

BOARD STAFF INTERROGATORY #17

INTERROGATORY

Reference: Exhibit A, Tab 1, Schedule 3, p. 14

Preamble:

Enbridge states: Currently, California bases its shareholder incentives on a combination of net savings and three other (non-savings) factors, including custom project review performance, non-resource programs, and codes/standards. The state now applies NTG on a prospective basis for most of the portfolio; however, for inputs and measures that are determined to be "uncertain," such as custom project NTG, the evaluated NTG results are applied retrospectively.

Questions:

Please explain why in California evaluated NTG results for custom programs are considered to be "uncertain" and therefore inappropriate to apply on a prospective basis.

RESPONSE

For clarity, the preamble included above is not correctly identified in the evidence. This passage is from the *Net-to-Gross Policies: Cross-Cutting Jurisdictional Review by Navigant Consulting, Inc., and Apex Analytics, December 14, 2017* and included in evidence at Exhibit B, Tab 6, Schedule 1, page 14 of 40. Accordingly, the following response is from the authors of that report.

As noted on Exhibit B, Tab 6, Schedule 1, page 17 of 40, "C&I custom programs are always included in this list based on the Commission rules due to their variability based on the custom nature of participation." Additional information on the California Public Utilities Commission ("CPUC") decision can be reviewed in CPUC Decision 13-09-023 September 5, 2013; DECISION ADOPTING EFFICIENCY SAVINGS AND PERFORMANCE INCENTIVE MECHANISM, p. 50.

For custom projects and for specific "deemed" measures with ex-ante parameters that we identify as highly uncertain, we shall require ex-post evaluations as the basis for calculating savings incentive payments. The savings award for the remaining "deemed" measures will be calculated based on the

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locked down ex-ante parameter values, and only the claimed measure count will be subject to ex-post adjustment for these measures.

Review of this decision indicates that California was trying to weigh the benefits and drawbacks of ex-ante vs ex-post application of results and combined this decision with other changes such as multiple factors used to calculate the incentive mechanism and a defined stakeholder process throughout the evaluation process. Ultimately, the designation of a measure as “highly uncertain” was a judgmental process but informed by recent evaluation efforts.

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