BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Examine the Commission's post-2005 Energy Efficiency Policies, Programs, Evaluation, Measurement and Verification, and Related Issues.	Rulemaking 06-04-010 (Filed April 13, 2006)

THE DIVISION OF RATEPAYER ADVOCATES' REPLY BRIEF ON THE APPROPRIATE SHARED SAVINGS RATE FOR RATEPAYER FUNDED ENERGY EFFICIENCY

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TABLE OF CONTENTS

Page

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I. INTRODUCTION

The Division of Ratepayer Advocates (DRA) submits the following reply brief in accordance with the March 26, 2007 "Assigned Commissioner Ruling Revising the Phase 1 Determination on Hearings and Procedural Schedule and Notice of Phase 1 Evidentiary Hearings" (March 26 ACR). DRA's reply brief responds to comments in the opening briefs filed by Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE) and Southern California Gas Company (SoCalGas or SCG).[1]

DRA agrees with some of the points in the Utilities' opening briefs:

- DRA agrees energy efficiency is a critical resource that benefits ratepayers, utility shareholders, and the environment.
- DRA agrees that the Commission should continue in its leadership role of devising policies to increase the use of cost-effective energy efficiency.

[1] DRA's reply brief refers collectively to PG&E, SDG&E, SCG and SCE as "Utilities."

DRA and the Utilities part company on the manner in which the Commission should demonstrate its leadership and support for energy efficiency.
The Utilities insist that the Commission should lead the way by establishing energy efficiency incentives comparable to the return the Utilities would earn if they invested shareholder dollars in building new supply-side facilities, even though shareholder capital is not at risk under current energy efficiency programs. DRA believes that Commission leadership means setting an incentive rate that (1) recognizes the inherent value of energy efficiency as a resource for shareholders as well as ratepayers, and (2) is comparable to those the Utilities use to achieve other important corporate goals.

DRA recommends lower incentives than the Utilities because ratepayer-funded energy efficiency programs reduce risks for the Utilities, and because of the substantial budgets the Utilities developed to meet the Commission's goals. California's leadership to date in eliminating disincentives to energy efficiency should further reduce the level of incentive required.

PG&E is correct that "[t]he nation is watching" what California does in this proceeding.[2] The Commission will display true leadership if it recognizes that setting incentives at excessively high levels may shift ratepayer dollars from funding for research programs aimed at increasing energy efficiency potential through technical innovation, and increase the cost of energy efficiency programs elsewhere. Continuing California's role as the "bright beacon to the entire nation and the world"[3] should mean directing more ratepayer dollars to innovative energy efficiency programs, not utility dividends.

[2] PG&E's Concurrent Opening Brief on Energy Efficiency Shareholder Risk/Reward Incentive Mechanism Issues Subject to Evidentiary Hearings, filed June 18, 2007 (PG&E Opening Brief), p. 7.

[3] Id, p. 2.

II. DISCUSSION

A. DRA's Managerial Bonus Benchmark could provide incentives of comparable magnitude to the amount that the Utilities use to achieve other important corporate goals.

SCE, SDG&E and SoCalGas fault DRA's Managerial Bonus Model as "an approach with little foundation or support"[4] without a "specific link between employee bonuses and the level of shareholder incentives [that] impact corporate direction and focus."[5] Whether DRA's Managerial Bonus Model will motivate Utilities to meet or exceed the Commission's energy efficiency goals is an empirical question that cannot be answered definitively without implementing the program. No other party has proven that its incentive proposal would guarantee a particular level of performance toward the Commission's savings goals. DRA, however, has shown that distribution of the $81 million that the Utilities would earn for meeting 100 percent of the Commission's goals under DRA's model could produce bonuses to energy efficiency employees comparable to those the Utilities provide their employees for meeting or exceeding other corporate goals.[6]

DRA explained the linkage between motivating managers and utility shareholders inits testimony and opening brief:

- Disincentives to energy efficiency have been removed in California and DRA has shown the EE programs do not financially harm utilities or their shareholders.[7] This was not contested.

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[4] SCE Opening Brief on Phase I Evidentiary Hearings on Energy Efficiency Shareholder Incentive Mechanism, filed June 18, 2007 (SCE Opening Brief), p. 16.

[5] Opening Brief of SDG&E and SoCalGas filed June 18, 2007 (SoCalGas.SDG&E Opening Brief) p.10.

