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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company
To Revise Its Electric Marginal Costs, Revenue
Allocation, and Rate Design. (U 39 M)

Application 06-03-005
(Filed March 2, 2006)

**SUPPLEMENTAL SCOPING MEMO AND ASSIGNED COMMISSIONER'S
RULING UPDATING ISSUES LIST, SCHEDULE, AND CATEGORIZATION**

This ruling revises the list of issues and schedule for the Dynamic Pricing Phase. The July 31, 2007 Assigned Commissioner's Ruling (ACR) included a preliminary list of issues for this proceeding and a preliminary schedule for addressing the issues. Parties were asked to submit comments on whether the list of issues should be modified, the appropriateness of the proposed schedule and the proposal to recategorize this Dynamic Pricing Phase as quasi-legislative. Eleven parties filed comments on the ruling.¹ The list of issues and schedule have been revised based on comments.

¹ The parties that filed comments are Alliance for Retail Energy Markets and the Direct Access Customer Coalition (AReM/DACC), Building Owners and Managers Association (BOMA), California Large Energy Consumers Association (CLECA), Division of Ratepayer Advocates (DRA), Energy Producers and Users Coalition (EPUC), Ice Energy, Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), The Utility Reform Network (TURN), and Western Power Trading Forum (WPTF).

1. Issue List

Attachment A contains the revised issues list incorporating the comments of parties. In some cases questions in the preliminary list were reworded or broadened to incorporate issues recommended by parties. Below I discuss some of the issues recommended by parties including those that were not added to the issues list.

TURN proposed reframing issues related to objectives to recognize that rate design is connected to a range of policies including energy efficiency, greenhouse gas emission reduction, rate stability, rate simplicity, cost causation, and utility cost recovery.² A question has been added so that the relationship between dynamic pricing and these various policies and considerations is not ignored. TURN also suggested asking whether automatic load control can serve as a substitute for time differentiated rates.³ A related question has been added to the Rate Options section.

AReM/DACC, PG&E, and SDG&E raised issues related to direct access, Community Choice Aggregation (CCA), and/or net-metering customers.⁴ The issues list has been revised recognizing that direct access, CCA, and net-metering customers may present unique issues.

AReM/DACC proposed to question whether the utilities should be permitted to offer dynamic pricing and hedging options to customers. Since the

² TURN Comments, p. 2.

³ *Ibid.*, p. 3.

⁴ PG&E Comments, pp. 3-4, SCE Comments, p. 3, and SDG&E Comments, p. 7.

Commission has previously found that dynamic pricing should be made available to all customers, I did not add these issues.⁵

PG&E suggested asking if any mandatory or default rates should be required for load serving entities other than the investor-owned utilities.⁶ In a section below I discuss how this proceeding relates to SCE and SDG&E. I do not intend to address dynamic pricing policy for other LSEs.

WPTF suggested two questions for the critical peak pricing (CPP) section that relate to the needs of peaking generators to use system power during start-up, which could occur during critical peak periods.⁷ This issue could be relevant to more rates than just CPP rates, so a more general question was added to the Rate Options section.

PG&E recommended a question under the CPP section about the allocation of demand response for resource adequacy purposes.⁸ Questions related to the counting of demand response for resource adequacy should be addressed in a resource adequacy proceeding, not in this rate design proceeding.

PG&E noted the importance of obtaining detailed price information from the California Independent System Operator's (CAISO's) Market Redesign and Technology Upgrade (MRTU).⁹ I agree that implementing some rate designs will require information that is not yet available from the MRTU markets. However, MRTU is expected to come on-line in less than a year. The CAISO has already

⁵ See Energy Action Plan II (EAP II), p. 5.

⁶ PG&E Comments, p. 3.

⁷ WPTF Comments, p. 3.

⁸ PG&E Comments, p. 4.

⁹ *Ibid.*, p. 2.

received FERC approval for MRTU and the markets are in a late stage of development. Considerable progress can be made in the near-term, especially on the policy issues that will be addressed here. The filing of any specific rate designs tied to MRTU would most likely come after MRTU is on-line. As such, a question related to MRTU has been added to the Timing section.

