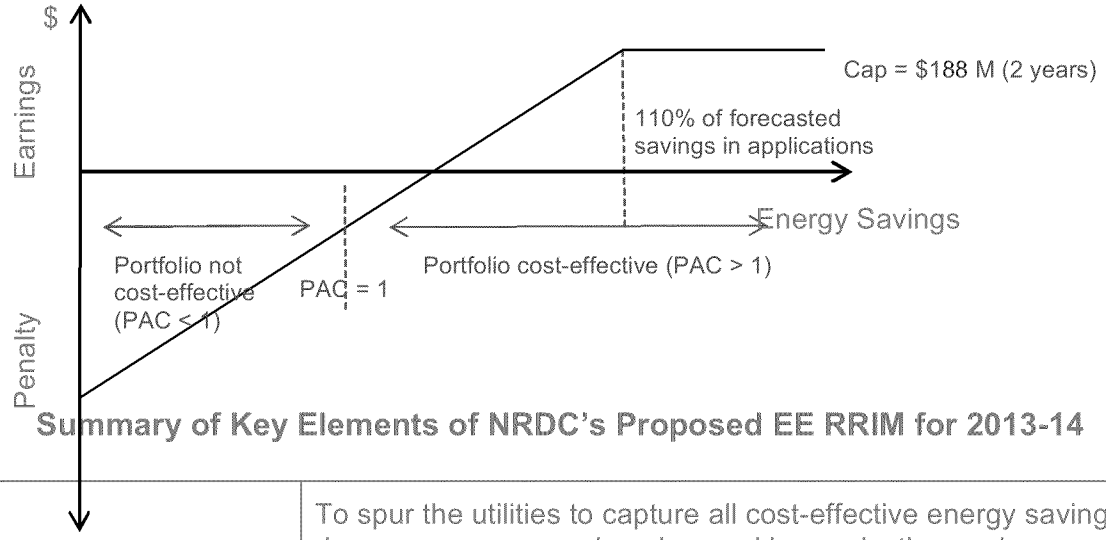
Attachment A:

NRDC's Written Materials Provided to
Ms. Kersten, Mr. Colvin, and Mr. Chatterjee

Illustration of NRDC's Proposed RRIM's Energy & Demand Savings Component



Summary of Key Elements of NRDC's Proposed EE RRIM for 2013-14

Goal:	To spur the utilities to capture all cost-effective energy savings, including deeper, more comprehensive, and longer-lasting savings.
Cap (for all 4 utilities over both years):	$188 million
Threshold:	PAC (including earnings) > 1
Potential Earnings: Energy & Demand Savings	"Earnings Targets at 110% of Projected Performance": • Electric energy: $113 M; Demand: $38 M; Natural gas: $27 M Earnings = 2.5% of electric energy earnings target ($) per 1,000 GWh lifecycle + 1.5% of electric demand earnings target ($) per 100 MW lifecycle + 1% of natural gas earnings target ($) per 10 MMTh lifecycle[1]
Performance Metrics	• $9 M for increasing whole home retrofit projects with deep savings
Potential Penalties:	Cost-effectiveness guarantee
Assessing Performance:	• Net lifecycle energy and demand savings from programs and codes and standards[2] • All ex-ante values (including NTG), with ex-post updates only for: (i) installations, (ii) program costs, (iii) any programs that require ex-post analysis in order to count savings (such as behavioral programs)
Timing:	Annual earnings/penalty assessment

[1] This equation is expressed as a percent of target earnings for each metric to make it easy for the CPUC to adjust the magnitude of the earnings opportunity, if desired. Using NRDC's proposed "earnings targets," this equation becomes: Earnings ($M) = $0.0028M / lifecycle GWh + $0.0056M / lifecycle MW + $0.0266 / lifecycle MMTh.

[2] "Lifecycle demand" savings calculated as annual demand savings multiplied by the electric portfolio average effective useful life.

Comparison of EE Earnings Cap Proposals and Benchmarks Based on Criteria from D.07-09-043
Source: 10/1/12 comments – *Shaded cells do not meet suggested benchmark*

