TABLE 1
AEAP Claims--Summary By Incentive Mechanism
(Nominal Dollars)

		SDG&E		SoCalGas		SCE		PG&E	
LIEE		Principal	w/interest and FF&U	Principal	w/interest and FF&U	Principal	w/interest and FF&U	Principal	w/interest and FF&U
1999(1)	2000 AEAP	$39,383	$44,766	$102,515	$117,447	$170,000	$193,544	$383,000	$436,000
1999(2)	2001 AEAP	$39,383	$44,766	$102,515	$117,447	$170,000	$193,544	$341,000	$388,000
2000(1)	2001 AEAP	$44,694	$47,891	$105,751	$114,173	$172,000	$184,528	$410,000	$439,000
2000(2)	2002 AEAP	$44,694	$47,891	$105,751	$114,173	$172,000	$184,528	$410,000	$439,000
2001(1)	2002 AEAP	$107,441	$114,730	$219,777	$237,171	$191,000	$199,892	$0	$0
2001(2)	2003 AEAP	$107,441	$114,730	$219,777	$237,171	$191,000	$199,892	$0	$0
2002(1)	2003 AEAP	$0	$0	$299,816	$315,729	$151,000	$155,729	$0	$0
2002(2)	2004 AEAP	$0	$0	$299,816	$315,729	$151,000	$155,729	$0	$0
2003(1)	2004 AEAP	$116,856	$118,518	$322,286	$330,792	$0	$0	$0	$0
2003(2)	2005 AEAP	$116,856	$118,518	$322,286	$330,792	$0	$0	$0	$0
subtotal:		***$616,748***	***$651,810***	***$2,100,290***	***$2,230,624***	***$1,368,000***	***$1,467,385***	***$1,544,000***	***$1,702,000***
Pre-1998 EE									
1999(1)	2000 AEAP	$0	$0	$36,485	$41,795	$0	$0	$2,493,000 *	$2,832,000
1998(2)	2000 AEAP	$0	$0	$347,659	$421,824	$217,000	$261,667	$4,255,000	$5,121,000
1995(3)	2000 AEAP	$9,477,192	$13,449,419	$869,792	$1,244,019	$365,000	$518,818	$33,767,000	$47,912,000
1996(3)	2001 AEAP	$13,026,015	$17,481,451	$315,602	$426,867	$2,798,000	$3,761,077	$13,882,000	$18,624,000
1999(2)	2001 AEAP	$0	$0	$36,485	$41,795	$0	$0	$2,785,000	$3,164,000
2000(1)	2001 AEAP	$0	$0	$0	$0	$0	$0	$979,000	$1,048,000
1997(3)	2002 AEAP	$3,916,071	$4,967,448	$716,000	$915,338	$3,451,000	$4,384,564	$14,962,000	$18,967,000
2000(2)	2002 AEAP	$0	$0	$0	$0	$0	$0	$604,000	$647,000
1998(3)	2003 AEAP	$0	$0	$347,659	$421,824	$195,000	$235,139	$55,000	$66,000
1994(4)	2004 AEAP	$1,939,394	$2,917,006	$419,000	$635,144	$1,372,000	$2,066,922	$4,973,000	$7,477,000
1999(3)	2004 AEAP	$0	$0	$36,485	$41,795	$0	$0	$2,065,000	$2,346,000
1995(4)	2005 AEAP	$9,240,618	$13,376,700	$869,792	$1,268,970	$1,052,000	$1,544,008	$21,848,000	$31,882,000
2000(3)	2005 AEAP	$0	$0	$0	$0	$0	$0	$792,000	$871,000
1996(4)	2006 AEAP	$11,183,431	$15,684,591	$536,000	$757,618	$3,099,000	$4,486,460	$9,315,000	$13,044,000
1997(4)	2007 AEAP	$3,987,480	$5,431,390	$716,000	$982,907	$3,717,000	$5,315,903	$10,244,000	$13,743,000
1998(4)	2008 AEAP	$0	$0	$347,659	$469,139	$217,000	$308,587	$55,000	$71,000
1999(4)	2009 AEAP	$0	$0	$36,485	$48,693	$0	$0	$2,448,000	$3,035,000
2000(4)	2010 AEAP	$0	$0	$0	$0	$0	$0	$791,000	$933,000
subtotal:		***$52,770,201***	***$73,308,005***	***$5,631,103***	***$7,717,728***	***$16,483,000***	***$22,883,145***	***$126,313,000***	***$171,783,000***
Milestone EE									
1999	2000 AEAP	$3,522,850	$4,004,302	$2,805,359	$3,213,675	$8,610,000 *	$9,802,423	$11,165,000 *	$12,686,000
2000	2001 AEAP	$2,588,020 *	$2,775,874	$1,821,562	$1,966,363	$5,544,000	$5,947,814	$9,804,000 *	$10,499,000
2001	2002 AEAP	$2,681,202	$2,801,527	$1,330,461	$1,401,077	$5,341,000	$5,589,652	$9,560,000	$9,987,000
subtotal:		***$8,792,072***	***$9,581,703***	***$5,957,382***	***$6,581,115***	***$19,495,000***	***$21,339,888***	***$30,529,000***	***$33,172,000***
Total Claims:		**$62,179,021**	**$83,541,518**	**$13,688,775**	**$16,529,467**	**$37,346,000**	**$45,690,419**	**$158,386,000**	**$206,657,000**
Total Claims - Discounted:			**$79,639,474**		**$16,021,783**		**$43,787,264**		**$198,574,180**
Settlement Amount:			**$73,100,000**		**$14,300,000**		**$42,035,185**		**$186,000,000**
Percentage of Total Claims:			88%		87%		92%		90%
Percentage of Total Claims - Discounted:			92%		89%		96%		94%

* Includes adjustments from the Case Management Statement filed October 15,2001.
Source: Exhibit 141A

Source: SERA Review of AEAP Milestone Incentive Claims, September 24, 2004 (Exhibit 146)

Table 2

Verification Documentation Completed by ORA Consultants During the 2001 AEAP

Utility	Study ID	Program Year	Report Type	Program Description
		First Earnings Claim Verification		
PG&E	NA	Paid in 2000	VR	First Earnings Claim
		Load Impact Study		
PG&E	424	Paid in 1999	VR	Nonresidential New Construction
PG&E	422 a, b, c, 423 a, b, c	Paid in 1999	VR	Commercial/Industrial Power Savings Partners
		Retention Studies 3rd Earnings Claim		
PG&E	386 R1	1996	VR	Residential New Construction
PG&E	349 R1, 351 R1	1996	VR	Commercial Energy Efficiency Incentives
PG&E	350 R1, 334b R1, 353 R1 & 334a R1	1996	VR	Industrial Energy Efficiency Incentives
PG&E	354 R1, 385 R1 & 335 a, b, c R1	1996/97	VR	Agricultural Energy Efficiency Incentives
PG&E	373 R1	1996/97	VR	Residential Appliance Efficiency Incentives
PG&E	372 R1	1996	VR	Residential Appliance Efficiency Incentives
PG&E	396 a, b, c, d, e, f R1	1996	VR	Power Savings Partners
SCE	555	1996/97	VR	Nonresdidential DSM Bidding
SCE	553	1996/97	VR	Commerical Industrial Agricultural EEI
SDGE	981	1996/97	VR	Residential Appliance Efficiency Incentives
SDGE	984	1996/97	VR	Residential Appliance Efficiency Incentives
SDGE	990	1996/97	VR	Residential Weatherization Retrofit Incentives
SDGE	993 & 1017	1996/97	VR	Commercial Energy Efficiency Incentives
SDGE	996 &1020	1996/97	VR	Industrial Energy Efficiency Incentives
SDGE	999 & 1023	1996/97	VR	Agricultural Energy Efficiency Incentives
SDGE	1002	1996/97	VR	Residential New Construction
SDGE	1005	1996/97	VR	Nonresidential New Construction
SoCal Gas	720	1996	VR	Commercial Energy Efficiency Incentives
		Retention Studies 4th Earnings Claim		
PG&E	311 R2, 328 R2, 314 R2 & 325 R2	1994	VR	Industrial Energy Efficiency Incentives
PG&E	315 R2, 321 R2, 329 R1 & 331 R2	1994	VR	Agricultural Energy Efficiency Incentives
PG&E	384 R2, 401b R2	1994	VR	Residential Appliance Efficiency Incentives
SDGE	928 & 964	1994/95	VR	Industrial Energy Efficiency Incentives
SDGE	922	1994/96	VR	Residential Appliance Efficiency Incentives
SDGE	931 & 967	1994/95	VR	Agricultural Energy Efficiency Incentives

Source: Additional Testimony of Scott Logan, Table 1 (Exhibit 144)

Table 3

Summary of SERA Recommendations for Retention Studies

Study	Resource Benefit, net – total for study	Recommendation	Shareholder Earnings Claim Dollar Impacts[1]
SDG&E Study 924&960: 1994 & 1995 Commercial Energy Efficiency Incentives. Fourth Year Retention Evaluation.	$184,820,000 (9% of total RBn reviewed)	Reject *ex post* estimates for T8 and occupancy sensors, accept *ex ante* values.	$0 SDG&E used *ex ante* figures in filing computations.
SDG&E Study 985: 1996 & 1997 Residential Appliance Efficiency Incentives Program: Compact Fluorescent Lights Sixth Year Retention Evaluation.	$31,292,000 (1.5% of total RBn reviewed)	Allow longer *ex post* values for CFLs (7.5 vs. 6.4 years); retain *ex ante* values for fixtures.	+$403,212[2] Approximate figure. One year extension in EUL; SDG&E used *ex ante* EULs in filing computations.
SDG&E Study 921: 1994 & 1995 Residential Appliance Efficiency Incentives: Compact Fluorescent Lights. Fourth Year Retention Evaluation.	$28,510,000 (1.4% of total RBn reviewed)	Allow longer *ex post* values for CFLs (10.2 years vs. 7.5 years); retain *ex ante* values for fixtures.	-$4,180[3]
SDG&E Study 922: 1994 & 1995 Residential Appliance Efficiency Incentives Program: Compact Fluorescent Lights: Sixth year Retention Study.	$30,506,000 (1.5% of total RBn reviewed)	Allow longer *ex post* values for CFLs (8.0 vs. 7.5 years); support adoption of *ex post* value reducing EUL value for fixtures (17.2 reduced from 20.0 years).	$0 Filing uses nearest year, so 7.5 was rounded to 8.
PG&E Study 315R2, 321R2, 329R2, 331R2: 6th Year Retention Study of Pacific Gas and Electric's 1994 and 1995 Energy Efficiency Incentives Programs, Agricultural Sector Measures.	$19,835,000 (1% of total RBn reviewed)	Accept longer *ex post* value for heat curtains (15.0 vs. 5.0 years); accept *ex ante* values for all measures analyzed.	$0
SCG Study 718: 1995 Commercial New Construction Program 4th Year Retention Study.	RBn dollars not available	Reject ex ante estimates for ovens and fryers (12 years) and adopt EUL of 6.9 years for ovens and 5.6 years for fryers. Also recommend modification of methodology for acceptance or rejection of ex ante values to allow measures to include provisions that have already met or surpassed the median failure rate.	$0 SCG made no 1997 AEAP claim for new construction program.
SDG&E Study 927&963: 1994 & 1995 Industrial Energy Efficiency Incentives 4th Year Retention Study	$21,261,000 (1% of total RBn reviewed)	Reject *ex post* values for exit signs and ballasts, accept *ex ante* values for other measures.	$0 SDG&E used *ex ante* figures in filing computations.
SDG&E Study 993 & 1017: 1996 & 1997 Commercial Energy Efficiency Incentives 4th Year Retention Study	$139,190,000 (6% of total RBn reviewed)	Reject ex post estimate for optical reflectors, accept ex ante value. Allow longer ex post values for CFLs Accept ex post value for 11-15 watt CFLs (8.8 years vs. 2 years).	$0 SDG&E used *ex ante* figures in filing computations.
Total	$455,414,000		+$399,032

