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PUC DOCKET NO. 57172
SOAH DOCKET NO. 473-25-05322

COMMISSION STAFF'S	§	BEFORE THE STATE OFFICE
PETITION TO	§	
ESTABLISH A	§	OF
SECONDARY CAP ON	§	
PERFORMANCE	§	ADMINISTRATIVE HEARINGS
BONUSES UNDER 16 TAC	§	
25.182(E) FOR THE 2024	§	
PROGRAM YEAR	§	

SIERRA CLUB'S EXCEPTIONS
TO THE PROPOSAL FOR DECISION

Sierra Club submits the following exceptions to the Administrative Law Judge's ("ALJ's") June 2, 2025 Proposal for Decision ("PFD") in the above-captioned proceeding.

Sierra Club generally supports of the ALJ's recommendation to impose a limited secondary cost-cap on the 2024 incentives earned by utilities for going beyond their statutory demand reduction goals. The ALJ's findings of fact and conclusions of law regarding the imposition of a secondary cost cap for the 2024 program year are reasonable, well supported, and in line with historical averages that utilities have earned.

While we support the ALJ decision to establish a one-time secondary cost cap to mitigate the impacts of an exceptional year with very high energy costs, the decision is not sufficient to provide long-term relief to ratepayers. The current incentive structure, which the Commission adopted many years ago through rulemaking following passage of SB 1125 in 2011, has not been revisited since. As laid out in the ALJ's decision, average performance bonuses have routinely exceeded 20 percent of the total amount paid by ratepayers year after year, and in some cases beyond 30 percent in some individual years. The incentive structure has focused on exceeding the demand reduction goal, with utilities earning a one percent bonus for every two percent by which they exceed the demand reduction (MW or KW goal), while only requiring that they meet, but not exceed, their energy savings goal (MWh or KWh goal). During the recently concluded legislative session, the Senate passed SB 2994, which would have instead based the performance

incentive on exceeding energy savings goals and also created a secondary cost cap on the performance bonus.

The Sierra Club supports the ALJ decision, but would support an additional directive to staff to incorporate stakeholder input and develop a new performance bonus structure as part of rulemaking. Currently, the Commission is engaged in reviewing rules through Project No. 57743 (Review of Energy Efficiency Rules). As noted, we have previously suggested that the performance bonus should be based on exceeding both the energy and demand reduction goals, and further suggested that a 15 percent cap would be appropriate, though we are open to other structures as appropriate.

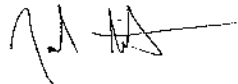
Sierra Club suggests that as part of any final order, the ALJ add the following term:

As part of PUCT Project NO. 57743 (Review of Energy Efficiency Rules), the Commission will open a rulemaking docket to consider stakeholder input and proposals to adjust the current performance bonus structure, including establishing secondary cost caps, incentives based on exceeding both demand reduction and energy savings goals, and other factors as determined through a future rulemaking.

Together with the existing terms of the PFD, this directive will help balance the benefits of expanded energy efficiency investments with the need to protect customers.

Dated this 7th day of July, 2025.

Respectfully submitted,

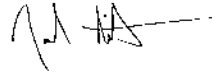


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CERTIFICATE OF SERVICE

I, Joshua Smith, certify that a copy of the Sierra Club's Motion to Intervene was served upon all parties of record in this proceeding on July 7, 2025, by electronic mail.

A handwritten signature in black ink, appearing to read 'Joshua Smith', written over a horizontal line.

Joshua Smith
Sierra Club Environmental Law Program