SAN DIEGO GAS & ELECTRIC COMPANY
SOUTHERN CALIFORNIA GAS COMPANY
R.12-01-005

Comments on Proposed Decision Adopting Efficiency Savings and Performance Incentive (ESPI) Mechanism

SDG&E and SoCalGas appreciate the PD's comprehensive and simple approach to updating the ESPI.

- *Ex Ante* versus *Ex Post* Approach:
  - **Deemed Savings** should be based on an *ex ante* versus *ex post* approach:
    - All deemed measures should be included in the ex ante component of the ESPI Resource mechanism. Savings adjustments should be forward looking12%.
    - Performance should be judged based on best available information (which is reviewed and approved by ED) at the time of implementation.
    - EM&V processes have not changed that would enable timely feedback to the IOUs on savings and allow significant mid-course corrections.
  - Since **Custom Projects** will be subject to *ex post* evaluation, then the *ex ante* custom project review process should be eliminated to avoid M&V duplication and delay in project implementation.
  - Increased Uncertainty with PD's Ex Ante Versus Ex Post Approach:

Utility	Percent of Portfolio-- Deemed Measures subject to Ex Post Review	Percent of Portfolio-- Custom Projects subject to Ex Post Review	Percent of Portfolio Subject to Ex Post	Earnings Subject to Uncertainty
SDG&E	20%	30%	50%	$6.45million out of $12.889 million (cap)
SCG	12%	64%	76%	$7.4 million out of $9.710 million (cap)

*SoCalGas provided corrections to its resource program budget in comments to the PD.

- Net to gross ratios used to determine the cap should be separated into electric and gas.
  - Electric and gas measures do not have the same market penetration
  - ED staff recommended separate NTG rations between gas and electric measures in D.12-05-015
  - Electric NTG = 0.80 and Natural Gas NTG = 0.70

- *Statewide versus IOU-Specific Earnings Rate Coefficients*
  - Supports the PD's proposal to have separate earnings rate coefficients by individual utility.
  - Utility budgets were developed based on their specific customer demographics and market sectors. To adopt SCE's proposal for a statewide earnings rate would ignore regional differences and challenges to obtaining the CPUC's stretch goals.
  - Individual rates rather than statewide rates challenge IOUs to refocus their portfolios and resources to meet their own stretch goals (effective useful life and net-to-gross) taking into consideration budgetary constraints.