[1] Claim dollar computations provided by utilities as response to data requests from SERA, October 2004.
[2] Sum of $434,986 for 1996 RAEI CFL bulbs, and +$371,439 from 1997 RAEI CFLs (total $806,425). This was multiplied by half because the EUL extension is 1.1 years. SDG&E computations used their traditional assumptions of rounding to the nearest full year. This had the effect of adding 2 years to the lifetime (from 6 to 8 years). We used half this figure to more closely approximate the extension recognized by this change in EUL.
[3] $0 for 1994 RAEI CFLs / fixtures; and -$4,180 for 1995 RAEI CFLs / fixtures.

Source: *Review of Retention and Persistence Studies, Final Report, SERA et al., October 20, 2004, Table 1.1* (Exhibit 147)

TABLE 4

Net Claims Impact from Substitution of TDF=1.0 for Measures 3 and 20 for Past Shareholder Earnings Claims
(in dollars)

	Measure 03 (additions to submitted claim dollars are "+")	Measure 20 (deductions from submitted claim values are "-")	Total Net Claim Impact
PG&E Total	+$46,078	-$3,376	+$42,702
1995 3rd earnings claim (2000 AEAP)	+$5,763	-$1,746	+$4,017
1996 3rd earnings claim (2001 AEAP)	+$547	-$558	-$11
1997 3rd earnings claim (2002 AEAP)	+$39,768	-$1,072	+38,696
SCE Total	+$2,000	-$<1,000	+$1,000-2,000
1996 3rd earnings claim (2001 AEAP)	+$2,000	-$<1,000	+$1,000-2,000
SDG&E	+$0	-$198	-$198
1994 4th earnings claim	+$0	-$198	-$198
SCG	+$0	-$0	$0

Table 5

Milestone Values Verified and Potentially Not At Risk by Utility (PY 1999-2001)

	% of Claimed Dollars Assessed	Award Value Verified (thousands)	Award Claim (thousands)	Share of Claim for Award Not at Risk
PG&E Total	44%	$29,282	$30,618	96%
Expenditure-based	100%	$3,221	$3,248	99%
Energy savings	68%	$7,748	$8,240	94%
Miscellaneous	24%	$18,313	$19,130	96%
SCE – Total	52%	$19,233	$20,386	94%
Expenditure-based	100%	$3,818	$3,818	100%
Energy savings	45%	$4,752	$4,752	100%
Miscellaneous	40%	$10,663	$11,816	90%
SoCalGas – Total	61%	$5,035	$5,653	89%
Expenditure-based	100%	$1,077	$1,077	100%
Energy savings	55%	$1,090	$1,090	100%
Miscellaneous	55%	$2,869	$3,486	82%
SDG&E – Total	47%	$7,919	$8,874	89%
Expenditure-based	100%	$1,124	$1,124	100%
Energy savings	40%	$2,180	$2,300	95%
Miscellaneous	37%	$4,615	$5,449	85%
Overall Total	50%	$61,469	$65,531	94%

Source: *Review of AEAP Milestone Incentive Awards*, SERA, Inc. and Summit Blue Consulting, LLC in association with Global Energy Partners, LLC, September 24, 2004 (Exhibit 146).

TABLE 6

Earnings Claims at Risk Based on SERA Reports
Pre-1998 Shared Savings and 1999-2001 Milestone-Related

	SDG&E	PG&E	SCE	SoCalGas
Studies Related to Pre-1998 SharedSavings				
Retention/Persistence	$399,000	$0	$0	$0
Technical Degradation	-$198	$42,702	$1000-$2,000	$0
Subtotal:	$398,802	$42,702	$1000-$2,000	$0
Studies Related to 1999-2001 Claims				
Milestones*	-$873,072	-$1,247,000	-$262,000	-$655,312
Total:	**-$474,270**	**-$1,204,298**	**-$260,000 to -$261,000**	**-$655,312**

*These adjustments exclude the downward adjustments already reflected in the Case Management Statement (CMS) agreements and in Table 1

For SDG&E:	$ 8,792,072	(CMS)
	$ 7,919,000	(SERA value verified)
adjustment:	$ (873,072)	
For PG&E:	$ 30,529,000	(CMS)
	$ 29,282,000	(SERA value verified)
adjustment	$(1,247,000)	
For SCE:	$ 19,495,000	(CMS)
	$ 19,233,000	(SERA value verified)
adjustment	$ (262,000)	
For SoCal:	$ 5,957,382	(earnings claim-no CMS adj.)
	0.11	(SERA % at risk)
adjustment	-$655,312	

SOURCES: Exhibits 9, 146, 147 and 148.

ATTACHMENT 1

LIST OF ACRONYMS AND ABBREVIATIONS

A.	Application
AEAP	Annual Earnings Assessment Proceeding
ALJ	Administrative Law Judge
Audit	Financial and Management Audit of Utility Public Goods Charge Energy Efficiency Programs from 1998-2002
CADMAC	California Demand-Side Management Advisory Committee
CEC	California Energy Commission
CFL	compact fluorescent lamp
D.	Decision
DEER	Database for Energy Efficient Resources
EE	Energy Efficiency
EUL	expected useful life
FF&U	franchise fees and uncollectibles
I.	Investigation
kW	kilowatt
kWh	kilowatt hour
LIEE	Low-Income Energy Efficiency
MW	megawatt
ORA	Office of Ratepayer Advocates
p.	page
PGC	Public Goodsd Charge
PG&E	Pacific Gas and Electric Company
PHC	Prehearing Conference
pp.	pages
Quantec	Quantec, LLC
R.	Rulemaking
RFPs	Request for Proposals
SBD	Savings By Design
SCE	Southern California Edison Company'
SDG&E	San Diego Gas & Electric Company
SERA	Skumatz Economic Research Associates, Inc.
SoCalGas	Southern California Gas Company
TDF	Technical Degradation Factor
"the utilities"	SDG&E, SCE, SoCalGas and PG&E, collectively
WEM	Women Energy Matters

(END OF ATTACHMENT 1)

ATTACHMENT 2
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DESCRIPTION OF THE SHARED-SAVINGS INCENTIVE MECHANISM ADOPTED IN D.94-10-059

The shared-savings mechanism adopted in D.94-10-059 was in place for program years 1995-1997. It applies to non-low income energy efficiency programs implemented in those years or, in the case of long lead-time construction projects, initiated during that period. Under this shared-savings mechanism, utility shareholder earnings are 30% of the performance earnings basis (PEB), which represents net resource benefits (savings benefits minus costs). Measurement and evaluation (M&E) studies update the values utilized to calculate the annual energy savings produced by the programs and to measure the effective useful lives, which would impact the lifecycle energy savings. This, in turn, updates the PEB and utility shareholder earnings claims to reflect program results.

CALCULATING LIFECYCLE ENERGY SAVINGS

Lifecycle energy savings for each measure is:

<u>Annual Energy Savings</u> x <u>Effective Useful Life of the Measure</u> x <u>Degradation Ratio</u>

The studies that change the lifecycle energy savings estimates are[1]:

1. *first-year impact evaluations*: studies using ex post data to estimate the actual annual savings achieved by the measures installed;
2. *retention studies*: studies that monitor what fraction of the measures remain in place and operable after various numbers of years. These studies are used to develop revised estimates of the effective useful life (EUL) of measures. (EUL is defined as the age at which half of the measures are no longer in place and operable);
3. *technical degradation studies*: studies that assess whether the annual energy savings of installed measures remain constant over the years

[1] The timing, definition, and use of these studies is contained in the Protocols and Procedures for the Verification of Costs, Benefits, and Shareholder Earnings From Demand-Side Management Programs Tables 8A, 8B, 9A and 9B, as adopted in the AEAP Decisions.

DESCRIPTION OF THE SHARED-SAVINGS INCENTIVE MECHANISM ADOPTED IN D.94-10-059

or decline because the energy efficient equipment becomes relatively less efficient with age or use compared to the base equipment.

Persistence is the combined effect of measure retention and technical degradation in limiting the total energy savings produced by a measure.

CALCULATING EARNINGS FOR EACH OF THE 4 EARNINGS CLAIMS

The utilities make their earnings claims in 4 installments (in the 1st, 2nd, 4th, and 9th year after the program year). [2] Each time, a new lifecycle savings estimate is produced to use in calculating the PEB, and the utility is paid an amount that will bring its shared savings earnings up to the appropriate cumulative share of the newly calculated shared savings amount. The new component of the lifecycle savings estimate is underlined for the 2nd, 3rd, and 4th claims described below.

1. 1st Claim: Payment of 1/4 of the total shared savings earnings claim amount based upon the 30% utility earnings share of the estimated PEB.

   The estimated lifecycle energy savings used in computing the performance earnings basis is calculated using:

   a) Annual savings for every program measure derived from the annual savings estimates produced from program tracking systems and ex ante measure savings estimates;

   b) These are multiplied by the expected useful lifetime of all the measures, using Appendix F of the Protocols, the ex ante useful lifetime estimates;

   c) Actual program costs for the program year replace the estimated program costs.

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[2] The schedule for the various claims are how they are calculated are in Table 10 of the M&E Protocols.