[6] $81 million distributed equally to energy efficiency employees and managers would result in bonuses of about 35 percent. The Division of Ratepayer Advocates Opening Brief on the Appropriate Shared Savings Rate for Ratepayer Funded Energy Efficiency, filed June 18, 2007 (DRA Opening Brief), p.8.

[7] DRA Opening Brief, pp. 13-21.

- The utilities have ample opportunities to invest in ratebase and these opportunities will increase in response to AB32 and requirements for renewable resources.[8] This was also not contested.
- As shown by TURN and DRA, the Utilities' financial position and ability to raise capital are helped, rather than hindered by energy efficiency programs.

For these reasons, Utilities in California should currently be neutral to energy efficiency programs, compared to supply side alternatives. DRA's proposed incentives, shown to be significant at a managerial level, should therefore shift the balance in favor of energy efficiency, particularly considering the significant non-financial public and investor relation benefits the Utilities will earn by meeting or exceeding the energy efficiency goals. PG&E recognized in its opening brief that "there is no distinction between shareholders and managers for purposes of selecting a benchmark for incentives, nor for establishing a level of incentives."[9]

Comparing potential incentives for energy efficiency to those that the Utilities already provide for meeting other corporate goals is highly relevant. To assume otherwise requires the belief that the Utilities would sabotage energy efficiency program performance if the Commission chooses to establish shared savings rates of less than 12-20 percent. DRA does not believe the Utilities would ignore the Commission decisions and the Energy Action Plans, even if the Commission decides that a 12-20 percent incentive is simply too much money for shareholder dividends.

PG&E claims that DRA's Managerial Bonus Model "focuses on too narrow a segment of the employee population" by excluding from the calculation of bonuses other employees that directly and indirectly support the development and implementation of energy efficiency programs, especially the officers and directors who set company's policies and thereby contribute to the success of energy efficiency programs.[10] DRA's

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[8] Ex. 45, DRA/Roberts, pp. 18-19.

[9] PG&E Opening Brief, p. 17.

[10] Id. p. 3.

Managerial Bonus Model calculations used energy efficiency labor figures provided by the Utilities, but DRA agrees that it may be important to provide incentives to managers or executives that allocate resources between energy efficiency and other programs, though not to managers in parallel or lower level parts of the company.[11] The Managerial Bonus Model would allow that.[12]

DRA's managerial bonus model would provide PG&E with $11.9 annually for meeting the Commission's energy efficiency goals.[13] PG&E could distribute this amount in any way that made sense for achieving energy efficiency goals. For example, assuming that 50 percent of the manager/supervisors, and 100 percent of the executives included in Table 4 of Attachment 1 to Exhibit 45[14] influence the success of energy efficiency programs, DRA's incentive could be used to double the cash bonus for managers (by $15,880 on average) and to increase the bonus for executives by 70 percent ($218,533 on average) as shown below:

Exhibit 1 - Hypothetical Distribution of Incentives From DRA Proposal

Job Category	Incumbents at PG&E	Hypothetical % of incumbents who impact EE	Hypothetical Incumbents who impact EE	Base Pay	% Bonus from Exhibit 45	**% Bonus**	**Average Bonus**	**Aggregate Bonus**
Manager/ Supervisor	952	50%	476	$91,792	17.3%	**17.3%**	$ 15,880	$ 7,558,888
Executive	20	100%	20	$336,205	92.7%	**65.0%**	$ 218,533	$ 4,370,665
							Total	**$ 11,929,553**

Notes:
DRA Incentive to PG&E at 100% of goals = $11.9 million ($81 million*($867k/$1968k)/3)
Incumbent, pay, and bonus data from Exhibit 45, Attachment 1, Table 4, Page 4
Executives get 70% additional cash bonus due to meeting EE goals.

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[11] 2 Reporters' Transcript (RT) 320:21-27, DRA/Roberts.

[12] 2 RT 336:12-13, DRA/Roberts.

[13] PG&E stated that the potential three-year bonus under DRA's Managerial Bonus Model was $32 million. PG&E Opening Brief, p. 22. On the next page of its Opening Brief, PG&E arrived at an annual bonus level of $9.7 million (or $29.1 million for three years), which it calculated by taking 35 percent of 2006-2008 budgeted salary data of $83.2 million divided by three. PG&E Opening Brief, p. 23. Neither number reflects DRA's actual calculation of incentives under the Managerial Bonus Model. DRA calculated PG&E's annual incentive under the Managerial Bonus Model using the following formula: $81 million x ($867,000 /$1,968,000)/3, where $867,000 is PG&E's three-year energy efficiency budget and $1,968,000 is the three-year energy efficiency budget for all four Utilities. The result is $11.9 million annually.

