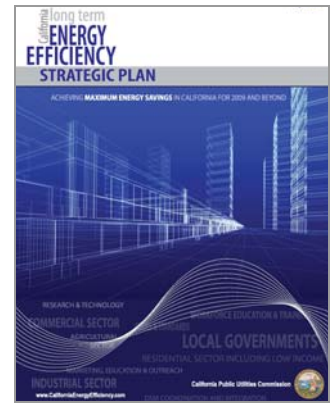

CALIFORNIA'S LONG-TERM ENERGY EFFICIENCY STRATEGIC PLAN



FREQUENTLY ASKED QUESTIONS

TOP 7 QUESTIONS RELATED TO THE STRATEGIC PLAN

Q₁. WHY IS THIS PLAN IMPORTANT?

There has never been a more important time for energy efficiency in California. With a growing population, increasing fuel prices, and the pressing need to reduce greenhouse gas (GHG) emissions in a rapid and low-cost manner, the value of energy efficiency in California is self-evident.

The Plan is a statewide roadmap for a dramatic scaling-up of statewide energy efficiency efforts to meet today's urgent energy challenges. While California's trend-setting efficiency policies of the past three decades have been successful in keeping our per capita use flat, the major focus has been on incremental changes in building and appliance standards and short-term programs with limited market impact. The unifying objective of this Plan is to compel sustained market transformation which moves California towards long-term, deeper savings which impact the fundamental ways in which California's residents and businesses use energy.

One example of the change is in lighting. Currently, the state's ratepayers are spending hundreds of millions of dollars to help subsidize the cost of ultra-efficient Compact Fluorescent Lightbulbs (CFLs). This is good but not enough. Instead we need to build houses that have lighting needs reduced 30-40% above current standards and we need to offer a statewide comprehensive program where all residents and businesses can have audits done on their entire homes or businesses with financing for "whole-building" retrofits to cover not only installing a few CFL bulbs but long-lasting changes in the buildings.

Q₂. WHAT DO THE UTILITIES THINK ABOUT IT?

The utilities have been largely supportive of this effort which is critical, since they administer the majority of California's energy efficiency programs.

Peter Darbee, CEO of PG&E, told us in a letter: "It is clear that the plan has successfully incorporated the views of all stakeholders and will serve as the national model for energy efficiency." PG&E and the other utilities have pledged to work with us in implementing the Plan.

Q3. HOW MUCH WILL THE PLAN COST?

The beauty of energy efficiency is that it saves, not costs, money.

On average, for every dollar spent on energy efficiency, two dollars are saved by not investing in more expensive power plants or transmission lines.

Many of the energy savings opportunities identified in the Plan are available at "negative cost" – that is, they will generate positive economic returns over their lifecycle. A far more detailed analysis of the costs associated with many of the efficiency measures represented in this Plan was carried out in a recent McKinsey and Company report.

Moreover, much of the Plan will be implemented through investor owned utility ratepayer-funded programs, which are subject to cost effectiveness tests in order to ensure that the costs of implementing the measure are less than those of an equivalent investment in new power plants or transmission lines.

Q4. GIVEN THE DOWNTURN IN THE ECONOMY, WON'T THE PLAN JUST ADD COSTS TO NEW HOMES?

No. While efficiency upgrades may in some cases require greater up-front costs, savings accrue over the life of one's investment in the form of reduced energy costs. With current trends in fuel prices, these savings are growing more substantial. And, part of the Plan is to invest in R&D to bring down the upfront costs of the measures installed.

Q5. WHAT ARE THE NEXT STEPS?

The implementation of the Plan will demand immediate action on many fronts. In the near-term, the Commission is committed to leading and coordinating the effort. In today's decision we:

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- Set up working groups, in seven areas (e.g., Lighting, Industry, Local Government, Finance, Zero Net Energy, Whole Building Retrofits, and Workforce Education & Training) to pursue specific goals and sector strategies;
 - Direct our staff and utilities to develop a statewide energy efficiency brand, integrated marketing education and outreach (ME&O) strategy, and state-of-the-art Energy Efficiency Web Portal;
 - Continue to work with the California Air Resources Board as it develops its plan for the implementation of AB 32, the state’s greenhouse gas emission reduction law;
 - Continue to work with the California Energy Efficiency, especially on zero net energy buildings and air conditioning.

Q6. HOW ARE YOU GOING TO MAKE THIS A REALITY?

California’s investor-owned utilities have filed applications asking CPUC approval for over \$3.7 billion of energy efficiency programs for 2009-2011. We have directed that the utilities’ programs must be consistent with the Plan. In other words, we are going to ensure the billions of dollars of customer monies funding energy efficiency in California explicitly support the goals and strategies outlined in the Plan.

Q7. VII. WHAT ARE “ZERO NET ENERGY” BUILDINGS?

The plan adopts three “zero net energy” strategies:

1. All new residential construction in California will be zero net energy by 2020
2. All new commercial construction in California will be zero net energy by 2030
3. Fifty percent of existing buildings will be zero net energy by 2030

Zero net energy generally means a building will consume no net energy in a typical year. This is because the amount of energy demanded by the building is equal to the amount provided by on-site or near-by renewable energy sources.

When the building is producing more electricity than it needs, it exports its surplus to the grid. When the building requires more electricity than is being produced on-site, it draws from the grid.

Generally, when constructing a ZNE building, energy efficiency measures can result in up to 70% savings relative to existing building practices, which then allows for renewables to meet the remaining load.