Customer Education

PG&E recommended adding an issue regarding opportunities to elicit demand response through education and information. The discussion of information-only programs is not a rate design issue. An additional question about education and information was added to the Customer Education Section since the issue may be appropriate at that time.

Enabling Technology

Ice Energy suggested issues related to permanent load shifting technology. Dynamic pricing can provide incentives to permanently shift load and invest in load shifting technology, so most of the topics that Ice Energy identified can be addressed within the context of other issues. One issue specifically related to permanent load shifting technology was added to the Enabling Technology section.

AReM/DACC raised several issues related to advanced meters. The issues raised by AReM/DACC are more appropriately addressed within the utilities' advanced metering proceedings and have not been added to the issues list.

2. Schedule

The schedule has been modified, taking into consideration parties' comments.

The Demand Response Research Center (DRRC) workshop is now scheduled for September 7, 2007.¹⁰ The DRRC will develop an agenda for the workshop, and Energy Division staff will distribute the agenda to the service list prior to the workshop.

Parties are directed to file comments on the Rate Design issues by October 5, 2007. The comments will be used in part to develop the agenda for the early November workshops. The comments are also an opportunity for parties to provide specific substantive input on the issues.

Comments should be organized to include a section for each of the ten categories of issues that are enumerated with Roman numerals in the issues list. For each category parties should structure their comments to include the following:

- (1) From your perspective, what are the one or more key policy issues that the Commission should address in this phase?
- (2) What are the agreed upon or disputed facts that the Commission should consider when addressing the key issue(s)?
- (3) What additional information or analysis is needed to address the key issue(s)?
- (4) How do you recommend addressing the key issue(s)?

Parties can choose whether or not to specifically comment on each of the enumerated issues within a category. Parties will also have an opportunity to file reply comments by October 19, 2007.

¹⁰ As noted in the July 31, 2007 ACR, the DRRC is led by Lawrence Berkeley National Laboratory, and the DRRC's rates project is funded by the California Energy

Footnote continued on next page

Additional time has been added to the schedule for the filing of comments on the Rate Design issues, and time has been provided to file reply comments.

Two days of workshops to address issues have been scheduled for November 5 and 6. Post-workshop comments will be due on November 27, 2007.

Although I do not contemplate a need for evidentiary hearings, any party who believes that an evidentiary hearing is required will have an opportunity to request a hearing by filing a motion. A request for evidentiary hearings will be given serious consideration. Any party shall file a motion requesting such a hearing no later than November 27, 2007, which is also the date for filing post-workshop comments in the revised schedule. Once parties have had an opportunity to file and review comments and reply comments and participate in two days of workshops, parties' will better be able to assess the need for evidentiary hearings.

Any motion requesting hearings must identify and describe (i) the disputed material issues of fact, (ii) the evidence the party proposes to introduce at the requested hearing, and (iii) the time required for conducting the hearing. Any right that a party may otherwise have to an evidentiary hearing will be waived if the party does not submit a timely motion requesting an evidentiary hearing. If evidentiary hearings are held the schedule may need to be modified.

DRA's Comments

DRA raises concerns related to the proposed process and schedule. DRA does not believe that workshops are the best approach to address the issues identified in the July 31, 2007 ACR. DRA emphasizes the advantages of a

Commission's Public Interest Energy Research program. The DRRC is not a CPUC consultant.

litigation and settlement-oriented rate design process. DRA believes it is necessary to understand how each customer group will be impacted by dynamic pricing rates and does not think that such an assessment is possible through the process proposed in the ACR.¹¹ DRA is concerned that a workshop process will not provide parties a meaningful opportunity to contribute to the record and cross examine other parties.¹² DRA prefers a formal litigation process to address factual issues that are related to the issues listed in the ACR.¹³ An attachment to DRA's comments identifies factual questions that DRA believes are related to some of the issues on the list. DRA argues that if the Commission intends to develop generic dynamic pricing policy, then an Order Instituting Rulemaking (OIR) is a more appropriate forum.¹⁴

DRA is also concerned that the schedule does not allow enough time for all the issues identified in the ACR to be fully addressed. Accordingly, DRA proposes significantly limiting the list of issues and extending the schedule by four to six months.¹⁵ DRA also argues that until advanced metering deployment is complete, and until the capacity market debate has been resolved, dynamic pricing policy cannot be adopted.¹⁶

First, I will respond to DRA's concerns with the process. I believe that meaningful dynamic pricing policy can be developed through a process of

¹¹ DRA Comments, pp. 4-5.

