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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY (U 39-E), for Approval of 2006-2008 Demand Response Programs and Budgets.

Application 05-06-006
(Filed June 1, 2005)

Southern California Edison Company's (U 338-E) Application for Approval of Demand Response Programs for 2006-2008 and Cost Recovery Mechanism.

Application 05-06-008
(Filed June 1, 2005)

Application of San Diego Gas & Electric Company (U 902-E) for Approval of Demand Response Programs and Budgets for Years 2006 through 2008.

Application 05-06-017
(Filed June 2, 2005)

ASSIGNED COMMISSIONER'S RULING REQUIRING UTILITY PROPOSALS TO AUGMENT 2007 DEMAND RESPONSE PROGRAMS

On March 15, 2006, the Commission issued Decision (D.) 06-03-024, which adopted 2006-2008 budgets for the demand response programs of Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), and San Diego Gas and Electric Company (SDG&E). These program budgets were proposed as part of a settlement filed by the active parties to the proceeding.

Since the issuance of D.06-03-024, the State of California experienced an unusually intense heat wave and many parts of the state are still experiencing

temperatures that are higher than normal. These weather conditions have at times strained the state's electrical system.

In an effort to make the most of existing opportunities to protect the state's electrical system from compromises to its reliability, this ruling reopens the record of this proceeding and initiates reconsideration of utility demand response programs for 2007 and 2008. Accordingly, this ruling directs the three applicant utilities to propose program augmentations and improvements. Each should consider the program elements included on Attachment A to this ruling.

As an aid to evaluate how best to improve or augment existing programs, this ruling also directs each utility to provide a preliminary assessment of the performance of each demand response program during the month of July 2006. This assessment should provide a brief description of each program element and, for each, information about the number of customer subscribers and their demand, the type of incentive provided, whether the customer was requested or required to reduce load, the customer response and an estimate of the impact on the electrical system.

The procedures set forth in this ruling depart from the advice letter process adopted in D.06-03-024 because the Commission needs a more comprehensive and detailed review of demand response program options. Therefore, advice letters filed that propose 2007 program changes may be held in abeyance pending completion of this portion of this proceeding.

The schedule for consideration of this matter is as follows:

Utility Proposals and Program Assessments Served	August 30, 2006
Workshop	September 6, 2006
Parties' Comments Served	September 15, 2006
Hearing if required	September 27, 2006

The Commission will issue a more detailed workshop agenda at a later date. I encourage the parties to collaborate on the most efficient and effective ways to satisfy the objectives of this ruling. The Commission will provide a facilitator or mediator for these discussions at the request of the parties.

The California Energy Commission has agreed to continue to work collaboratively with the Commission in this proceeding, which will provide this Commission with CEC staff's expertise and knowledge. Attachment B to this ruling describes the protocols for this work relationship.

IT IS RULED that:

1. Pacific Gas and Electric (PG&E), Southern California Edison (SCE) and San Diego Gas & Electric (SDG&E) shall serve the proposals and information described herein according to the schedule set forth herein.
2. PG&E, SCE and SDG&E shall conduct a public meeting for the purpose of collaborating with the parties about the more efficient and effective means of augmenting and improving demand response programs for 2007 and 2008.
3. The Commission hereby schedules a workshop in these proceedings at 10 a.m. on September 6, 2006 in the Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California.
4. The Commission hereby schedules an evidentiary hearing in these proceedings at 10 a.m. on September 27, 2006, in the Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California.

5. The Guidelines for CEC collaborative work attached as Appendix B shall be applied in these proceedings.

Dated August 9, 2006, at San Francisco, California.

/s/ MICHAEL R. PEEVEY

Michael R. Peevey
Assigned Commissioner

INFORMATION REGARDING SERVICE

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a copy of the Notice of Availability to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the copy of the Notice of Availability is correct as of today's date.

Dated August 9, 2006, at San Francisco, California.

/s/ JOYCE TOM

Joyce Tom

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.

ATTACHMENT A
Potential Modifications to Existing Demand Response Programs
for Implementation by Summer 2007
(Drafted by CPUC and CEC staff)