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DESCRIPTION OF THE SHARED-SAVINGS INCENTIVE MECHANISM ADOPTED IN D.94-10-059

d) Verified measure installations for the program year update the estimated program participation assumptions concerning type and number of measures installed.

2. 2nd Claim: Payment of 1/2 of the total shared savings earnings claim amount based on a newly revised estimate of the PEB, minus the earnings received in the first earnings claim. (This trues up the payment to the newer estimate of shared savings. The revision to the PEB is a revision of the estimate of lifecycle savings. That estimate now uses the:

   a) Annual savings derived from the first-year impact evaluation studies;

   b) Multiplied by the expected useful lifetime of all the measures, using Appendix F of the Protocols, the ex ante useful lifetime estimates.

3. 3rd Claim: Payment of 3/4 of the total shared savings earnings claim amount based on a newly revised estimate of the PEB, minus earnings received in the 1st and 2nd Claims. Again, the revision to the PEB is a revision of the estimate of lifecycle savings. That estimate now uses the:

   a) Annual savings derived from the first-year impact evaluation studies;

   b) Multiplied by the revised expected useful lifetime of all the measures, using the 3rd or 4th year (depending on the program) studies of the retention of measures, plus the statewide studies of measure degradation.

4. 4th Claim: Payment of 100% of the shared savings earnings claim amount based on a newly revised estimate of the PEB, minus the earnings already received from the 1st, 2nd, and 3rd Claims. Again, the revision to the PEB is a revision of the estimate of lifecycle savings. That estimate now uses the:

DESCRIPTION OF THE SHARED-SAVINGS INCENTIVE MECHANISM ADOPTED IN D.94-10-059

a) Annual savings derived from the first-year impact evaluation studies;

b) Multiplied by the revised expected useful lifetime of all the measures, using the 6th or 9th year (depending on the program) studies of the retention of measures, plus the statewide studies of measure degradation.

Note that if the orginal, pre-program estimates had been completely accurate, the amounts awarded at each claim would have been 25% of the total. Variations from this pattern arise because of the succesive true-ups based on (1) actual costs and installations (from the program tracking databases), (2) first-year impact studies, (3) first true-up of persistence, and (4) final true-up of persistence.

NUMERICAL ILLUSTRATION

To illustrate how this shared-savings mechanism works for a specific program, the following example from SoCalGasGas' 1997 AEAP filing is provided below.[3] This describes in detail how this process works for SoCalGas' PY1996 Commercial Energy Efficiency Incentives (CEEI) program, and shows how a study can modify an initial claim and how the earnings are then adjusted. Our discussion below as to what happens with the claim in the 2001 and 2004 AEAPs is hypothetical, since the 2001 AEAP is pending and the 2004 AEAP applications have not yet been filed.

SoCalGas submitted its first earnings claim for the PY1996 CEEI program in the 1997 AEAP. SoCalGas became eligible for earnings on the program by demonstrating that it exceeded the 75% minimum performance

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[3] The example is taken from the Joint Comments of SoCalGas and SDG&E, January 18, 2002, pp. 12-14.

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DESCRIPTION OF THE SHARED-SAVINGS INCENTIVE MECHANISM ADOPTED IN D.94-10-059

threshold for the nonresidential portfolio.[4] In the first earnings claim, SoCalGas estimated that it would earn a total of $1.138 million for the PY1996 CEEI program over the ten-year measurement period, or 30% of the $3.793 million in net benefits to ratepayers. That is, based on the actual number of measures installed and *ex ante* estimates of measure savings, SoCalGas projected that the "return" on ratepayers' investment in the PY1996 CEEI program would be $3.793 million. The actual amount SoCalGas requested for PY1996 CEEI earnings was 25% of $1.138 million, or $284,000. This represented the *first* of four claims for the program.

A first-year load impact study was conducted on the CEEI program in 1997, the year subsequent to the program year. Load impact studies are designed to verify per measure savings estimates, using billing data and other *ex post* measurement approaches. The 1997 study found that the *ex post* measure savings were significantly lower than what was forecasted in the energy savings calculations used in the first earnings claim. The estimate of $3.793 million in net benefits presented during the first claim (see above) was revised downwards to $1.383 million based on the load impact study. Therefore, as part of the *second* claim for PY1996 CEEI program (filed in the 1998 AEAP), the lifecycle earnings claim was revised from $1.138 million to $415,000 (i.e., 30% of $1.383 million). The second claim was then 50% of the new lifecycle earnings of the program, minus what was collected in the first claim. In this case, the claim was *negative* $77,000.[5] SoCalGas' total portfolio claim made in the 1998 AEAP reflected this reduction from its CEEI program.

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[4] SoCalGas achieved 136% of its performance forecast for its portfolio of 1996 non-residential programs. *Ibid*. Attachment.

[5] Revised Lifecycle earnings = $415,000; 50 percent of Revised life cycle earnings = $207,500, minus Earnings Recovered From First Claim ($284,000) = *-$77,000*.

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DESCRIPTION OF THE SHARED-SAVINGS INCENTIVE MECHANISM ADOPTED IN D.94-10-059

In the pending 2001 AEAP, SoCalGas has filed its third earnings claim for the PY1996 CEEI program, based on the results of its fourth-year retention study. According to SoCalGas, the results of that study suggest no change to the *ex ante* expected useful lives for the measures. Assuming that the study methodology and results are found to be valid in the pending 2001 AEAP, the lifecycle earnings value of $415,000 (derived for the second claim and revised from the original claim) would not change from the second earnings claim. The third claim is 75 percent of the lifecycle earnings for the program, *minus* what has already been collected as part of the first and second claims. Therefore, SoCalGas submitted a third earnings claim for $104,250.[6]
The M&E Protocols requires a ninth-year retention study to be completed for the program and submitted in 2004. Therefore, SoCalGas is expected to file its fourth earnings claim in the 2004 AEAP. If it is assumed that the results of the ninth study confirm the expected useful measure life, the fourth earnings claim is equal to 100 percent of the lifecycle earnings ($415,000) minus the earnings recovered from the three previous earnings claims: $284,000 in the first claim, minus $77,000 in the second claim, plus $104,000 in the third claim, totaling $311,000. Therefore, the fourth claim would equal $415,000 minus $311,000 or $104,000.

In this example, the four payments add up to the total lifecycle earnings claim of $415,000 for the PY1996 CEEI Program. This amount represents

[6] Lifecycle earnings = $415,000; 75 percent of lifecycle earnings = $311,250; *minus* earnings recovered from the First and Second Claims = $207,000 [$284,000-$77,000]; Total = $104,250 to be collected as part of the third claim filed in the 2001 AEAP.

(END OF ATTACHMENT 2)

DESCRIPTION OF THE SHARED-SAVINGS INCENTIVE MECHANISM ADOPTED IN D.94-10-059

30% of the net benefits to ratepayers ($1.383 million), as verified by *ex post* measurement studies over the ten-year period.

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DESCRIPTION OF LIEE PERFORMANCE ADDER INCENTIVE MECHANISMS ADOPTED BY THE COMMISSION

Since 1990, the Commission has experimented with incentive mechanisms designed to encourage the utility to offer energy efficiency information and direct assistance equitably and without discrimination. As a result, the Commission has encouraged the utilities to expand low-income energy efficiency (LIEE) services by authorizing funding for these programs and by rewarding utilities in modest amounts for their efforts.[1] Performance adder mechanisms were put in place by D.90-08-068 to apply to programs funded primarily for equity reasons, such as LIEE, or in which the link between programs and savings is difficult to measure.

Performance adder mechanisms are similar to a "management fee" incentive. They generally calculate earnings by multiplying the amount of recorded program expenditures by some percentage, usually a fixed five percent. However, the performance adder mechanism applied to these programs has been modified over the years, as described in the following sections.

LIEE Performance Adder Mechanisms through 1999

Before program year (PY) 1995, utility earnings were based exclusively on program expenditures, subject to a minimum performance standard (MPS). The MPS was linked to program accomplishments in installing the "Big Six" mandatory measures, i.e., those that were required by Public Utilities (Pub. Util.) Code § 2790 at the time: 1) attic insulation, 2) caulking, 3) weatherstripping, 4) low flow showerheads, 5) water heater blankets and 6) door and building envelope repairs which reduce infiltration. After achieving a certain MPS, the utilities would receive 5% of actual expenditures on all "non-mandatory" measures, e.g., appliance

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[1] A description of these incentive mechanisms and their development can be found in D.94-10-059 and in our 1995 and 1996 Annual Earnings Assessment Proceeding decisions, D.95-12-054 and D.96-12-079.

DESCRIPTION OF LIEE PERFORMANCE ADDER INCENTIVE MECHANISMS ADOPTED BY THE COMMISSION

replacement and energy education.[2] The utilities were not allowed to earn on expenditures on Big Six measures or to shift funds from these mandatory measures to non-mandatory measures during this period.

By D.94-10-059, the Commission further refined the performance-based adder mechanism for LIEE by standardizing the MPS across utilities and adding an additional link to improve productivity. Specifically, the MPS was established at 75% of forecasted first-year energy savings from the mandatory measures under the program, with a true-up in the following Annual Earnings Assessment Proceeding (AEAP) to reflect actual program participation levels. If the utilities achieved this MPS, earnings would be calculated as 5% of expenditures on non-mandatory measures, adjusted by a factor based on the ability of the utility to reduce average costs relative to the previous year. This performance adder mechanism remained in effect through PY 1999.

Trial LIEE Performance Adder Mechanism for 2000

Parties to the 1999 AEAP proposed an alternate performance adder mechanism in response to the passage of Assembly Bill 1393, which was signed by the Governor in October 1999. Among other things, this bill modified Public Utilities Code § 2790 by removing the distinction between mandatory and non-mandatory measures. ORA, the utilities and interested parties developed a joint recommendation to replace the current incentive mechanism with one that would provide incentives for all measures, as opposed to non-mandatory measures only. In approving the joint recommendation, the Commission stated: "This is recommended as a

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[2] Before PY 1995, the MPS varied among utilities, both in terms of the unit of measurement used to establish the program goal for mandatory measures (e.g., number of measures installed, savings achieved) and the minimum threshold that had to be achieved before being eligible for incentives on non-mandatory measures.

DESCRIPTION OF LIEE PERFORMANCE ADDER INCENTIVE MECHANISMS ADOPTED BY THE COMMISSION

trial mechanism…for PY 2000 only. For PY 2001 and beyond, parties will work on and recommend a longer-term performance incentive mechanism." (D.00-09-038, *mimeo.*, p.30.)