¹² *Ibid.*, p. 7.

¹³ *Ibid.*, p. 6.

¹⁴ *Ibid.*, p. 15.

¹⁵ *Ibid.*, pp 6 and 14.

¹⁶ *Ibid.*, p. 5.

workshops and written comments. The process proposed here is similar to the process through which the Commission developed demand response policy in R.02-06-001. In R.02-06-001 the Commission issued a series of decisions establishing the Commission's broad demand response policy and set certain policies related to dynamic pricing. The record in R.02-06-001 was developed through working group meetings and written comments. Similarly, I intend to develop the record here through workshops and written comments.

DRA's comments leave the impression that rate design proceedings generally go through a thorough litigation process including testimony, rebuttal testimony and evidentiary hearings. This has not been the case in recent years. In the case of PG&E's 2007 rate design parties served testimony, but no rebuttal testimony, and only one day of evidentiary hearings was held. The Administrative Law Judge has issued a proposed decision based on that record. SCE's 2006 rate design followed a similar pattern with initial testimony, no rebuttal testimony, and only one day of evidentiary hearings to review a settlement.¹⁷ PG&E's 2003 rate design was also resolved through settlements without full evidentiary hearings.¹⁸ Recognizing that parties may desire them, parties will have an opportunity to request evidentiary hearings as discussed above.

Second, I will respond to DRA's concern with the schedule. For the past several years the Commission has been pursuing a comprehensive range of energy policies as enumerated in the Energy Action Plan (EAP II). These policies must necessarily be pursued simultaneously, while recognizing the

¹⁷ D.06-06-067.

interrelationship among different policies and programs. Dynamic pricing has long been on the Commission's policy agenda, so we intend to move forward aggressively in this proceeding. Waiting until the last advanced meter is installed and until the capacity market debate is resolved would unnecessarily delay dynamic pricing policy. The Commission has identified dynamic pricing as a priority because it will reduce consumer costs and increase system reliability. Furthermore, the state is developing greenhouse gas regulation, and having in place rate structures that could take into account the time-variant costs of greenhouse gas emissions will further the state's goals.

DRA is also concerned that the issues list is too long. Clearly the Commission cannot thoroughly address every question identified in the issues list in the timeframe envisioned for this phase. The issues list will need to be prioritized as the phase proceeds based on comments filed by parties and the discussion at workshops.

Furthermore, comprehensively answering of some of the questions involves both policy determinations and going through the actual ratemaking process. In this phase we intend to only address the policy considerations. We do not intend to set actual rates in this phase. The setting of rates will occur in a subsequent rate design proceeding.

Many of the specific factual questions posed by DRA are appropriate questions for this proceeding. Others are more appropriately addressed in the context of a specific utility rate design application.

¹⁸ D.05-11-005.

I believe that the revised schedule attached to this ruling and discussed above is appropriate.

3. Category

AReM/DACC, Ice Energy, SCE, and WPTF support changing the category to quasi-legislative. DRA argues that this proceeding should remain categorized as ratesetting because rate design policy is closely linked to the actual setting of rates.¹⁹ TURN also believes that the current ratesetting designation is most appropriate.²⁰ EPUC and PG&E express a concern that changing the designation while the decision on the 2007 rate design is pending could generate confusion over the applicable rules.²¹

As stated in the July 31, 2007 ACR, the Commission will not be setting rates in this proceeding. Like R.02-06-001, a quasi-legislative demand response and dynamic pricing proceeding, this proceeding will be focused on developing dynamic pricing policy. Therefore, I am not persuaded by DRA's and TURN's position that a ratesetting designation is more appropriate. I also disagree with EPUC's and PG&E's concern that while a decision on the 2007 rate design proceeding is pending, parties will not know which rules to follow. The proposed decision on the 2007 rate design could be considered by the Commission as soon as the September 6, 2007 meeting. Even if the Commission decision is delayed, the distinction between ex parte communication that relates to the proposed decision and ex parte communication that relates to this phase will be clear.

