



## ESPI Mechanism Structure & Potential Improvements

PG&E continues to signal the Commission's strong endorsement for energy efficiency and supports long-standing state policy of providing IOUs with a shareholder incentive to encourage energy efficiency investments:

- ESPI mechanism: 80% savings achievements and 20% operational performance

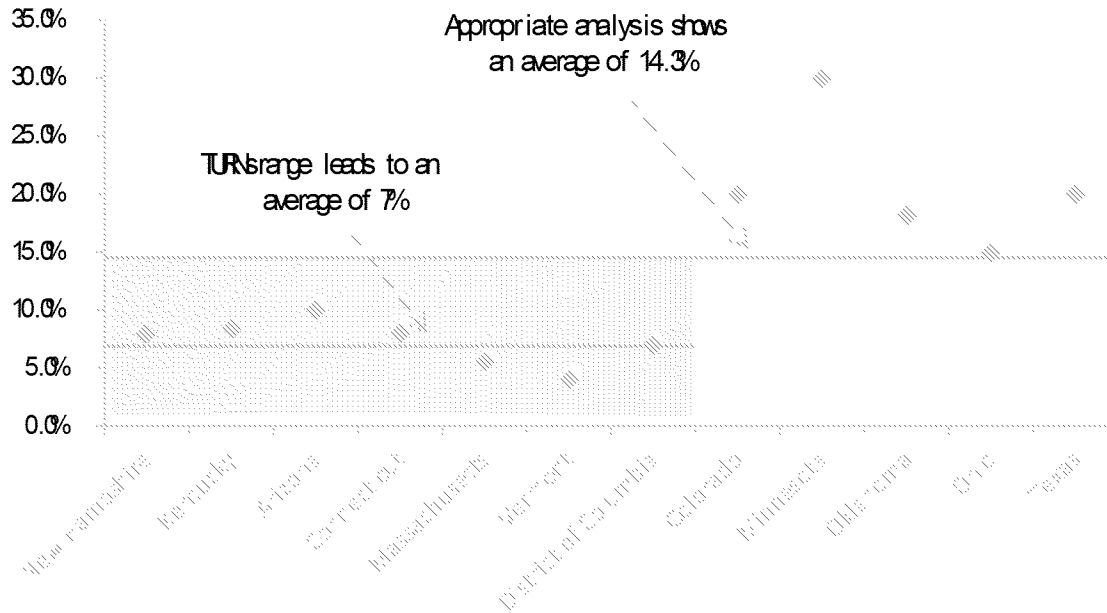
PG&E recommends several changes in order to increase simplicity, align with Commission goals, and increase the value placed on Energy Efficiency:

- Increase maximum earnings to align with the National average
- Use of ex ante -Commission approved savings values determined at the start of the cycle
- Use of gross vs. net savings to align with Commission goals
- Use of EUL factors as approved in EE Portfolios



# Energy Efficiency Shareholder Incentive should be in-line with the National Average

## Cap as a % of Budget



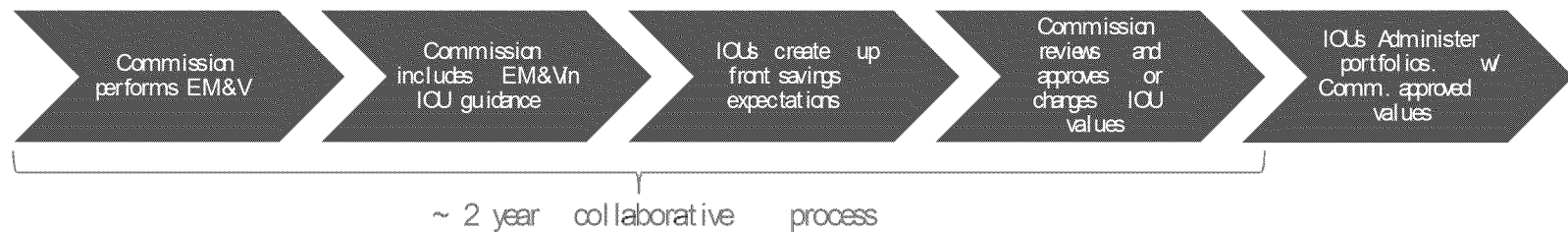
	TURN Analysis	ACEEE values plus TURN added values	ACEEE only values
New Hampshire	8.0%	8.0%	8.0%
Kentucky*	7.5%	8.3%	8.3%
Arizona	10.0%	10.0%	10.0%
Connecticut	8.0%	8.0%	8.0%
Massachusetts	5.5%	5.5%	5.5%
Vermont*	4.0%	4.0%	
District of Columbia*	7.0%	7.0%	
Colorado		20.0%	20.0%
Minnesota		30.0%	30.0%
Oklahoma		18.1%	18.1%
Ohio		15.0%	15.0%
Texas		20.0%	20.0%
Average	7.1%	12.8%	14.3%

\* Vermont and District of Columbia have no external citation. Kentucky was incorrectly averaged to 7.5%, not 8.3%



## Maintain Ex Ante For Determining IOU Results

An effective mechanism rewards IOUs for superior execution of Commission authorized portfolios. To better do this PG&E recommends several small structural changes to the ESPI:



### Ex Ante Approach

- Current extensive up front energy savings determinations provide sufficient certainty to operate portfolios and measure performance
- IOUs are unable to adjust programs to savings adjustments that occur after the cycle has completed



## Proposed Structural Changes to Lifecycle savings mechanism

Use gross savings as opposed to net as it

- Promotes market penetration
- Is in-line with Commission set goals
- Rewards savings reductions as they occur to the grid

Coefficient Calculation should use values approved in the IOU Portfolios, not "stretch" values which cannot be achieved by implementing the approved portfolio

- A mechanism that incorporates "stretch" EUL and NTG values is not achievable unless the IOUs diverge from the approved portfolios
- EUL and NTG factors used in the PD's coefficient calculation are not achievable given current available energy efficient measures



### Technology Adoption Curve