The trial PY 2000 shareholder incentive mechanism modified the performance adder mechanism approved in D.94-10-059 to reflect actual installations of measures, rather than a demonstration of efficiency calculated as a ratio of past year expenditures and savings to current year expenditures and savings. For measures that produced no energy savings, or had energy savings that were difficult to measure ("non-savings measures"), earnings were based on a fixed percentage of expenditures on these measures, similar to the pre-1995 performance adder mechanism. Non-savings measures included energy education, furnace repair and replacements, and weatherization outreach.

LIEE measures that produced measurable savings, referred to as "savings measures", were assigned a monetary incentive reward based on their relative contribution to life cycle energy savings. Savings measures included weatherization (e.g., insulation, caulking) and appliance replacements. Utility earnings were equal to the actual number of savings measures installed, multiplied by the incentive per measure.

The starting point for the calculation of incentive rewards was the target earnings level, which was equal to roughly 5% of expenditures on non-mandatory measures. For all four utilities combined, this target was approximately $1.4 million. The target earnings number for each utility was used to derive the incentive factors applied to actual measure installations (for savings measures) or to actual expenditures (for non-savings measures). It served to "bound" the level of the incentive factors, but not the total amount of potential earnings. The utility could earn more or less than targeted earnings depending on how many and what type of measures are actually installed. For non-savings measures, the utility

DESCRIPTION OF LIEE PERFORMANCE ADDER INCENTIVE MECHANISMS ADOPTED BY THE COMMISSION

could earn more or less than targeted earnings depending on the actual level of expenditures.

More specifically, the first step in deriving the incentive factors would be to allocate target earnings between savings and non-savings measures, which was 75/25 under the PY 2000 trial incentive mechanism. For SDG&E, those figures were $75,373 and $25,124, respectively. The 75% portion would then be further broken down between forecasted gas and electric earnings ($47, 930 and $27,443, respectively, for SDG&E).

To derive the incentive factor for one of SDG&E's gas measures, for example, the $47,930 gas target earnings figure would be multiplied by the relative proportion that each measure is expected to contribute to total gas life cycle savings. For example, R-19 ceiling insulation was expected to contribute 4.10% to total gas savings under SDG&E's program. Therefore, $1,965 of target gas earnings ($47,930 x 4.10%) was allocated to this measure. Dividing $1,965 by the projected installation frequency for R-19 ceiling insulation (217) produced the incentive factor of $9.06 per unit installed. This incentive factor would then applied to the actual number of installations of R-19 ceiling insulation during the program year.

For education and furnace repair/replacement, the incentive factor was calculated very differently, and much more simply: The target earnings for these measures was divided by the budget for these measures. For SDG&E, this resulted in an incentive factor of 1.40% ($25,124 divided by $1,790,640), which was then multiplied by actual expenditures on these measures during the program year.

LIEE Performance Adder Mechanism for 2001 and Beyond

For program year 2001, the utilities and interested parties reached consensus on a recommendation to retain the trail incentive mechanism described above, using updated information to calculate the lifecycle

DESCRIPTION OF LIEE PERFORMANCE ADDER INCENTIVE MECHANISMS ADOPTED BY THE COMMISSION

savings for each measure and installation frequency forecasts. However, in D.01-06-082, the Commission articulated major concerns over extending this approach beyond PY2000. In particular, the Commission noted that even if it wanted to continue the trial incentive mechanism through 2001, it could not do so without a further evaluation of life cycle savings for the new measures adopted by D.01-05-033, and a recalculation of all of the incentive factors proposed by the utilities in their filings, based on that evaluation. Moreover, the necessary savings information for the new measures adopted under the Commission's LIEE rapid deployment approach for PY 2001 would probably not be available for these measures on a reliable basis for some time.

In addition, the Commission observed that the trial mechanism was overly complicated and administratively burdensome to implement during a rapid deployment period, where many different entities would be mobilized to deploy these measures, very quickly, throughout the utilities' service territories. In the Commission's view, continuing with an incentive mechanism that placed a different monetary value on each particular measure installed could work at cross-purposes to its goals for rapid deployment:

> "In negotiating contracts with [low-income home energy assistance program]providers to best leverage resources, we do not want the utility motivated by the particular incentive factor in determining which measures to purchase in bulk to leverage LIHEAP resources, for example. Nor do we want these monetary factors to influence utility decisions on whether the LIHEAP program should provide the basic weatherization services in a particular area, and use the LIEE program to supplement with additional measures not provided under LIHEAP (or vice versa). However, such considerations are unavoidable with an incentive structure

DESCRIPTION OF LIEE PERFORMANCE ADDER INCENTIVE MECHANISMS ADOPTED BY THE COMMISSION

> that produces differential incentives for each measure installed under LIEE. "[3]

In sum, the Commission concluded that the PY 2000 trial incentive mechanism should be discontinued. However, it did not simply return to the "default" performance adder mechanism that was in place for PY 1999. As described above, that version of the performance adder mechanism included an adjustment based on the average costs of savings each year. The Commission concluded that such an adjustment does not make sense when program design radically shifts in size or design, as would be the case in the coming years for LIEE. Accordingly, the Commission decided to revert to a performance adder mechanism that did not include such an adjustment, similar to the one in effect prior to PY 1995.

Specifically, for PY2001 and until further Commission order, the Commission adopted a performance adder mechanism that awarded incentives based on actual program expenditures and subject to a MPS. Historically, the MPS was based on achieving a percentage of expected first-year savings from the mandatory portion of the LIEE program, based on the installation goals presented by each utility in the proceeding. The Commission determined that it was still reasonable to require a certain threshold level of savings from the "Big Six" measures, even though there was no longer any distinction in the statute between those and other feasible LIEE measures:

> "More efficient appliances and other …measures are important and lead to increased energy savings and reduced demand for the utilities, as well as lower bills for the participants. However, it is essential that our low-income

[3] D.01-06-082, *mimeo.*, p. 14.

DESCRIPTION OF LIEE PERFORMANCE ADDER INCENTIVE MECHANISMS ADOPTED BY THE COMMISSION

> ratepayers be afforded the building envelope efficiencies and amenities provided by basic weatherization measures." [4]

Consistent with this philosophy, the Commission articulated its intent that the "whole home" focus of LIEE should continue during rapid deployment, stating:

> "We are not advocating the rapid deployment of a few new measures without expanding the comprehensive weatherization work that is being done well now…. Basing the MPS on all feasible measures would work at cross purposes with this objective by motivating the utilities to simply blanket their service territories with refrigerator or air conditioner replacements, and ignore the basic weatherization measures. Therefore, we will establish the MPS based on actual achievements in installations of the Big Six weatherization measures, and their associated first-year savings." [5]

In D.01-06-082, the Commission increased the MPS from 75% to 100% of the PY2001 savings goals presented by the utilities in their filings to reflect the dramatic increase in LIEE adopted in D.01-05-033 to implement a rapid deployment of services for 2001 and beyond. Consistent with prior practices, this threshold of performance would apply to the first-year savings achieved from Big Six measures, as verified with actual program participation levels in the AEAP. Once this level is achieved, utilities would be eligible for performance adder incentives.

The utility-specific thresholds are presented below. SDG&E does not have kWh threshold requirements because the Big Six measures

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[4] *Ibid.*, p. 15.

[5] *Ibid.*, pp. 15-16.

DESCRIPTION OF LIEE PERFORMANCE ADDER INCENTIVE MECHANISMS ADOPTED BY THE COMMISSION

predominately save natural gas in its service territory. Appendix 1 provides the breakdown of these thresholds, by measure.

D.01-06-082	kWh	therms
PG&E	2,139,056	1,198,319
SCE	415,880	---
SDG&E	---	150,921
SoCalGas	---	458,580

However, the Commission did depart from past practices in establishing the basis for the management fee (referred to as the "performance basis"). In the past, that performance basis had been program expenditures related only to "non-mandatory" measures, i.e., all measures or program activities other than the Big Six measures. The range of monetary rewards under performance adder mechanisms in the past, applying a 5% management fee to this performance basis, had ranged from $1.5 to approximately $3.0 million for the four utilities combined.

Noting that the Big Six measures were no longer mandatory under the statute, the Commission determined that this distinction in performance basis was no longer applicable. Moreover, the Commission noted that a performance basis limited to a certain subset of LIEE measures had the potential for encouraging expenditures on those measures even if focusing on other measures would more effectively promote the rapid deployment strategy adopted in D.01-05-033. Therefore, the Commission defined the performance basis as total LIEE program expenditures, not including shareholder earnings. The Commission also adjusted the management fee downwards to 2%. Assuming that the utilities did meet the MPS and also expended all PY2001 authorized funding for rapid deployment by December 31, 2001, the Commission estimated that target earnings would be on the order of $3.0 million for the four utilities combined. This represented the higher end of the range for prior LIEE

DESCRIPTION OF LIEE PERFORMANCE ADDER INCENTIVE MECHANISMS ADOPTED BY THE COMMISSION

incentive awards, which the Commission found reasonable given the increased effort that would be required under rapid deployment.

Finally, the Commission continued the current practice of authorizing recovery of LIEE incentives over two, equal installments. Authorization for recovery of the first 50% of these incentives would be handled in the first AEAP proceeding in which the Commission assessed actual program participation levels and expenditures for the program year. The remaining 50% of the earnings claim would be authorized for recovery in the AEAP proceeding following the completion of a first-year load impact study for the program year. Also consistent with past practices, the load impact study would not affect the amount of earnings claim recovery, but rather will be used to guide future program development.

As indicated in Table 1 of this decision, PG&E has not met its MPS requirement under the LIEE performance adder mechanism for any of the program years since 2000. SCE did not meet its MPS requirement in 2003. SDG&E did not meet its MPS requirement in 2002. In 2003, when both SDG&E and SoCalGas met their respective MPS requirements, their earnings claims for LIEE were $116,856 and $322,286, respectively.