[14] DRA summarized data provided by the Utilities on employee compensation in its testimony. See Ex. 45, Attachment 1, which contains PG&E data in Table 4, p. 4.

This is only a hypothetical example. The incentive money could be distributed to all energy efficiency staff, distributed only to management, as shown, or returned as dividends PG&E to shareholders.[15] The choice would be up to PG&E management, but with $11.9 million annually, the Managerial Bonus Model provides ample funds for distribution to employees who could reasonably be expected to make a difference.

DRA disagrees however, that it would make sense to distribute incentives to the entire company as suggested in PG&E's Opening Brief.[16] PG&E apparently construed Mr. Roberts' statement that "[w]e believe that [DRA's proposed] incentive is large enough to motivate the entire organization"[17]as meaning that DRA believes that distribution of the incentive to all employees at PG&E would be an effective method of increasing PG&E's efforts to implement energy efficiency. PG&E is mistaken. Mr. Roberts' statement merely recognized that while the ultimate distribution of the incentive would be up to PG&E management, $11.9 million per year should be large enough to produce results.

PG&E's implication that energy efficiency incentives should be distributed to the entire company is unreasonable. Moreover, the result it reaches—an incentive of 0.5 percent of each employee's salary assuming DRA's Managerial Bonus Incentive were distributed to all PG&E employees--relies on data outside the record.[18] The Commission should therefore ignore this portion of PG&E's brief to the extent that it relies on material not in the record. PG&E's use of material outside the record is especially egregious

[15] See e.g., Ex. 45, DRA/Roberts, p. 2:10-12, p. 6:11. SoCalGas/SDG&E is therefore mistaken in its apparent belief that DRA's managerial bonus model "would provide direct incentives to utility employees of bonuses if certain targets are met." SoCalGas/SDG&E Opening Brief, p. 10. How to distribute the incentives remains within the discretion of the Utilities, considering management-employee relations and other pertinent factors. Nor is there any need or apparent benefit "to placing individual employees at risk for penalties." SoCalGas/SDG&E Opening Brief, p. 11.

[16] PG&E Opening Brief, pp. 22-24.

[17] 2 RT. 336:12-13, DRA/Roberts.

[18] PG&E Opening Brief, p. 23, referencing PG&E 2007 GRC A.05-12-002, Ex, PG&E-8, p. 9A-2, beginning with the last full paragraph on page 23 and continuing to the top of page 24 until the end of the paragraph.

given its opposition to TURN's motion to introduce a new exhibit into the record, made on June 12, six days before Opening Briefs were due.

B. DRA's Managerial Bonus Benchmark provides incentives that are consistent with the Energy Action Plans and the Energy Policy Act of 1992.

SoCalGas and SDG&E accuse DRA of ignoring California's first and second Energy Action Plans.[19] PG&E agrees, but adds noncompliance with the Energy Policy Act of 1992.[20] In fact, DRA's position is entirely consistent with the Energy Policy Act of 1992 and both of California's Energy Action Plans. The Energy Policy Act of 1992 requires states to "consider" a standard that allows rates charged by state-regulated public utilities to be such that:

> "the utility's investment in and expenditures for energy conservation, energy efficiency and other demand side management measures are at least as profitable, <u>giving appropriate consideration to income lost from reduced sales due to investments in and expenditures for conservation and efficiency</u>, as its investments in and expenditures for construction of new generation, transmission and distribution equipment."[21]

The Commission considered this requirement in D. 94-10-059 in adopting shareholder incentives based on the facts then before the Commission. Although the Commission discontinued the ERAM mechanism in 1996, which decoupled utility sales from revenues, it subsequently reinstated decoupling in the aftermath of the energy crisis.[22] DRA is not asking the Commission to reconsider decoupling or otherwise ignore the requirements of the Energy Policy Act of 1992.

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[19] SoCalGas/SDG&E Opening Brief, p.10, PG&E Opening Brief, p.12.

[20] PG&E even claims that DRA's position "undercut[s] [its] credibility in participating in this proceeding." PG&E Opening Brief, p.13.

[21] Section 111(a)(8) of the Energy Policy Act of 1992.