¹⁹ DRA Comments, p. 15.

²⁰ TURN Comments, p. 6.

²¹ EPUC Comments, p. 3, PG&E Comments, pp. 6-7.

I therefore intend to recategorize this phase of the proceeding as quasi-legislative and ask the Commission to confirm that at its earliest opportunity.

4. Other Issues

Role of Southern California Edison (SCE) and San Diego Gas & Electric (SDG&E)

The July 25, 2006 and July 31, 2007 Assigned Commissioner Rulings invited SCE, SDG&E, and their customers to participate in this proceeding. Although this is a PG&E proceeding, the policies adopted for PG&E could be applied to SCE and SDG&E in their future rate design proceedings. This is similar to how the resolution of a policy issue in one utility's general rate case may set the stage for implementation of that policy in other utility general rate cases, following notice and the appropriate due process considerations. Furthermore, I would also expect that the expertise of SCE, SDG&E, and their parties representing customers will help develop the record in this proceeding.

SDG&E raised concerns about the impact of this proceeding on SDG&E's ongoing rate design proceeding, A.07-01-047. SDG&E proposed certain dynamic pricing rates in that proceeding. This proceeding does not affect the schedule of SDG&E's ongoing proceeding. However, in SDG&E's future rate design proceedings, the Commission may review the consistency of SDG&E's rates with the principles adopted here.

The Procedural Forum

Several parties suggested that the policy issues identified in the July 31, 2007 ACR should be addressed in a generic OIR, rather than in this PG&E rate design proceeding. I disagree.

The Commission has already established broad dynamic pricing in a generic rulemaking, R.02-06-001, and in the EAP II.²² D.05-11-009 explicitly identified individual utility rate design proceedings as the appropriate forum for addressing dynamic pricing options.²³ In dynamic pricing-related proceedings, such as the large customer CPP proceeding, A.05-01-016 et al., and the PG&E advanced metering proceeding, A.05-06-028, the Commission has been confronted with a number of rate design-related policy questions that are difficult to answer outside the context of a utility-specific rate design proceeding. Dynamic pricing issues cannot be addressed in a vacuum. Therefore, the Commission has determined that the best place to develop dynamic pricing is in the context of a rate design proceeding, not in a generic OIR.

This rate design proceeding brings together the appropriate parties to develop dynamic pricing policy. Furthermore, although we will not be setting rates in this phase, we will be developing sample rates that can be used to further the Commission's dynamic pricing policies.

Therefore, **IT IS RULED** that:

1. The list of issues for this proceeding, and the schedule for addressing these issues, are set forth in Attachments A and B of this ruling.
2. Parties are directed to file comments on the Rate Design section of the issues list by October 5, 2007 as described above.
3. Parties are directed to file reply comments by October 19, 2007 as described above.

²² The July 25, 2006 ACR reviews the procedural history.

²³ See D.05-11-009, Ordering Paragraphs Nos. 3, 4, and 5.

4. This dynamic pricing phase will be recategorized as quasi-legislative upon confirmation by the Commission.

Dated August 22, 2007, at San Francisco, California.

/s/ RACHELLE B. CHONG

Rachelle B. Chong
Assigned Commissioner

ATTACHMENT A

Issues List

Rate Design

I. Objectives of dynamic pricing and time-differentiated rates

1. What are the objectives of dynamic pricing and time-differentiated rates? How should the various objectives be prioritized? Some objectives, in no particular order of importance, are listed below:

- *Reflect marginal cost of electric service.* If the price faced by a consumer is close to the marginal cost of providing the electric service, the consumer can make efficient decisions and adjustments in usage patterns. Consumers may be able to lower their overall energy costs by reducing their electricity consumption during higher cost periods or shifting consumption from high cost to low cost periods.
- *Flatten the load curve.* The electric utility must make capital investments and contractual commitments to satisfy peak electric demand. Some of the generation, distribution, and transmission capacity is only needed during limited hours each year. Such investment may be avoided in the future if customers' rates are higher during peak hours and lower during off-peak hours, providing an incentive for customers to shift usage from peak to off-peak hours through changes in behavior and technology.
- *Reduce load in the face of short-term supply shortfall.* Unforeseen supply shortfalls can lead to involuntary curtailment of electric service to consumers. The probability of involuntary curtailment may not be reflected in the wholesale price. Tariffs that are specifically designed to reduce load in the face of supply shortfalls could help to avoid involuntary curtailment.