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PY2001 LIEE Shareholder Incentives Subject to The Following Minimum Performance Standards (MPS) of 1st Year Program Energy Savings			
UTILITY	"BIG SIX" MEASURES	MPS adopted in D.01-06-082[1]	
		(therms)	(kWh)
SCE	low flow shower head		159,333
	water heater blanket		21,483
	ceiling insulation		5,273
	building envelope repair		144,880
	caulking and weatherstripping		84,912
			415,881
SCG	Attic Insulation - sf (Gas)	44,280	
	Attic Insulation - mf (Gas)	18,000	
	Low Flow Showerhead (Gas)	168,871	
	Water Heater Blanket - sf (Gas)	17,034	
	Water Heater Blanket - mf (Gas)	8,169	
	Water Heater Blanket - mobile (Gas)	798	
	BER – sf	88,888	
	BER – mf	34,107	
	BER – mh	6,751	
	Weather-stripping –sf	36,231	
	Caulking - sf (Gas)	8,672	
	Weather-stripping –mf	17,503	
	Caulking - mf (Gas)	4,883	
	Weather-stripping –mh	3,375	
	Caulking - mobile (Gas)	1,020	
		458,582	
SDGE	Weather-stripping –mf	9,776	
	(Minor Home) Repair materials	68,238	
	Low Flow Showerhead	45,043	
	Caulking – mf	9,433	
	Weather-stripping –sf	5,056	
	Ceiling Insulation R-19	4,557	
	Caulking - sf unit	4,368	

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	Ceiling Insulation R-11	2,373	
	Water Heater Blanket	2,076	
		150,920	
PGE	Attic Insulation - sf w/ ESH		56,514
	Attic Insulation - sf w/AC		243,173
	Attic Insulation - sf w/GSH	144,768	
	Attic Insulation - mf w/ESH		798
	Attic Insulation - mf w/AC		9,486
	Attic Insulation - mf w/GSH	861	
	Caulking - sf w/ESH		14,856
	Caulking - sf w/AC		42,819
	Caulking - sf w/GSH	24,643	
	Caulking - mf w/ESH		27,969
	Caulking - mf w/AC		12,349
	Caulking - mf w/GSH	744	
	Caulking - mh w/ESH		1,830
	Caulking - mh w/AC		3,957
	Caulking - mh w/GSH	2,229	
	Door Weatherstripping - sf w/ESH		44,031
	Door Weatherstripping - sf w/AC		126,049
	Door Weatherstripping - sf w/GSH	72,814	
	Door Weatherstripping - mf w/ESH		49,018
	Door Weatherstripping - mf w/AC		31,543
	Door Weatherstripping - mf w/GSH	2,124	
	Door Weatherstripping - mh w/ESH		5,976
	Door Weatherstripping - mh w/AC		9,188
	Door Weatherstripping - mh w/GSH	6,378	
	Low Flow Showerhead sf w/EWH		778,680
	Low Flow Showerhead sf w/GWH	522,340	
	Low Flow Showerhead mf w/EWH		
	Low Flow Showerhead mf w/GWH		
	Low Flow Showerhead mh w/EWH		
	Low Flow Showerhead mh w/GWH		
	(Minor Home) Repair sf w/ESH		94,769
	(Minor Home) Repair sf w/AC		272,165
	(Minor Home) Repair sf w/GSH	157,437	
	(Minor Home) Repair mf w/ESH		93,044
	(Minor Home) Repair mf w/AC		58,212

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	(Minor Home) Repair mf w/GSH	4,175	
	(Minor Home) Repair mh w/ESH		11,452
	(Minor Home) Repair mh w/AC		17,662
	(Minor Home) Repair mh w/GSH	12,278	
	Water Heater Blanket sf w/EWH		112,331
	Water Heater Blanket sf w/GWH	75,796	
	Water Heater Blanket mf w/EWH		11,910
	Water Heater Blanket mf w/GWH	8,036	
	Water Heater Blanket mh w/EWH		9,275
	Water Heater Blanket mh w/GWH	6,258	
		1,040,882	**2,139,056**
Abbreviations:			
	sf=single family; mf=multi-family; mh= mobile home		
	ESH=electric space heating; AC=air conditioning; GSH=gas space heating		
	EWH=electric water heating; GWH=gas water heating		
Note: The total natural gas MPS for PG&E's adopted in D.01-06-082 is 1,198,319 therms, or 157,437 therms higher than the sum of the individual measures here. The measure equal to this savings (Minor Home Repair sf w/GSH) may have been inadvertently double counted.			
1 See Attachment 3 of D.01-06-082.			

(END OF APPENDIX)

(END OF ATTACHMENT 3)

POST 1997 ENERGY EFFICIENCY INCENTIVE MECHANISMS[1]

From 1998 through 2002, the focus of Commission-authorized energy efficiency programs underwent significant changes as California embarked on restructuring its electric industry and was later confronted by the energy crisis. With electric restructuring, the Commission directed energy efficiency programs towards the long-term transformation of California's energy efficiency market in which private energy efficiency providers offer and customers adopt increased levels of energy efficiency products, services, and practices, with decreasing needs for public funds. The Commission reduced emphasis on resource savings and introduced performance milestones showing the programs' market transformation effects as basis for the utilities' incentive mechanism. This market transformation focus lasted until 2000, when, in the face of the state's energy crisis, the Commission revised direction in favor of reducing energy consumption and achieving load reductions.

A. Electric Restructuring and Shareholder Incentives

In Decision (D.) 95-12-063, dated December 20, 1995, as modified by D.96-01-009, the Commission described its vision of a competitive framework for the electric services industry. The vision acknowledged the continued need for energy efficiency programs, but signaled a major shift in emphasis away from financial incentives to individual customers towards programs with broader market transformation effects, such as educational programs and incentives targeted to equipment and appliance manufacturers. The Commission envisioned a two-track approach to energy efficiency. Market transformation activities, such as increasing building or appliance standards or educating customers about their energy use, comprised one track. The Commission anticipated that market transformation activities would continue to be funded by ratepayers since they served the broader public interest, but were unlikely to be provided without ratepayer funding in a competitive market. The second track consisted of other services that customers desired, such as assistance with managing energy use at a plant or commercial site. The Commission envisioned that a competitive market would develop to provide these customer service investments, beyond some transition period. During this transition to a fully competitive market, Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company and Southern California Gas Company ("the utilities") would continue to administer energy efficiency programs.

[1] This description draws heavily from Section 2 (Background) of "Review of AEAP Milestone Incentive Awards, Program Years 1999-2002," September 24, 2004, prepared for the California Public Utilities Commission by Skumatz Economic Research Associates, et al. (Exhibit 146.)

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POST 1997 ENERGY EFFICIENCY INCENTIVE MECHANISMS

By D.97-12-103, dated December 16, 1997, the Commission adopted an initial generation of "milestone-based" incentives proposed by the California Board for Energy Efficiency (CBEE).[2] Under the milestone-based incentive approach, the utilities would earn if they accomplished specific milestones related to program management achievements, program activities or changes in markets due to the program. Management-based milestones included deadlines for implementing the program or completing training sessions. Program Activity-based milestones included the number of designers trained and the number of energy efficiency measures installed. Market Changes and Market-Effects-based milestones were based on observable changes in stocking or availability of energy efficient measures and equipment, or on demonstrable changes in awareness or knowledge.

For those programs still subject to a shared-savings incentive mechanism, such as direct rebate programs, the Commission adopted a mechanism that substantially reduced the 30% shared-savings percentage. In addition, the Commission reduced the savings measurement period, the number of payment installations and based earnings for these programs on *ex ante* savings estimates developed from previous year *ex post* studies. In addition, the Commission adopted CBEE's proposal for an overall cap on each interim administrator's earnings as follows: PG&E--$9.221 million; SDG&E--$3.199 million; SCE--$6.632 million and SoCal--$1.558 million. These caps were expressed as a percentage of the program budgets, and reflected CBEE's assessment of differences in the overall balance between risk and reward among programs, and among utilities.

The Commission noted that the modifications moved in the right direction by reducing emphasis on resource savings and introducing performance milestones based on criteria more suited to market transformation objectives. The adopted shareholder incentive mechanism reduced the shared-savings rates substantially and capped incentive levels between 8% and 14% of program budgets.

[2] CBEE was established as an advisory board during electric industry restructuring, but was subsequently disbanded for a variety of policy and legal reasons. A more detailed history of CBEE and the Commission's efforts to transition to independent administration of energy efficiency during electric restructuring can be found in Attachment 2 of D.03-10-057.

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POST 1997 ENERGY EFFICIENCY INCENTIVE MECHANISMS

B. Milestone Incentives for 1999-2000 Program Years

For program years (PY) 1999-2000, the utilities continued to receive earnings based on reaching or surpassing various milestone goals that were, for the most part, not based on energy savings achieved but rather on specific market transformation and program implementation targets.[3] Examples of these milestones include increasing the number of contractors trained in energy-efficient installation techniques, documenting the number of energy efficiency information packets distributed, or increasing the market share of ENERGY STAR® appliances. If the utility was to receive the incentive payment (in addition to the reimbursement for program cost), milestones had to have been achieved within a specific timeframe, usually by the end of the program year, but often earlier.

The milestones were laid out with two possible levels of achievement: "superior" and "acceptable" (also referred to as Target 1 and Target 2). If a milestone was achieved at the superior level of performance, then the maximum award level was claimed. If the milestone was achieved at the acceptable level of performance, then the minimum award was claimed. For example, if a milestone stated that 10 contractor workshops were to be completed by June 30 (the "superior" achievement), a separate deadline of July 30 (the "acceptable" achievement) might have also been established to allow for a lessor award.

For PY1999, the total incentive payment that the utilities could claim was equal to 11% of the total energy efficiency budgets. For PY2000 (and PY2001), the maximum incentive was reduced to 7% of the budget amounts.

C. Milestone Incentives for Program Year 2001

By PY2001, the view of program success had changed, resulting in a corresponding shift in milestone goals. As a result of the lessons learned from the structure of the PY199-2000 milestones and from the energy shortage California was experiencing at the time, in PY2001 the Commission tied performance incentive awards to specific energy savings targets in addition to the completion of milestones.[4]

The PY2001 milestones are based in part on energy savings targets and in part on the market transformation and program implementation targets as in previous years. Rather than subjecting the energy savings to measurement after the completion of the program ("*ex post*"measurement), *ex ante* energy savings estimates were assumed for energy efficiency measures installed under

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[3] See Resolution E-3578 (March 1999) and D.00-07-017 (July 2000).
[4] See D.01-01-060, January 2001.

POST 1997 ENERGY EFFICIENCY INCENTIVE MECHANISMS

the programs, and only the actual installation of the measures was subject to review. In addition, utility administrators were given the flexibility to shift funds as needed to meet demand for the programs while maximizing energy savings.

Energy savings milestones were divided into three energy savings categories (peak kW, annual kWh, annual therms). The Commission established two sets of savings goals for each utility. The first set represented the minimum level of savings that each was required to meet in order to earn shareholder incentives. Once a utility met this minimum, it would automatically be eligible for 50% of the 80% of shareholder incentives allocated to energy or demand savings. If the utility met the second set of maximum savings targets, it would be eligible for 100% of the 80% of savings-related shareholder incentives. Shareholder incentive awards were scalable between the minimum and maximum savings level set determined by the Commission.