[22] DRA Opening Brief, p. 20.

Nor is DRA asking the Commission to ignore the first Energy Action Plan, which listed nine specific actions in support of energy efficiency. One of the nine specific actions recommended is:

> Provide utilities with demand response and energy efficiency investment rewards comparable to the return on investment in new power and transmission projects.[23]

This action does not apply to the current situation in which ratepayers provide the investment in energy efficiency programs. While the Utilities would prefer that the Commission ignore the word "investment," they have offered no compelling reason for doing so. The authors of the first Energy Action plan characterized the plan as a "living document" and cautioned that some of the actions cited are subject to further proceedings and so "may need to be fine-tuned or changed to best meet the overall goals."[24]

This is precisely what happened when California updated the Energy Action Plan in September 21, 2005, which refined the specific action of the first EAP to state:

> Adopt verifiable performance-based incentives in 2006 for IOU energy efficiency investments, with risks and rewards based on performance that will align the utility incentives with customer interests.[25]

As with the original EAP recommendation, investment is specifically mentioned as the basis for incentives, but three significant changes were also adopted. First, the incentives should be performance-based, as opposed to providing compensation for any energy investments regardless of their effectiveness. Second, the recommendation correctly identifies that both rewards and risks should be considered. DRA has repeatedly emphasized that risks to utility shareholders are greatly reduced when ratepayers pay for energy efficiency programs, and that incentives should be reduced accordingly. Finally, comparability with supply-side returns has been replaced in favor of the concept of aligning the utility incentives with customer interests. This is a

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[23] EAP, adopted May 8, 2003, Action #6, p. 5 (emphasis added).

[24] EAP, p. 1.

[25] EAP II, Action #12, p. 4 (emphasis added).

significant change, particularly when considering that California already has made a substantial attempt to eliminate any utility disincentive through decoupling.

DRA's position that the Utilities should receive incentives commensurate with the low risk of ratepayer-funded energy efficiency, and akin to those that Utilities offer for meeting other important corporate goals, is therefore consistent with both EAPs and the Energy Policy Act of 1992.

C. Contrary to the Utilities' claims, information from other states' energy efficiency programs in the United States is relevant and supports DRA's proposed incentive rate.

DRA presented the most recently available data from nine other states' energy efficiency programs, which showed that DRA's proposed 3 percent shared savings rate was within the range of incentives offered by other states, while NRDC and the Utilities' proposed 12-20 percent sharing rates exceeded the incentives offered in every state with a mature energy efficiency program.[26] DRA agrees that there are differences in other state's programs that should ideally be considered when comparing incentives between states,[27] but no other party presented more detailed, recent or relevant information about incentives in other states.

Instead, PG&E attempts to limit the applicability of information from other states by denigrating their performance as "middling" and cautions the Commission that consideration of other states' incentive rates would be tantamount to "benchmarking mediocrity."[28] It is unfortunate that PG&E calls for Commission leadership in energy efficiency, while at the same time disparaging the performance of other states who have been successfully implementing energy efficiency for years. As shown in Exhibit 61,

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[26] DRA Opening Brief, pp. 11-13; Ex. 45, DRA/Roberts, p.14, Figure 5.

[27] Many of the details about programs in other states are available from documents in the record in this proceeding. See e.g., Ex. 13, March 2007 Department of Energy Report, Appendix A, Study of State and Regional Policies that Promote Electric and Gas Utility Programs to Reduce Energy Consumption; Ex. 16, January 2007, Energy Efficiency Policy Tool Kit the Regulatory Assistance Project.

[28] PG&E Opening Brief, p. 27; see also SCE Opening Brief, p. 18 "The Commission should give this state-by-state comparison no weight in its determination of an appropriate shared savings rate."

