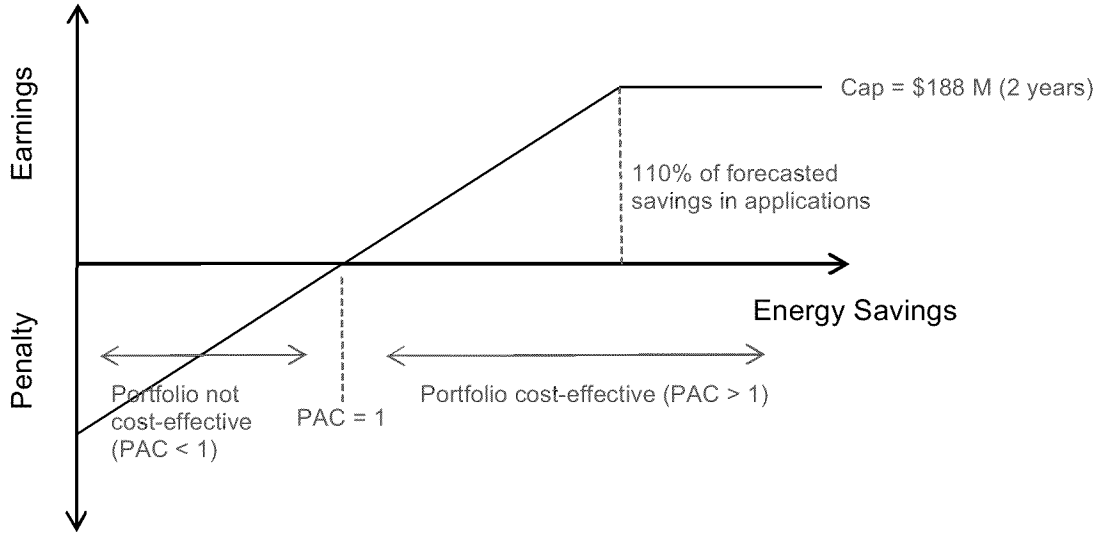
Attachment A:

NRDC's Written Materials

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