In order to encourage utilities to meet all of their program area targets, the utilities were offered an additional 5% of the 7% performance award cap on program budgets for shareholder incentive bonus for achieving all of their proven program savings targets.

D. Elimination of Shareholder Incentives for Program Year 2002

For the 2002 program years, the utilities were not eligible for shareholder incentives for their program accomplishments, but instead a portion of their program costs were at risk for refund if they unreasonably failed to meet program goals.[5]

Program goals in 2002 were very similar to 2001 programs in that they were a combination of both energy savings targets based on *ex ante* assumptions as well as non-energy savings performance targets. This approach continued to focus the goals on overall energy reduction rather than specifying exact program achievements (e.g., installing 10,000 compact fluorescent bulbs). PY2002 divided program goals into two categories: (1) pre-determined (*ex ante)* energy savings and demand reduction targets and (2) a set of non-energy savings targets, including specific goals for the hard-to-reach customer segment. Rather than having the specific milestone thresholds for achievement as in prior program years, the utilities were required only to make reasonable efforts in achieving program goals.

[5] See D.02-03-056, March 21, 2002, pp. 55-56 and Ordering Paragraphs 18 and 19, pp. 67-68.)

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POST 1997 ENERGY EFFICIENCY INCENTIVE MECHANISMS

E. Milestone Categories and Distribution (1999-2001)

Across the three years for which milestone incentives were available, utilities pursued a variety of different milestone types, each with a unique set of measurement metrics and award mechanisms. They can be categorized into three major groups, as follows:

- Expenditure-based milestones
- Energy Savings milestones
- Miscellaneous milestones

Expenditure-based Milestones

Expenditure-based milestone awards are dependent upon the utilities spending most or all of the approved program budgets (including "commitments" that reserve funds for later payment to program applicants). In PY 1999 and PY 2000, the Expenditure-based milestones were called "Aggressive Implementation" milestones; in PY 2001, the award mechanism was changed slightly and the name was changed to "Performance Adder." Expenditure-based milestones varied slightly between utilities and program years, but typically there were three milestones for each utility in each program year, corresponding to each of the three program areas: residential, non-residential, and new construction. A utility could earn the maximum award by spending (or committing to spend) at least 90% of the approved budget for that program area. A minimum spending threshold of 60%-70% of a program area budget qualified for a specified lesser award, and intermediate expenditure levels were accorded awards between the two extremes.

Energy Savings Milestones

In PY 1999 and PY 2000, a few milestones contained specific energy savings targets. However, energy savings were not a major milestone goal, and Energy Savings milestones were not defined until PY 2001. For program year 2001, the utilities had as many as nine Energy Savings milestones: one for each relevant energy savings category (kW, kWh, and therms) within the Residential, Non-residential, and New Construction program areas. For each utility, the Commission assigned target achievement levels for each of the energy savings categories relevant to that utility.[6] The maximum award could be earned for meeting these energy savings targets, and a minimum award equal to 50% of the maximum could be earned for achieving 80% of the primary target. Awards for intermediate achievements were determined through linear interpolation as approved by the Commission.

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[6] PG&E, SDG&E, and SCG had all nine milestones; SCE, an electric-only utility, had only the six milestones for kW and kWh savings.

POST 1997 ENERGY EFFICIENCY INCENTIVE MECHANISMS

Utilities were also eligible to earn a "bonus" energy savings award if they met all of their program area and kWh, MW, and therm savings targets.

Miscellaneous Milestones

Miscellaneous milestones include all those classified as Administrative, Base, Activity, or Market Effects milestones. The Administrative, Activity and Base milestone categories are all dependent on the accomplishment of a certain goal within a specified time frame. Examples of these milestones are: "Complete a statewide energy booklet for small commercial and industrial customers by July 30 (for superior award) or September 30 (satisfactory award)" and "Conduct 6 workshops for duct and window training by May 31 (for superior award) or June 30 (satisfactory award)."

Market Effects milestones concentrate on the achievement of a measurable market impact and are tied to specific performance requirements of key programs. Importantly, while Market Effects milestones are tied to a specific program year, the impact of accomplishments from these programs persists over time and may result in significant energy savings. An example of a Market Effect milestone is "Increase the ratio of high efficiency water heaters sold by 5% over current level. Award scales from 2% (satisfactory) to 5% (superior)."

Distribution of Milestones

The number, type, and mix of milestones changed dramatically between PY 2000 and PY 2001. There were nearly 180 milestones each year in PY 1999 and PY 2000. The vast majority were Miscellaneous milestones, with Expenditure-based milestones comprising the remainder. In PY01, there were only 61 milestones, 20 of which were in the Miscellaneous category. The majority of the milestones, and 85% of the available award dollars, were for Energy Savings (including the Bonus award). Across the three years, Miscellaneous milestones accounted for 61% of all incentive dollars, followed by Energy Savings (25%), and Expenditure-based (14%). The distribution of the milestones by program year and type is shown in Table 1 below. Table 2 shows the value of these milestones.

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POST 1997 ENERGY EFFICIENCY INCENTIVE MECHANISMS

Table 1: Milestones by Type and Year, Across Utilities – Number (PY 1999-2001)

	Expenditure-Based*	Energy Savings**	Miscellaneous***	Total
1999	12	0	166	178
2000	15	0	164	179
2001	4	35	20	59
Total	31	35	350	416

Table Notes:
* Expenditure-based milestones include Aggressive Implementation milestones (in PY 1999 and PY 2000) and Performance Adder milestones (in PY 2001)
** Energy Savings milestones include kW, kWh, and therm targets; and also a “bonus” award for achieving all energy savings targets for each program area.
*** Miscellaneous milestones include Market Effects, Administrative, Activity, and Base milestones.

Table 2: Milestones by Type and Year, Across Utilities – Value (PY 1999-2001, $ in thousands)

	Expenditure-Based*	Energy Savings**	Miscellaneous***	Total
1999	$4,731	$0	$21,698	$26,429
2000	$3,629	$0	$16,388	$20,017
2001	$1,010	$16,382	$1,796	$19,188
Total	$9,370	$16,382	$39,882	$65,633
Percent of Total	14.3%	25.0%	60.8%	100%

Table Notes:

* Expenditure-based milestones include Aggressive Implementation milestones (in PY 1999 and PY 2000) and Performance Adder milestones (in PY 2001)

** Energy Savings milestones include kW, kWh, and therm targets; and also a “bonus” award for achieving all energy savings targets for each program area.

*** Miscellaneous milestones include Market Effects, Activity, Administrative, and Base milestones.

(END OF ATTACHMENT 4)

PACIFIC GAS ELECTRIC COMPANY CROSS WALK 1999-2001 MILESTONES

	PG&E Program Years 1999, 2000, 2001 Milestones with Energy Savings and Spending Related Commitments	Claimed Amount ($ in millions)	Case Management Results	SERA Report Results
1999 Milestones				
Res Pgms MS1	Spend (including commitments) at least 90% of authorized program funds.	$0.952	No Dispute	Dispute. Page 30, verified 97% of PG&E's claimed amount.
NR Pgms MS1	Spend (including commitments) at least 90% of authorized program funds. This milestone did not meet the 70% of authorized program funds, no award is claimed.	$0.000	No Dispute	No Dispute. No Award Claimed.
New Construction MS1	Spend (including commitments) at least 90% of authorized program funds.	$0.475	No Dispute	No Dispute. Page 30.
	1999 Milestones Subtotal	**$1.427**		
2000 Milestones				
Res Pgms RR&R6	Spend or commit 90% of the Res Retrofit & Renovation Pgm area budget ($24,293,025) by year end.	$0.325	No Dispute	No Dispute. Table 6.4 Pg 30
NonRes Financial Inc. NR1	Spend or commit at least 90% of Large SPC implementation funds ($13,660,000) by Dec 31, 2000. 100% of award for 90% spend or commit; 70% of award for 70% spend or commit.	$0.250	No Dispute	No Dispute. Table 6.4 Pg 30
NonRes Financial Inc. NR9	Spend or commit at least 60% of Large SPC, Small Business SPC, and Express Efficiency implementation funds ($10,430,000) by December 31, 2000. 100% of award for 90% spend or commit. 60% of award for 60% spend or commit.	$0.350	No Dispute	No Dispute. Table 6.4 Pg 30
NonRes Pgm NR11	Achieve net first year savings of 35 GWh for all energy savings associated with Express Efficiency and Small Business SPC (including savings from projects budgeted under Commercial Remodeling) 100% of award for 35 net GWH, 70% of award for 30 net GWH. Claimed total 225 GWH and actual was 133 GWH, still exceeded the 100% award for 35 GWH.	$0.350	No Dispute	No Dispute. Appendix A-1 on Page 54.
NonRes Financial Inc NR21	Spend or commit at least 90% of Large SPC implementation funds ($5,800,000) by December 31, 2000. 100% of award for 90% spend or commit; 70% of award for 70% spend or commit. The total actual and committed expenditures did not meet the 70% milestone goal.	$0.000	No Dispute	No Dispute. No Award Claimed
NonRes Financial Inc NR27	Spend or commit 90% of the Express Efficiency, Savings by Design program area budget of $8,510,000 by 12/31/00. 100% of award for 90% spending or committed to 60% of award for 60% spending or committed.	$0.150	No Dispute	No Dispute. Table 6.4 Pg 30

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PACIFIC GAS ELECTRIC COMPANY CROSS WALK 1999-2001 MILESTONES

	PG&E Program Years 1999, 2000, 2001 Milestones with Energy Savings and Spending Related Commitments	**Claimed Amount ($ in millions)**	**Case Management Results**	**SERA Report Results**
Com New Construction NC3	A 20% absolute increase in energy savings from year 2000 participating projects utilizing Whole Building Approach relative to energy savings from PY1999 participating projects. The project savings to be compared will be those projects, committed or completed in July to Dec. of 1999 with July to Dec. of 2000 for 100% of award. A 10% absolute increase in savings is for 70% of award. This milestone did not meet the 20% absolute increase and no award is claimed.	$0.000	No Dispute	No Dispute. No Award Claimed
Savings By Design NC9	Spend or commit 90% of the Savings By Design program area budget ($6,680,000) by year end.	$0.254	No Dispute	No Dispute. Table 6.4 Pg 30
	2000 Milestones Subtotal	**$1.679**		
<u>2001 Milestones</u>				
Residential	Load Reduction MW, MWH, Therms	$2.794	Not Applicable	No Dispute. Table 6.6 Pg.31
NonResidential	Load Reduction MW, MWH, Therms	$3.384	Not Applicable	No Dispute. Table 6.6 Pg.31
New Construction	Load Reduction MW, MWH, Therms	$1.570	Not Applicable	No Dispute. Table 6.6 Pg.31
Res, Nonres, and New Construction	Performance Adder spending achieved 104.2% of goal	$0.492	Not Applicable	No Dispute. Table 6.4 Pg.30
	Bonus if met all program area savings target load reduction milestones.	$0.492	Not Applicable	Dispute. Pages 32, 33, and footnote 21.
	2001 Milestones Subtotal	**$8.732**		
	Total 1999 - 2001 Milestones Award Claim	***$11.838***		

Blue Consulting Report
Commitments:
Chapter IV (Accounting Oversight and Funds Management) of the blueConsulting Audit Report (pp. IV 21 - IV 22) discussed PG&E's process for tracking commitments for the PY1998 through PY2002 programs.
The summary of conclusions and recommendations are on page IV-23.
The specific detailed conclusions associated with reconciliation of expenditures against commitments are on page IV-29 (Item C8) and page IV-30 (Item C9).
One specific recommendation associated with commitments states that "PG&E should review its customer files related to commitments to identify projects which have been inactive for for an inordinate length of time and determine whether these should be excluded from reported commitments." PG&E has since performed two true-up reconciliation of commitments in compliance with the results of the audit.