Vermont, Massachusetts, Rhode Island, Connecticut, New Hampshire and Minnesota all had higher funding levels in 2004 for energy efficiency than California, and have continued to increase their financial commitment to energy efficiency.[29] Connecticut has higher penetration of energy efficiency measures than any other state, including California, while Minnesota, Vermont, Massachusetts and Rhode Island have penetration of energy efficiency measures within 20 percent of California's.[30] DRA respectfully submits that the energy efficiency achievements of these states are anything but "mediocre," and that they have a sustained commitment to energy efficiency on par with California, yet each of these states currently have incentive rates of less than 8 percent of program costs.[31]

The remaining states with incentives, Arizona, Nevada and Wisconsin all have programs with lower levels of energy savings to date, and lower financial commitments to energy programs. Not surprisingly, these states have the highest incentive rates in an admirable effort to "catch up" with California and the many other states with mature energy efficiency programs.[32]

DRA provided the most recently available data from the American Council for an Energy Efficient Economy, updated by DRA's communications with parties in the states surveyed, to compare energy efficiency incentive rates currently offered in other states. PG&E instead provided comparisons to fixed price government contracts, energy

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[29] Ex. 61, results on a per capita basis; similar results occur if the calculation is performed based on percentage of revenue, except that New Hampshire is slightly lower than California. While California's ratepayer investment in EE for the 2006-2008 cycle is unprecedented, other states have adopted EE budgets as high a 96% above 2004 levels, while keeping reasonable incentive levels: Rhode Island increased 97%; Minnesota, 78%; Vermont 57%, Exhibit 45, DRA/Roberts, Figure 5, p. 14.

[30] Ex. 61, based on Cumulative Savings as a percentage of energy sales, using the latest data from 2004.

[31] As a percentage of program costs, DRA's proposal is 4%, NRDC 15.6%, and IOU's from 21.4% to 28.1%. Exhibit 45, DRA/Roberts, Figure 5, p. 14 As DRA pointed out in its Opening Brief, none of the states that currently offer incentives have yet implemented decoupling, so the incentives they offer must overcome this disincentive as well. DRA Opening Brief, p. 22. Moreover, any incentive adopted in California will not have the burden of eliminating the disincentives that occur in other states that have yet to decouple sales from revenues. DRA Opening Brief, p.20.

[32] Ex. 45, DRA/Roberts, p. 14, Figure 5; DRA Opening Brief, pp. 11-13.

efficiency programs in Australia, and a Federal Communications Commission decision involving telecommunications issues.[33] DRA respectfully requests that the Commission weigh the evidence accordingly.

D. The Commission should reject the Utilities attempt to obtain a shared savings rate higher than the amount it uses to incent attainment of other corporate goals.

Having acknowledged that shareholders are not harmed by ratepayer funded energy efficiency[34] and faced with the possibility that energy efficiency achievements in 2004-2005[35] were significant even in the absence of incentives, PG&E now argues that the success of energy efficiency over the past few years was motivated by its expectation that the Commission would award supply-side incentives. At the same time, PG&E complains that the Commission's energy efficiency policy has changed "a number of times."[36] PG&E warns "[a]doption of lower incentives would send a chilling message and risk attenuated performance just at the time EE targets are ramping up most steeply and meaningful incentives are most needed."[37] The Commission should not heed this attempt to obtain incentives of the same magnitude the Utilities would receive if they invested shareholder capital in generation.

The opening brief of SoCalGas/SDG&E continues their claim that "there is a correlation between [supply-side based] incentives and savings.[38]. A well designed statistical analysis using ex post data could have supported this claim, but since it was not undertaken,[39] there is no valid support for the implication that energy savings in 1995-1997 were driven by supply-side based incentives.

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[33] PG&E Opening Brief, pp.29-30, citing Ex. 33, PG&E/Fox-Penner, pp.2-17, 2-32, 2-33.

[34] SCE Opening Brief, p. 12; Ex. 18, SCE/Silsbee, p. 5:8-9.

[35] Energy efficiency achievements for 2004 and 2005 have not yet been verified.

[36] PG&E Opening Brief, p.15.

[37] Id., p.3.

[38] SoCalGas/SDG&E Opening Brief, p.8.

[39] DRA Opening Brief, p. 33.

While the Utilities and the investment community would of course prefer that the Commission give the Utilities "something for nothing" by adopting supply-side comparability, investment analysts can be expected to recognize the stable and predictable nature of energy efficiency cost recovery in comparison to the risks of supply-side investment and Purchase Power Agreements. The Commission should set incentives at a level that would encourage a reasonable utility manager to select energy efficiency as a resource, given the many attractive attributes of energy efficiency compared to supply side investments.

E. PG&E' characterization of fees received by mutual fund managers is incorrect.

PG&E claims that DRA has not correctly applied the management fees charged by mutual funds managers, and that if correctly applied, the investment fund management fee supports PG&E's proposed incentive.[40] PG&E states that the proper comparison is between mutual fund fees and mutual fund income.

