



ESPI Mechanism Structure & Potential Improvements

PD 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

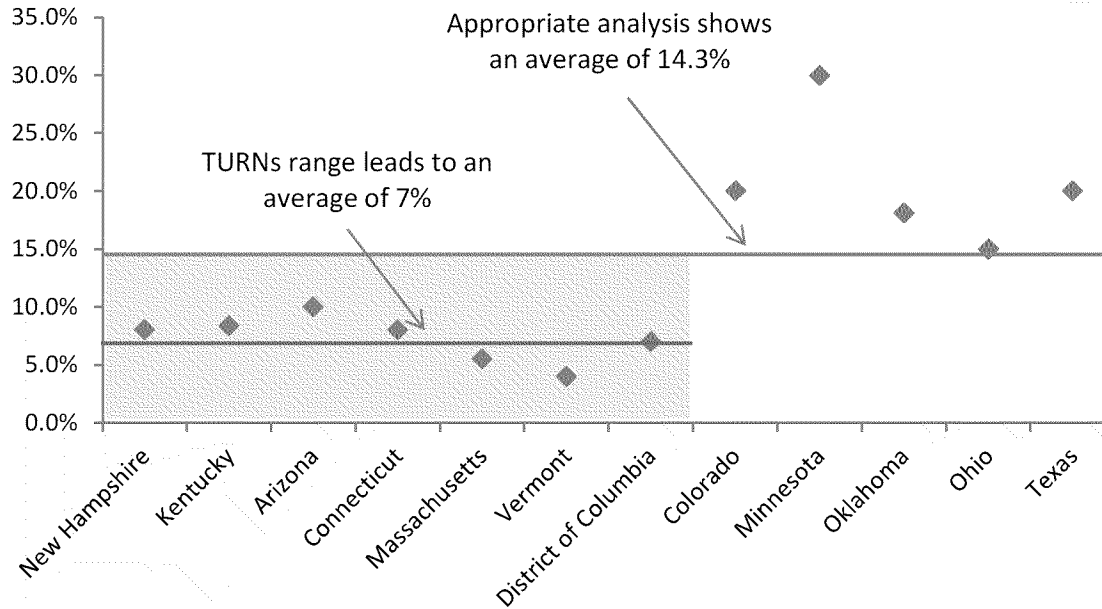
PG&E recommends several changes in order to increase simplicity, align with Commission goals, and increase the value placed on Energy Efficiency:

- 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
- Schedule can be simplified



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

Cap as a % of Budget



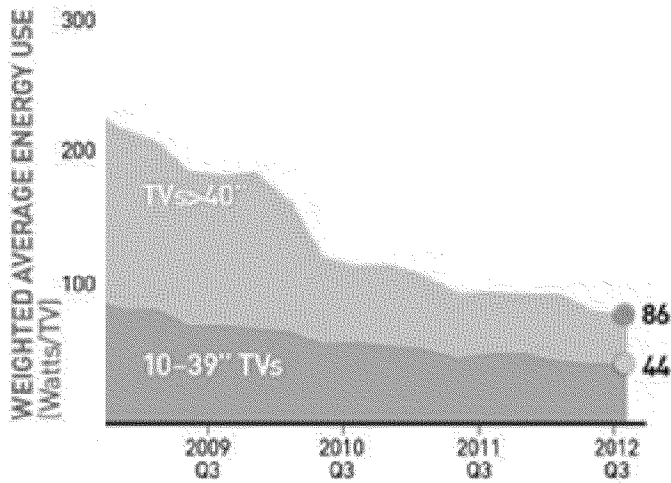
	TURNs Analysis	ACEEE values plus TURNs added values	ACEEE only values
New Hampshire	8.0%	8.0%	8.0%
Kentucky*	7.5%	8.3%	8.3%
Arizona	10.0%	10.0%	10.0%
Connecticut	8.0%	8.0%	8.0%
Massachusetts	5.5%	5.5%	5.5%
Vermont*	4.0%	4.0%	
District of Columbia*	7.0%	7.0%	
Colorado		20.0%	20.0%
Minnesota		30.0%	30.0%
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

Estimated unit energy use by size for new TVs



All Major Retailers participated (352 stores)

59%-74% reduction in energy usage (based on TV size)

Time for change: ~5 years

	Ex Ante as of 2009	Ex Post as of 2012 (2013 ex ante)
NTG	0.8	0.4-0.1
EUL	8	7
UES (kwh)	157	77

Testimonials

"...do you have next year's rebate rates available and could share with me? Samsung will be planning our product lineup based on those rebates."

- **Derek Dao, Samsung, 12/8/11**

"Best Buy just told me that suddenly TV manufacturers realize that they must pay close attention to ENERGY STAR's Most Efficient because progressive utilities are going to incent on it...PG&E is driving interest in ENERGY STAR Most Efficient for TVs."

- **Katherine Kaplan, ENERGY STAR**



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



Proposed Structural Changes to Lifecycle savings mechanism continued

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



Modified schedule creates less work by utilizing pre-existing processes

Utilizing current practices you can use one August AL submittal to properly time all aspects of mechanism

Summary of Advice Letter Process Flow

