PORTFOLIO MANAGEMENT:
ENERGY EFFICIENCY AS A RESOURCE IN RESTRUCTURED MARKETS

Frank Spasaro
Sempra Energy Utilities
April 15, 2003

SDGE A Sempra Energy utility™

Overview

- Background
- Current California approach
- SDG&E Proposal
- Issues

SDGE A Sempra Energy utility™

Description of Sempra Energy Utilities

- San Diego Gas & Electric Company
  - 3 million customers
  - 1.3 million electric meters; 780,000 gas meters
- Southern California Gas Company
  - 18 million customers
  - Over 5 million meters
- Sempra: Fortune 500 Company, $6 Billion/year

A Sempra Energy utility™

Resource Planning in California

- "Old" days
- Integrated Resource Planning (IRP)
- Restructured world (AB 1890)
- Post- Restructuring

A Sempra Energy utility™

Portfolio Management
What Does It Mean?

- "Resource Planning"
- Link supply-side to demand-side
- Forecasting ~ Resources
- Reliability, costs, net short, avoided costs, etc.

SDGE A Sempra Energy utility

5

California Situation

- Breakdown of California's deregulated electricity market.
- Legislators push for re-involvement of California's three major investor-owned utilities (IOUs) in power procurement.
- Legislators, State regulators, intervenors, and IOUs want energy efficiency and demand management to be a formal part of procurement.

SDGE A Sempra Energy utility

6

Energy Efficiency as a Resource

- CPUC Policy preference: “Resource adequacy should first be met through all cost-effective energy efficiency and demand response programs.”

SDGE A Sempra Energy utility

What does that mean?

- Need to determine what’s cost-effective ➔ TRC
- Forecast supply options ➔ Avoided costs
- Forecast EE potential (technologies, penetration rates, etc.)
- Impact of “current” programs (i.e. PGC programs)
- Understand issues with assumptions

SDGE A Sempra Energy utility

SEU Plan: Filing Today, 4/15

- Objective: To provide reliable electric supply to customers at the lowest possible cost, consistent with the customer's willingness to accept risk of price and supply reliability.
- 5 Year Plan:
  - 1,126 GWhrs, net
  - 176 MW, net
  - $280 million

SDGE A Sempra Energy utility

Overall, w/other IOU's

- Current PGC Funding:
  - Annual approx. = $230 million
  - 5 years = $1.2 billion
- Incremental Energy Efficiency:
  - Annual approx. = $144 million
  - 5 years over $700 Million!

SDGE A Sempra Energy utility

How do we make it work?
The Issues:

- Multi-year plans (approval/budgets)
- Assumptions
- Administration
- Incentives

SDGE A Sempra Energy utility

Multi-Year Plans

- History of PGC approval:
  - 1998 9 months (Jan-Sept)
  - 1998 3 months (Oct-Dec)
  - 1999 8½ months (Apr-Dec)
  - 2000 6¼ months (Jan-Jul)
  - 2000 5¾ months (Jul-Dec)
  - 2001 11 months (Feb-Dec)
  - 2002 3 months (Jan-Mar)
  - 2002 9¼ months (Mar-Dec)
  - 2002 2 months (Apr-May)
  - 2002 7½ months (May-Dec)
  - 2003 3½ months ? (Jan-Apr)
- Need multi-year approval!
- Need multi-year budgets!

SDGE A Sempra Energy utility

Assumptions

- Plan capitalizes on existing PGC portfolio.
- Focus on “hard” savings and demand reduction (i.e., resource/shared savings) programs with direct, tangible benefits for ratepayers.
- All the “normal” issues (incremental cost, avoided costs, penetration rates, NTG, etc.).

Administration

- IOU long-term role in EE administration is undefined.
- The Commission has indicated a preference for third parties ($100 million); New assigned Commissioner.
- Currently, Rulemaking is pended; IOU’s are out (again) 12/31/03.
- Issue of responsibility/accountability .

Incentives

- Legislative Intent (AB57); Energy Action Plan)
- Align customer and shareholder interests.
- Principles:
  - Simple to understand.
  - Simple to use.
  - Simple to verify.
  - Ensure predictable results.
- Minimum Performance Standard must be met for incentive eligibility.

SDGE A Sempra Energy utility

15

What's Next?

- Procurement Proceedings/Schedule:
  - 4/15 Filing
  - 5/15 Filing
  - July Hearings
  - Proposed Decision
- EE OIR ??
- EE PY 2004??

SDGE A Sempra Energy utility

16

Conclusion

» Q & A

SDGE A Sempra Energy utility℠