CPUC Criteria D.07-09-043	Benchmark		PG&E	SDG&E/SCG	NRDC	TURN
	Proposed Cap (2 yr)		$264 M	$198 M	$188 M	$103 M
What level of earnings will balance the level of potential penalties under the mechanism and offset existing financial and regulatory biases in favor of supply-side procurement	Supply-side comparable earnings ($millions)	$370	Lower	Lower	Lower	Lower
What level of earnings potential will provide a clear signal to utility investors and shareholders that achieving and exceeding the Commission's savings goals (and maximizing ratepayer net benefits in the process) will create meaningful and sustainable shareholder value.	Percent of average pre-tax profits	>1%	3%	2%	2%	1%
Differences in the risk/reward profiles of utility resource choices in applying the comparable earnings benchmark to the incentive mechanism.	Risk adjustment relative to supply-side comparable	Moderate reduction	29%	46%	49%	72%
The level of performance expected in return for higher and higher earnings potential.	Performance level when cap becomes binding	Good performance	~$125% of CPUC goals	100% of CPUC goals	120% - 130% of CPUC goals	N/A (When budget is spent)
	Comparison to other states (% of spending)	> 12% to 13%	14% of budget	11% of budget	10% of budget	5% of budget
What is "fair" to ratepayers in terms of the return on their investment in energy efficiency.	Percent of forecasted net benefits retained by customers	Customers retain significant majority	81%	86%	87%	93%
	Is EE portfolio cost-effective?		Yes; threshold	Yes; threshold	Yes; cost-effectiveness guarantee	Unclear

Summary of Parties' Proposed Incentive Mechanisms for 2013-14, Based on October 1, 2012 Comments

	NRDC	PG&E	SDG&E/SoCalGas	SCE	TURN
Cap (for all 4 utilities over both years):	$188 million (reached at ~120% to 130% of CPUC goals)	$264M (reached at ~$125% of CPUC goals)	$198M (reached at ~100% of CPUC goals)	In range between NRDC and PG&E	$103M
Sub-caps (for all 4 utilities over both years):	$89 M for C&S $125 M for electric energy $42 M for electric demand $30 M for natural gas $9 M for performance metrics	$40M for C&S $250M for resource $14M for non-resource[3]	$32M for C&S $182M for resource $16M for non-resource	N/A	$25.7M for each of 4 metrics
Threshold:	PAC (including earnings) > 1	PAC (including earnings) > 1	PAC (including earnings) > 1	PAC > 1	
Potential Penalties:	Cost-effectiveness guarantee	None	None	None	None
Potential Earnings:					
Energy & Demand Savings	"Earnings Targets at 110% of Projected Performance":[4] • Electric energy: $113 million • Electric demand: $38 million	Earnings Target at 100% of CPUC Goals: $200M	Earnings Target at 100% of CPUC Goals: $181M		None

[3] Need to check with PG&E, since 250+14 does not equal 284

[4] Total is $179 M. Note that these earnings targets are lower than the sub-caps on each category to allow some flexibility in earnings among categories.

	• Natural gas: $27 million Earnings = 2.5% of electric energy earnings target ($) per 1,000 GWh lifecycle + 1.5% of electric demand earnings target ($) per 100 MW lifecycle + 1% of natural gas earnings target ($) per 10 MMTh lifecycle[5]				
Earnings Equation Using Gross Savings (for comparison purposes only)	Earnings[6] = sum of • $0.0022 / kWh • $4.3 / kW • $0.0169 / therm NRDC recommends earnings scale using net savings	Earnings = sum of:[7] • $0.00304/kWh • $5.587/kW • $0.02204 / therm	Earnings = sum of: • $0.00276/kWh • $5.068/kW • $0.01999 / therm		
Performance Metrics / Other	• $9 million for increasing whole home retrofit projects with deep savings	3% adder for non-resource program investments	3% adder for non-resource program investments	N/A	1. Spending (with 50% incentive/financing threshold) 2. Financing 5:1 leverage 3. Res whole home to double projected retrofits with 50% in hotter climate zones 4. Res AC central units

[5] This equation is expressed as a percent of target earnings for each metric to make it easy for the CPUC to adjust the magnitude of the earnings opportunity, if desired. Using NRDC's proposed "earnings targets," this equation becomes: Earnings ($M) = $0.0028M / lifecycle GWh + $0.0056M / lifecycle MW + $0.0266 / lifecycle MMTh.

[6] NRDC recommends using net savings. For the sake of comparison, this presents it using gross savings.

[7] PG&E's proposal is 30% to 40% higher on a per metric basis than NRDC's.

SB_GT&S_0198382

Assessing Performance:	• Net lifecycle energy and demand savings from programs and codes and standards[8] • All ex-ante values (including NTG), with ex-post updates only for: (i) installations, (ii) program costs, (iii) any programs that require ex-post analysis (e.g, behavioral programs)	Gross program savings and net C&S	Gross program savings and net C&S	Gross	
Timing:	Annual earnings/penalty assessment	Annual earnings/penalty assessment	Annual earnings/penalty assessment		

[8] "Lifecycle demand" savings calculated as annual demand savings multiplied by the electric portfolio average effective useful life.

SB_GT&S_0198383