2. How should dynamic pricing policy be coordinated with other policy and rate design considerations such as energy efficiency, greenhouse gas emission reduction, rate stability, rate simplicity, cost causation, and utility cost recovery?

II. Rate options

1. What rate options should be offered to each type of customer, including bundled, direct access, Community Choice Aggregation (CCA), and net-metering? Dynamic rates could include some or all of the following rate strategies:

- Peak, mid peak and off-peak period time-of-use (TOU) rates.¹
- TOU rates that have more time periods, such as hourly.
- Real time prices (RTP).²
- Pre-defined high super peak rates during critical peak periods, or Critical Peak Prices (CPP).³
- Rebates during critical peak periods.
- Any other?

2. Which tariffs should be voluntary, default with opt-out provisions, or mandatory?

3. What are the advantages and disadvantages of rebates as an alternative to rates?

4. Should automatic load control be considered as a substitute for dynamic pricing rates?

¹ Time-of-use (TOU): A rate in which predetermined electricity prices vary as a function of usage period, typically by time of day, by day of week, and/or by season. (Glossary of Retail Electricity Rate Terms, Attachment A to D.03-03-036).

² Real-Time Pricing (RTP): A dynamic rate that allows prices to be adjusted frequently, typically on an hourly basis, to reflect real-time system conditions. (*Id.*)

³ Critical Peak Pricing (CPP): A dynamic rate that allows a short-term price increase to a predetermined level (or levels) to reflect real-time system conditions. In a fixed-period CPP, the time and duration of the price increase are predetermined, but the days are not predetermined. In a variable-period CPP, the time, duration and day of the price increase are not predetermined. (*Id.*)

5. Should customers be offered a large variety of rate options so that customers can find a rate option that works for them, or should customers be offered a small number of options to avoid confusion, simplify marketing and minimize administrative costs?

6. How should accuracy and simplicity be balanced in rate design?

7. How should the expected ability of a customer group to respond to time-differentiated rates be taken into consideration?

8. For customers that operate off-line and peaking generation facilities, how should the need to use system power for start-up operations be addressed?

9. What is the expected response of demand to rate options, taking into account results of pilot programs and relevant studies?

10. Should customers be offered bill protection during an initial time period to learn how a rate might impact their bills?

11. How would offering bill protection affect customers' response to dynamic pricing tariffs?

12. What are the potential distributional impacts of dynamic pricing rates?

III. Components of dynamic pricing tariffs

1. Which utility costs vary over time, vary with volume delivered, vary with demand, and/or are fixed? Which utility costs are fixed in the short run, but vary in the long-run?

2. What costs should be recovered through the time-variant portion of the rate?

3. How should time variant costs be determined?

4. What is the appropriate time granularity for measuring electric service costs in connection with dynamic rate design – annual, monthly, weekly, daily, hourly, ten minutes, etc.?

5. How closely should the time profile of dynamic rates be aligned with the time profile of service costs?

6. If a time variant rate requires market price information, will the rate require information from the California Independent System Operator's (CAISO) Market Redesign and Technology Update (MRTU)?

7. Should some costs be recovered through a flat customer charge, demand charge, and/or non-varying per kW-hour charge?

8. Should the components of the rate that are collecting fixed costs vary over time? If so, how should fixed costs be allocated to different time periods?

9. How should the costs for public purpose programs and other non-bypassable charges be reflected in the time-variant portion of rates, if at all?

10. What balance between fixed and time-variant costs will achieve the objectives of the tariffs?

11. Should direct access and CCA customers be able to participate in time variant rates?

12. If a rate is intended to reduce load in the face of a short-term supply shortfall, should the design of the rate differ depending on whether the shortfall is forecast on a day-ahead or day-of basis?