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PACIFIC GAS ELECTRIC COMPANY CROSS WALK 1999-2001 MILESTONES

	PG&E Program Years 1999, 2000, 2001 Milestones with Energy Savings and Spending Related Commitments	Claimed Amount ($ in millions)	Case Management Results	SERA Report Results

SPC Rules:
Chapter IV (Accounting Oversight and Funds Management) of the blueConsulting Audit Report (pp. IV 21 - IV 22) discussed the issue of compliance with SPC rules for the PY1998 through PY2002 programs.
The report concluded that PG&E has established processes to ensure compliance with SPC rules. Results of blueConsulting's review of SPC program indicate that PG&E has complied with program rules. Review of SPC project files identified no deficiencies (pp. IV-40 through IV-43).

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SOUTHERN CALIFORNIA EDISON COMPANY CROSS WALK 1999-2001 MILESTONES

Program Year	SCE Milestones with Energy Savings and Spending Related Commitments	Claimed Amount ($ in millions)	Case Management Results from October 15, 2001 Case Management Statement	SERA Report on Review of AEAP Milestones Incentive Awards for PY 1999 - 2002
1999 Milestones:				
NRNC-A-3 (Nonresidential New Construction)	Commit 48 million kWh (gross).	$ 0.200	No dispute.	No Dispute. SERA did not evaluate this particular "miscellaneous -- administrative" milestone. *See SERA Report at Appendix A-2.*
Aggressive Implementation	Residential: Spend or commit specified percentage of authorized program area budget by 12/31/99. Level 1: 90%; Level 2: 70%	$ 0.753	No dispute.	No Dispute. SERA acknowledged that these "expenditure-based" milestones, which were dependent upon spending most or all of the approved program budgets, included commitments. *SERA Milestone Report at 11* . SERA found documentation sufficient to support the finding that the expenditures (including commitments) exceeded the 90% threshold and supported the granting of the full claim. *SERA Report at 36.*
	Nonresidential: Spend or commit specified percentage of authorized program area budget by 12/31/99. Level 1: 90%; Level 2: 70%	$ 1.076	No dispute.	No Dispute. SERA acknowledged that these "expenditure-based" milestones, which were dependent upon spending most or all of the approved program budgets, included commitments. *SERA Milestone Report at 11.* SERA found documentation sufficient to support the finding that the expenditures (including commitments) exceeded the 90% threshold and supported the granting of the full claim. *SERA Report at 36.*
	New Construction: Spend or commit specified percentage of authorized program area budget by 12/31/99. Level 1: 90%; Level 2: 70%	$ 0.323	No dispute.	No Dispute. SERA acknowledged that these "expenditure-based" milestones, which were dependent upon spending most or all of the approved program budgets, included commitments. *SERA Milestone Report at 11* . SERA found documentation sufficient to support the finding that the expenditures (including commitments) exceeded the 90% threshold and supported the granting of the full claim. *SERA Report at 36.*
	PY1999 Subtotal	$ 2.352		
2000 Milestones:				
SCER-9 (Refrigerator Recycling)	50 million kWh in energy savings through refrigerator and freezer recycling efforts.	$ 0.245	No dispute.	Dispute. SERA found this claim 100% at risk, stating that the milestone was not complete until the underlying energy savings calculations could be verified. *SERA Report at 61.* SCE notes that it although it provided documentation prior to the draft report either the documentation was not received or was found to be insufficient. It is not clear from the note which of these was the case. SCE has since provided further documentation regarding the energy savings calculations for this milestone.
SCENR-15 (Agricultural/Dairy Incentives)	Achieve 6 million kWh in annualized energy savings.	$ 0.111	No dispute.	No Dispute. SERA did not evaluate this particular "miscellaneous - market effects" milestone. *See SERA Report at Appendix A-2.*
SCENR-18 (Agricultural/Pumping Services)	Achieve 18 million kWh in annualized energy savings.	$ 0.048	No dispute.	No Dispute. SERA did not evaluate this particular "miscellaneous - market effects" milestone. *See SERA Report at Appendix A-2.*
SCENC-6 (Industrial and Agricultural New Construction)	Obtain long term annualized energy savings of 15 MkWh compared to current standards or applicable industry practices.	$ -	No dispute.	No Dispute. SERA did not evaluate this particular "miscellaneous - market effects" milestone. *See SERA Report at Appendix A-2.*
Aggressive Implementation	Apply the AI milestone at the program area level; awards subject to a 10% reduction for each program in the program area where less than 50% of the authorized budget is expended or committed. Awards are not earned until 70% of funding is achieved.	$ 1.386	No dispute.	No Dispute. SERA acknowledged that these "expenditure-based" milestones, which were dependent upon spending most or all of the approved program budgets, included commitments. *SERA Milestone Report at 11.* SERA found documentation sufficient to support the finding that the expenditures (including commitments) exceeded the 90% threshold and supported the granting of the full claim. *SERA Report at 36.*
	PY2000 Subtotal	$ 1.790		

SOUTHERN CALIFORNIA EDISON COMPANY CROSS WALK 1999-2001 MILESTONES

Program	SCE Milestones with Energy Savings and Spending Related Commitments	Claimed Amount	Case Management Results from October 15, 2001 Case	SERA Report on Review of AEAP Milestones Incentive Awards for PY 1999 - 2002
2001 Milestones:				
Residential	Achieve specified energy savings and demand reductions award scaled depending on acutal achievement.	$ 1.620	N/A	No Dispute. SERA concluded that all of the energy savings claimed by SCE for this "energy savings" milestone were supported by the documentation supplied and reviewed, and supported the granting of the full claim. SERA Report at 37.
Nonresidential	Achieve specified energy savings and demand reductions award scaled depending on acutal achievement.	$ 1.960	N/A	No Dispute. SERA concluded that all of the energy savings claimed by SCE for this "energy savings" milestone were supported by the documentation supplied and reviewed, and supported the granting of the full claim. SERA Report at 37.
New Construction	Achieve specified energy savings and demand reductions award scaled depending on acutal achievement.	$ 0.890	N/A	No Dispute. SERA concluded that all of the energy savings claimed by SCE for this "energy savings" milestone were supported by the documentation supplied and reviewed, and supported the granting of the full claim. *SERA Report at 37.*
	Bonus if met all program area savings target load reduction milestones.	$ 0.280	N/A	No Dispute. SERA determined that SCE met all the requirements for the energy savings "Bonus" award of $280,000. *SERA Report at 37.*
	PY2001 Subtotal	$ 4.750		

blueConsulting' Inc.'s Final Report, issued July 9, 2004, on the Financial and Management Audit of Utility Public Goods Charge Programs from 1998 through 2002.

Commitments:
blueConsulting's Final Report discusses and makes certain findings regarding SCE's financial commitments for the PY 1998 through PY 2002 programs in Chapter IV Accounting Oversight and Funds Management, at Section IV-58 - IV-64. blueConsulting ultimately concluded that SCE had established "appropriate procedures for determining committed funds, tracking expenditures against commitments, and releasing commitments. *See Section IV -2, Exhibit IV-1, no. 9. See the specific conclusion re commitments process at C25, Section IV-58.*   Exhibit IV-36 at page IV-61 of the Report shows the disposition of SCE's commitments, in aggregate, as of the end of calendar year 2002.

SPC Rules:

blueConsulting's Final Report discusses the issue of SCE's compliance with SPC rules for the PY 1998 through PY 2002 programs in Chapter IV Accounting Oversight and Funds Management, at Section IV-75 - IV-77. Exhibits IV-48 page IV-75 shows the disposition of SCE's compliance with SPC Rules for each of the program years. SCE was found in compliance with the SPC program rules for PY 1998 - 2002, with the possible exception of documentation and application requirements. *See the specific conclusion re SPC compliance at C34, Section IV-75. See discussion at Section IV-76 re findings that one reviewed file contained no customer affidavit, and one reviewed file contained a typed signature.*

