



## 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

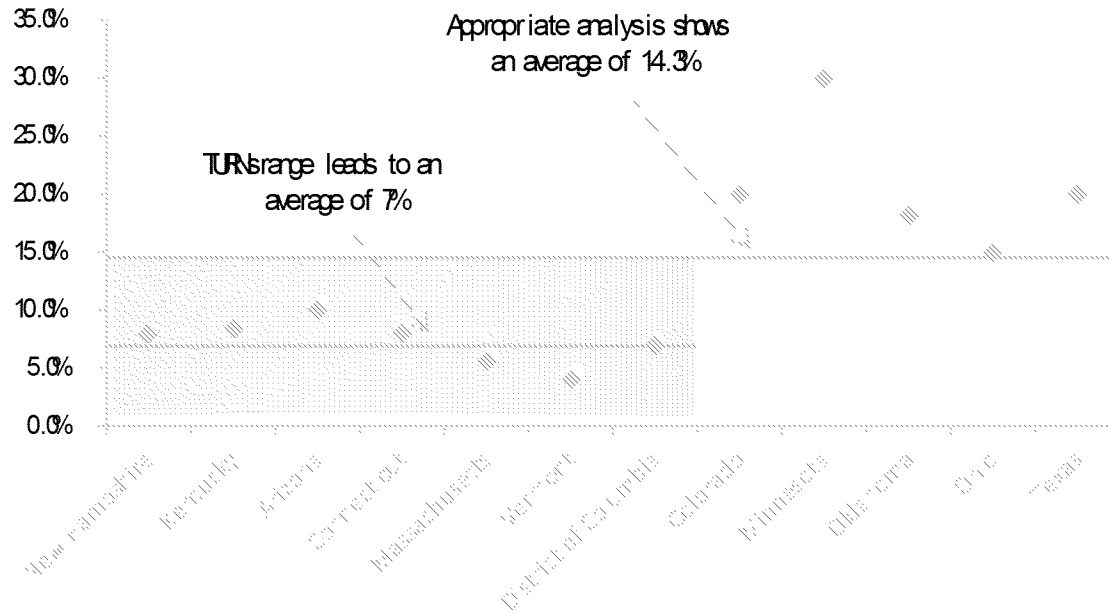
PG&E recommends several changes in order to increase simplicity, align with Commission goals, and increase the value placed on Energy Efficiency:

- 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
- Schedule can be simplified



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

## Cap as a % of Budget



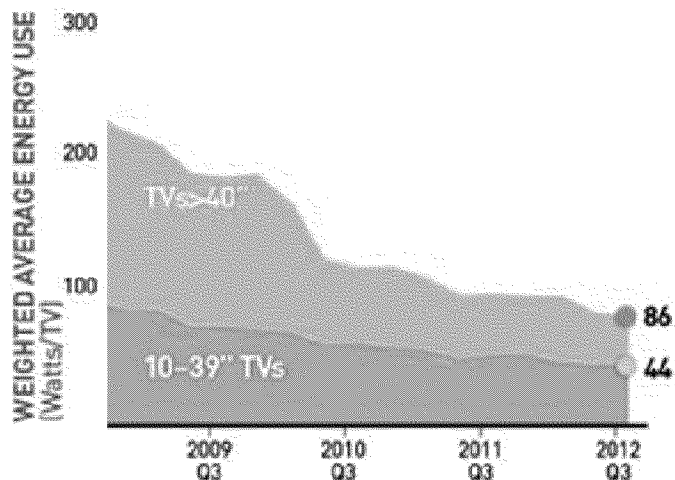
	TURN Analysis	ACEEE values plus TURN added values	ACEEE only values
New Hampshire	8.0%	8.0%	8.0%
Kentucky*	7.5%	8.3%	8.3%
Arizona	10.0%	10.0%	10.0%
Connecticut	8.0%	8.0%	8.0%
Massachusetts	5.5%	5.5%	5.5%
Vermont*	4.0%	4.0%	
District of Columbia*	7.0%	7.0%	
Colorado		20.0%	20.0%
Minnesota		30.0%	30.0%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

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