PG&E's argument misses the mark. Mutual fund managers earn a management fee for successfully managing other people's money. This is analogous to the Utilities managing the $2 billion of ratepayer funds budgeted for the 2006-2008 energy efficiency program. Mutual fund management fees are expressed as a percentage of fund asset value, not income from the assets, as assumed by PG&E. DRA's proposal provides a return on the energy efficiency program budget that is comparable to the returns fund managers earn on their managed assets.

In fact, DRA's proposal is more generous since it is a supplement to the energy efficiency budget which covers all direct expenses and overheads associated with administering ratepayer-funded energy efficiency programs. Mutual fund management fees on the other hand must covers all of the mutual fund managers' expenses, including salaries and benefits for employees, building and office overhead, and the expenses of buying and selling stocks in the portfolios.

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[40] PG&E Opening Brief, p. 24.

F. NRDC's model produces an excessive rate but makes more sense than the Utilities' models.

The Utilities admit that there is no need to provide energy efficiency incentives to compensate for "lost" earnings on supply-side resources because shareholders do not, in fact, "lose" any earnings as a result of ratepayer-funded energy efficiency.[41] Yet, they try to sneak the "lost earnings" argument in through the back door by insisting that the correct basis for calculating energy efficiency incentives is to calculate the amount of money the utilities would have had to invest in supply-side incentives to generate an amount of energy equivalent to the energy saved through ratepayer-funded EE programs.[42] This argument only makes sense if one is trying to compensate shareholders for lost supply-side earnings – something that the IOUs uniformly deny as being the basis for their EE incentives proposals.[43]

If, instead, the purpose of EE incentives is to garner management attention, as all of the utilities now claim, then the only conceivable reason to look to earnings on supply-side investments is to estimate how much money an activity must generate for shareholders– relative to the size of that activity–in order to get management attention. The size of the energy efficiency activity is measured by the amount of money (albeit ratepayer money) being spent on energy efficiency programs, not by the amount of hypothetical money that might have been spent to achieve a similar result in a different way (via shareholder-funded supply-side resources, for example). In this limited sense, DRA sees NRDC's methodology, which bases incentives on the amount of money spent on energy efficiency programs, as superior to the utility methodologies, which base incentives on the amount of money the utilities would have spent on supply-side resources to obtain an equivalent amount of energy. Of course, as discussed above, DRA believes that NRDC's proposed 12 percent incentive rate still overstates the amount of

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[41] SCE Opening Brief, p. 11.

[42] SCE Opening Brief, pp.14-15; PG&E Opening Brief, p.21 (NRDC's model "does not fulfill its requirement of meaningful comparability to supply side resources").

[43] SCE Opening Brief, p. 11.

energy efficiency incentives that Utilities should receive for achieving energy efficiency goals with ratepayer money.

G. PG&E's SSEF Model

PG&E asserts that its model "most carefully and faithfully sets this [supply-side] benchmark"[44]. While DRA has fundamental disagreement with model's treatment of debt equivalence and alternative use of funds, the model had flaws even aside from these issues. PG&E's Opening Brief highlights that its model has been subject to numerous iterations in response to errors exposed by DRA, TURN, and the model's creators. These errors are significant, as witnessed in the range of calculated earnings in Exhibit 73. PG&E claims to have now "made all necessary corrections,"[45] a belief it presumably held in the past, only to learn of numerous additional problems. PG&E created a complicated model which is subject to errors, and past errors must be considered when the Commission determines if the current version of the model can be trusted as the basis for establishing shareholder incentives.

III. CONCLUSION

DRA respectfully requests that the Commission demonstrate its commitment to a "Big Bold Future" in energy efficiency by recognizing that it does not take a 12 to 20 percent shared savings to align utility and ratepayer interests in the use of energy efficiency as a resource. Instead, the Commission should acknowledge the benefits of

[44] PG&E Opening Brief, p. 31.

[45] Id.

energy efficiency to shareholders as well as ratepayer, and adopt DRA's 3 percent shared savings rate.

Respectfully submitted,

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June 27, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **"THE DIVISION OF RATEPAYER ADVOCATES' REPLY BRIEF ON THE APPROPRIATE SHARED SAVINGS RATE FOR RATEPAYER FUNDED ENERGY EFFICIENCY"** in **R.06-04-010** by using the following service.

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Executed on June 27, 2007 at San Francisco, California.

/s/ REBECCA ROJO

Rebecca Rojo

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