ATTACHMENT 5

SAN DIEGO GAS ELECTRIC COMPANY CROSS WALK 1999-2001 MILESTONES

SAN DIEGO GAS & ELECTRIC COMPANY

Program Year	SDG&E Milestones with Energy Savings and Spending Related Commitments	Claimed Amount ($ in millions)	Case Management Results	SERA Report Results
	1999 Milestones			
1999				
Commercial Remodelling/ Renovation	Obtain commitments for specified levels of gross energy savings from non-SPC remodelling/renovation projects by 12/31/99. Level 1: 5 million kWh, Level 2: 4 million kWh	$ 0.114	No Dispute	No Dispute (Pages 42-43)
Residential New Construction	Obtain commitments for specified no. of participating homes. Level 1: 2000 homes; Level 2: 1500 homes	$ 0.041	No Dispute	No Dispute (Pages 42-43)
	This milestone did not meet the 70% of authorized program funds, no award is claimed.			
Com/Ind/Ag New Construction	Obtain commitments for specified levels of gross energy savings from non-SPC remodelling/renovation projects. Level 1: 9 million kWh, Level 2: 6 million kWh	$ 0.102	No Dispute	No Dispute (Pages 42-43)
Aggressive Implementation	Residential: Spend or commit specified percentage of authorized program area budget by 12/31/99. Level 1: 90%; Level 2: 70%	$ 0.357	No Dispute	No Dispute (Pages 41-42)
	Nonresidential: Spend or commit specified percentage of authorized program area budget by 12/31/99. Level 1: 90%; Level 2: 70%	$ -	No Dispute	No Dispute (Pages 41-42)
	New Construction: Spend or commit specified percentage of authorized program area budget by 12/31/99. Level 1: 90%; Level 2: 70%	$ 0.143	No Dispute	No Dispute (Pages 41-42)
	Subtotal for PY 1999	**$ 0.757**		
	2000 Milestones			
2000				
NC2	Achieve a number of customer commitments to the systems approach method. The project minimum size must be at least 7,000 gross kWh. Award scaled for 50 - 25 committed projects. The award will be scaled from 100%-50%.	$ 0.086	No Dispute	No Dispute (Pages 42-43)
NC3	Achieve an increase in the absolute market share of new building designs that exceed the 1998 T24 standards by at least 10%. Award scaled for 3% - 2% increase in market share. The award will be scaled from 100% - 70%.	$ 0.062	No Dispute	No Dispute (Pages 42-43)
NR1	Achieve a number of customer project commitments that use the systems approach method. Award scaled for 50 - 30 projects. The award will be scaled from 100%-70%.	$ 0.031	No Dispute	No Dispute (Pages 42-43)
NR2	Achieve a specified amount of energy savings from remodeling and renovation committed or installed projects. Award scaled for 7,000,000 kWh - 3,500,000 kWh. The award will be scaled from 100%-60%.	$ 0.111	No Dispute	No Dispute (Pages 42-43)
NR 3	Achieve as specified amount of energy savings from installed or committed high efficiency HVAC projects. Award scaled for 800,000 kWh - 500,000 kWh. The award will be scaled from 100%-50%.	$ 0.062	No Dispute	No Dispute (Pages 42-43)
NR 18	Achieve a specified amount of equivalent kWh savings from installed or committed process systems projects. Award scaled for 800,000 equivalent kWh - 400,000 equivalent kWh. The award will be scaled from 100%-50%. Therm savings will be converted to kWh: 1 therm = 10 kWh.	$ 0.077	No Dispute	No Dispute (Pages 42-43)
Aggressive Implementation	Apply the AI milestone at the prgoram area level; awards subject to a 10% reduction for each program in the program area where less than 50% of the authorized budget is expended. Awards are not earned until 70% of funding is achieved.	$ 0.489	No Dispute	No Dispute (Page 42)
	Subtotal PY 2000	**$ 0.918**		
	2001 Milestones			
2001				
Residential	Achieve specified Load Reduction MW, MWH, Therms, award scaled depending on acutal achievement.	$ 0.897	Not applicable	No Dispute (Pages 42-43)
NonResidential	Achieve specified Load Reduction MW, MWH, Therms, award scaled depending on acutal achievement.	$ 0.920	Not applicable	No Dispute (Pages 42-43)
New Construction	Achieve specified Load Reduction MW, MWH, Therms, award scaled depending on acutal achievement.	$ 0.483	Not applicable	No Dispute (Pages 42-43)
	Bonus if met all program area savings target load reduction milestones.		Not applicable	In dispute (Pages 42-43). SERA claims that SDG&E did not file a claim for the bonus. SDG&E's 2002 AEAP Besa Testimony (at page 11) clearly state SDG&E is filing for the bonus for a total award of $2,299,913.
	Subtotal PY 2001	**$ 2.300**		

Blue Consulting Report

Commitments:

The Blue Consulting Report discusses the issue of the financial commitments for the PY 1998 through PY 2001 programs in Chapter IV Accounting Oversight and Funds Management.
Specifically it discusses this issue in section E. pages VI-80 through IV-108.
Exhibit IV-56 at page IV-97 shows the disposition of SDG&E commitments as of the end of calendar year 2002.
In general, the Blue Consulting Report did not find any issue with SDG&E's tracking of expenditures and commitments.
The specific conclusions that pertain to program expenditures and commitments are: C46 (page IV-96), C50 (page IV-104).

SPC Rules:

The Blue Consulting Report discusses the issue of compliance with SPC rules for the PY 1998 through PY 2001 programs in Chapter IV Accounting Oversight and Funds Management.
Exhibit IV-63 at page IV-105 shows the disposition of SDG&E compliance with SPC Rules for each of the program years.
In general, the Blue Consulting Report did not find any issue with SDG&E's compliance with the SPC rules.
The specific conclusion that pertain to SPC compliance is: C52 (pages IV-105-106).

ATTACHMENT 5

SOUTHERN CALIFORNIA GAS COMPANY CROSS WALK 1999-2001 MILESTONES

SOUTHERN CALIFORNIA GAS COMPANY

Program Year	SoCalGas Milestones with Energy Savings and Spending Related Commitments	Claimed Amount ($ in millions)	Case Management Results	SERA Report Results
	1999 Milestones			
1999				
Aggressive Implementation	Residential: Spend or commit specified percentage of authorized program area budget by 12/31/99. Level 1: 90%; Level 2: 70%	$ 0.187	No Dispute	No Dispute (Pages 45-46)
	Nonresidential: Spend or commit specified percentage of authorized program area budget by 12/31/99. Level 1: 90%; Level 2: 70%	$ 0.340	No Dispute	No Dispute (Pages 45-46)
	New Construction: Spend or commit specified percentage of authorized program area budget by 12/31/99. Level 1: 90%; Level 2: 70%	$ 0.125	No Dispute	No Dispute (Pages 45-46)
	Subtotal PY 1999	**$ 0.652**		
	2000 Milestones			
2000				
Aggressive Implementation	Apply the AI milestone at the prgoram area level; awards subject to a 10% reduction for each program in the program area where less than 50% of the authorized budget is expended. Awards are not earned until 70% of funding is achieved. Would only potenti	$ 0.084	No Dispute	No Dispute (Pages 45-46)
	Subtotal PY 2000	**$ 0.084**		
	2001 Milestones			
2001				
New Construction	Achieve specified Load Reduction MW, MWH, Therms, award scaled depending on acutal achievement. Would only potentially apply to New Construction programs because of SBD commitments.	$ 0.280	No Dispute	No Dispute (Pages 46-47)
	Subtotal PY 2000	**$ 0.280**		

Blue Consulting Report

Commitments:

The Blue Consulting Report discusses the issue of the financial commitments for the PY 1998 through PY 2001 programs in Chapter IV Accounting Oversight and Funds Management.
Specifically it discusses this issue in section F. pages VI-109 through IV-133.
Exhibit IV-71 at pages IV-121 to IV-122 shows the disposition of SoCalGas commitments as of the end of calendar year 2002.
The Blue Consulting Report states that SoCalGas commitments are tracked "off-line" by the program manager.
The specific conclusion that pertain to program expenditures and commitments is: C59 (pages IV-120-122).

SPC Rules:

This does not apply to SoCalGas since the company did not implement a SPC program.

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Updated DEER Measure Lifetimes (and Comparison to Protocols EULs)

Identification / Information				Years	Years	**Years**
A. New Row Num	B. End Use	C. Measure Name from EUL Study	D. Sector	E. DEER Updated EUL (July 2005)	F. Interim previous DEER EUL	G. *A Priori* Protocols EULs
1	AC	A/C Central, <65 kBTU/HR, Sokut-SYS/SNGL PKG	C	15	15	15
2	AC	Air Conditioners with SEER >= 11.0	R	18	15	18
3	AC	Central Air Conditioners	R	18	15	18
4	AC	Evaporative Coolers	R	15	15	15
5	C	Cooking measures , Assorted	C	12	n/a	12
6	C	Gas Cooktops	R	20	n/a	20
7	CW	Gas Dryer Stub	R	18	18	18
8	EMS	Install HVAC EMS	C	14	15	14
9	HVAC	All Energy-Efficient Furnaces Installed Through Energy Advantage Home Program	R	18	20	18
10	HVAC	Duct Testing	RNC	18	15	25
11	HVAC	Heat Pumps	R	15	15	
12	HVAC	High Efficiency Furnace	RNC	18	20	18
13	HVAC	High Energy Efficiency Ducts	R	18	15	25
14	L	CFL Bulbs	CIA	Varies*	varies	5.8
15	L	CFL Fixture: no add'l description	C	12	16	12
16	L	CFL Fixture: no add'l description	R	16	16	n/a
17	L	Electronic Ballast	C	11	16	10
18	L	Electronic Ballast	CIA	11	16	10
19	L	Electronic Ballast	I	11	16	10
20	L	Electronic Ballast	NRNC	11	16	10
21	L	T8 Fixtures	C	11	16	11
22	L	T8 Fixtures	CIA	11	16	11
23	L	T8 Fixtures	I	11	16	11
24	L	T8 Fixtures ; lamp or ballast	I	11	16	11
25	L	T8 Fixtures or ballast	R	15	16	11
26	L	T8 Lamps	C	5	n/a	5
27	L	T8 Lamps	CIA	5	n/a	5
28	L	T8 Lamps	I	5	n/a	5
29	LL	Delamp/reflectors	CI	11	n/a	n/a
30	LL	Optical Reflectors- new construction	I,NRNC	12	n/a	n/a

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Identification / Information				Years	Years	**Years**
A. New Row Num	B. End Use	C. Measure Name from EUL Study	D. Sector	E. DEER Updated EUL (July 2005)	F. Interim previous DEER EUL	G. *A Priori* Protocols EULs
31	LL	Optical Reflectors- retrofit	I,NR	10	n/a	n/a
31	LL	HID fixture: Interior, >= 176 Watts lamp	I	16	16	16
32	LL	HID fixture: Interior, 251-400 Watt lamp	C	16	16	16
33	M	Adjustable speed drive, application unknown	A	10	n/a	10
34	M	Adjustable speed drive, application unknown	C	10	n/a	10
35	M	Adjustable Speed Drive: HVAC fan, 50 HP Max	C	16	n/a	16
36	M	Pump repair	A	11	n/a	9
37	P	Injection molding machines	I	15	n/a	15
38	P	Plastic extusion equipment	I	15	n/a	15
39	P	Process cooling	I	15	n/a	15
40	P	Process equipment insulation	I	15	n/a	15
41	R	Refrigerator Recycling	R	10	6	n/a
42	R	Refrigerator - Energy Efficient; 20% more efficient	R	18	18	20
43	R	Refrigerators	R	18	18	20

.*EULs for CFLs now vary based on operating hour information also presented in DEER update tables.

Source: New EUL Updates 7-14-05, posted on the DEER website at www.cpuc.ca.gov/deer. (Exhibit 155)

(END OF ATTACHMENT 6)