- **20/20 C&I Program.** PG&E and SCE were directed to consider incorporating SDG&E's 20/20 C&I program. SDG&E's program enrolled 51 MWs, and delivered 6-12 MWs when triggered in 2005. The 2005 evaluation of the program should be considered for ways to improve the program.
- **Modify the Demand Bidding Program:** Enlarge the bidding window, modify the triggering mechanisms, or revise the incentive structure.
- **Shift funds to Flex Your Power Now or other education campaigns that emphasize reducing energy on specific days.** IOUs have funds allocated to various education/outreach programs. These funds could be re-directed to media campaigns that emphasize reducing energy at critical times such as FYPN.
- **Re-open the Interruptible tariffs (I-6) and/or increase incentives for both BIP and I-6:** I-6 is currently closed, so there may be customers interested in joining the program. Current participants may be able to commit more demand response capacity if the incentives for both programs are increased. Increasing incentives for these programs could also be a way to compensate for the changes that the CAISO is contemplating (see below) if those are indeed implemented.
- **More funds (via shifting or augmentation) to AC cycling/load control programs:** Increase participation in AC Cycling/Load Control sooner by shifting funds from later years to current year.
- **Consider load management programs, such as thermal storage technology.** Thermal energy technology, which creates permanent shifts in load rather than dispatchable load drops, has not been considered to date. Are there opportunities with this type of technology?
- **Loosen eligibility requirements for DR programs.** Most DR programs are eligible only to customers whose demand is >200 kW. Lowering the eligibility requirement to 50 kW could increase participation, although such customers will need an interval meter.
- **CAISO's efforts to trigger Interruptible tariffs differently:** The CAISO has expressed interest in triggering Interruptible programs prior to Stage 2 alerts, as opposed to the current practice of triggering these programs when a Stage 2 is called. This could lead to an increased number of calls, which could cause some participants to either drop-out of the program or make fewer loads available for interruption. Retention of participants on the program could be

(End of Attachment A)

addressed by increasing incentive payments as compensation for the increased number of calls.

(End of Attachment A)

ATTACHMENT B

GUIDELINES FOR COLLABORATIVE WORK BETWEEN THE CPUC AND THE CEC

These guidelines apply to the collaboration between this Commission and the CEC in this proceeding. (CEC staff so designated are herein referred to as "DR Collaborative Staff.")

David Hungerford from the CEC has agreed to assist the Commission in this proceeding with expertise and consultation as DR Collaborative Staff. Should the CEC wish to add or subtract DR Collaborative Staff members, it should electronically notify all parties to this proceeding. Any proposed changes are automatically effective five days after the notice is sent.

The CEC's DR Collaborative Staff will function like the Commission's own advisory staff for purposes of this proceeding. As part of the collaborative process, the DR Collaborative Staff may become aware of confidential or privileged information. The Commission has not waived any confidentiality or privilege by such disclosure, and (just like the Commission's advisory staff) the CSI DR Collaborative Staff should maintain the confidentiality of such information and all of the Commission's applicable privileges. To facilitate this requirement, all CPUC documents containing confidential or privileged information that may be shared with the CSI DR Collaborative Staff shall be clearly marked or labeled to indicate their confidential or privileged nature, to the extent possible. In addition, the CEC shall ensure that these confidential or privileged documents are exempt from public disclosure under its regulations for confidential designation (20 CCR section 2501, et seq.).

The DR Collaborative Staff members are neither decision makers nor parties to this proceeding, and accordingly are not subject to the Commission's *ex parte* rules. The CSI DR Collaborative Staff may communicate with decision makers at both the CPUC and CEC, and with parties to the proceeding.

While the DR Collaborative Staff is free to communicate with decision makers and CEC staff, CSI DR Collaborative Staff shall not provide CEC litigation staff (or any other party) with information obtained from the collaborative process that could possibly provide a litigation advantage in another proceeding. Also, members of the CSI DR Collaborative Staff may not litigate or assist in litigation before the Commission on issues closely related to the issues on which they are working in these consolidated proceedings.

The obligations to maintain the Commission's privileges and to avoid providing an unfair advantage to a party in a Commission proceeding do not terminate with the end of this proceeding or the end of an individual member's tenure as DR Collaborative Staff. Accordingly, the above restrictions continue to apply even after the conclusion of this proceeding, and to former members of the DR Collaborative Staff. To safeguard against the inadvertent disclosure of confidential and privileged information, CEC members of the DR Collaborative Staff will return or destroy all confidential or privileged records they have received from the CPUC as part of the collaborative process at the conclusion of this proceeding, or upon their removal from the DR Collaborative Staff, whichever occurs first.

The passage of time will eventually make the information obtained in the collaborative process less significant, although privileges do not generally expire. If former CEC members of the DR Collaborative Staff desire to disclose privileged or confidential information obtained as part of the collaborative

process after the conclusion of this proceeding, a written request must be submitted to the Commission's General Counsel to obtain authorization for such disclosure. The limitation on CSI DR Collaborative Staff litigating or assisting in litigation before the Commission expires two years after the conclusion of this proceeding.¹

Members of the DR Collaborative Staff may contact the Commission's Legal Division with any questions relating to these guidelines. The Commission's Executive Director may work with the CEC's Executive Director to review and refine the terms of the collaboration and the staff involved in it.

(End of Attachment B)

¹ Prior to the end of the two-year period, DR Collaborative Staff may seek relief from this restriction by filing and serving a motion in this proceeding (if still open) and the proceeding in which they wish to participate. In ruling on such a motion, the criteria are to be one of fairness to other parties in the applicable proceeding. If the motion is denied on the basis that the CEC staff possess "inside" information, that staff may participate as appropriate as DR Collaborative Staff in the applicable proceeding.