with Pres. Peevey’s alternate.”