

Email from Rick Aslin, PG&E, June 22, 2012.

Thank you for your presentation at the June 18th, 2012 DAWG meeting on this important topic and for following up with additional data on the IUEE estimates. After review of the documents provided at the workshop and sent under separate cover, PG&E, SCE and SDG&E (Joint IOUs) provide the following comments:

1. The Joint IOUs believe that the codes and standards (C&S) incremental uncommitted energy efficiency (IUEE) savings as estimated in the CEC's proposed tables (attached here) are overstated because the C&S savings in the Navigant Potential Study were based on outdated and unrealistically high economic and demographic projections. The C&S projections in the Navigant Potential Study are at least in part based on pre-recession economic and demographic projections while the CEC's adopted IEPR demand projections are based on the latest available economic and demographic projections which show much lower growth. For this reason the CEC must adjust the Navigant Potential Study C&S savings projections to align those projections with the underlying economic and demographic assumptions in the CEC's demand projections prior to calculating the C&S portion of IUEE that is passed along to the CPUC/ISO for consideration in resource planning analyses. The Joint IOUs have previously noted this issue in comments on the draft and revised Navigant Potential Studies at the CPUC.

2. The Joint IOUs have no objection to the CEC showing the residual incremental naturally occurring savings estimates (also attached here) as a line item for the purpose of allowing a more transparent reconciliation of the Potential Study results with the CEC's IUEE savings estimates (including any adjustment for savings due to C&S as noted above). The Joint IOUs do not support using the incremental natural occurring savings estimates for resource planning purposes because the Potential Study methodology and resulting projections of achievable EE savings and CEC demand forecasting methodology and resulting projections of energy demand cannot be fully reconciled for a myriad of reasons not the least of which is that they are produced by different organizations using different models with different input assumptions and algorithms. Furthermore the incremental naturally occurring adjustment contemplated by the CEC as discussed at the June 18th DAWG meeting falls well within acceptable demand forecasting error being approximately 0.3% of total projected IOU energy demand in 2020. Ultimately the CPUC and ISO will need to determine, in conjunctions with stakeholders, what portion, if any, of the estimated incremental naturally occurring savings meet the requirements for inclusion in resource planning established by Public Utility Code Section 454.5 (b) (9) (c) and related criteria established by the ISO/WECC/NERC for resource planning.

While the Joint IOUs agree that EE programs induce some level of EE savings beyond those captured by current estimates of net program impacts based on existing net-to-gross ratios and price effects as estimated in the CEC's demand forecast model, there is no way to know what portion of these impacts are currently being captured in the CEC's demand projections. The Joint IOUs note that this is an area which is currently under study in a number of venues at the CPUC including the Macro-Consumption Indicators, Spillover, and Market Transformation

Indicators. It is our hope that these initiatives will allow for more transparent reconciliation between models in the future.

Please feel free to give me a call or respond to this email if you wish to discuss further.

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