IV. Recovering the revenue requirement

1. How can rates be designed to both recover the revenue requirement and communicate price information?

2. How can rates be designed to avoid large periodic rate adjustments to recover revenues?

3. Does the utility need to be able to forecast accurately the response of customers to these differential rates?

4. Do the utilities need reliable estimates of price elasticities of demand for customers to make sales projections?

5. What estimates of price elasticities exist and can be relied upon for rate design purposes?

6. If customer responses to dynamic pricing tariffs result in revenue over- or under-collections, should the over- or under-collection be addressed by adjusting rates within the customer's class, or should the over- or under-collection be addressed by adjusting rates for all customer classes?

7. If customers' self-selection into voluntary dynamic pricing tariffs results in over- or under-collections, how should the over- or under-collection be recovered – by adjusting rates of customers taking service under the voluntary tariff, by adjusting the rates of all customers within the customers' class, or by adjusting rates for all customers?

8. What mechanisms should the utility use to recover over- and under-collections from customers?

9. Should dynamic pricing tariffs be revenue-neutral with respect to flat and less time differentiated tariffs, or should the revenues collected by dynamic pricing tariffs differ from the revenues collected by flat and less time differentiated tariffs due to the incorporation of hedging premiums or participation credits?

10. If the incorporation of hedging premiums or participation credits results a revenue over- or under-collection, how should the revenue over- or under- collection be treated?

11. If the average cost to serve customers on a particular dynamic pricing tariff is less than the cost to serve customers not on the tariff, can the tariff be structured so that the dynamic pricing customers have a lower average cost?

12. If the utility incurs incremental costs to implement dynamic pricing tariffs (e.g. administrative costs, equipment, education), how should the incremental costs be recovered?

V. Hedging

1. Should customers have the opportunity to hedge the price risk under some or all of the dynamic tariff options?

2. Should hedging options be offered by the utility, or should rates be structured so that hedging can be obtained externally in the marketplace?

3. If a hedging premium is incorporated into relatively flatter rates, what should the premium be and how should it be determined?

4. Should customers have the opportunity to hedge through a two-part tariff in which part of their consumption is purchased at a fixed rate and the rest is purchased at the dynamic rate?

VI. Sources of triggers and prices for dynamic prices

1. For trigger-based rates such as CPP, who should determine when an event is triggered – the CAISO or the utility?

2. Should RTP be linked to wholesale market prices or some other price or cost information?

3. If a RTP rate is linked to wholesale market prices, what wholesale market prices should the tariff be linked to?

4. What impact will MRTU and potential capacity market implementation have on the prices used to design RTP and other dynamic tariffs?

5. Will the variation in wholesale market prices impact customer behavior?

6. Should tariffs be tied to the day-ahead or the same-day real time price?

7. How should the real time price be communicated to customers?

8. Should the RTP rate be a two-part rate with both a fixed price portion for part a customer's usage and a dynamic portion for the remaining usage?

9. Under a two-part RTP rate, how should a customer's reference level for the fixed portion be determined?

10. Under a two-part RTP rate, what costs should be recovered in the fixed portion of the rate?

VII. Residential rate issues

1. What dynamic rates should be offered to residential customers while the rate protection offered under AB 1X remains in effect?^{4,5}

2. What types of dynamic rates can be offered to residential customers if the AB 1X rate protection is lifted by the Legislature or is no longer effective?

3. How can rates be designed to maximize residential participation while the AB 1X rate protection remains in effect?

4. To what extent do existing residential rates and programs such as increasing block rates and air conditioning cycling fulfill the Commission's policy goals?

⁴ AB 1X refers to Assembly Bill No. 1 from the 2001-2002 First Extraordinary Session as codified by Water Code section 80000 et seq. Water Code section 80110 protects the rates of residential customers for usage up to 130 percent of baseline quantities.

⁵ In D.06-10-051 the Commission found that PG&E's voluntary residential CPP rate adopted in D.06-07-027 is not prohibited by AB 1X because the CPP rate is optional. Furthermore, D.06-10-057 states that "The Decision is also consistent with other decisions where we have authorized similar tariff options enabling customers to better manage their overall electricity consumption patterns, thereby helping to ensure adequate state-wide electricity supply as more broadly intended by AB 1X." (P. 5.) Changes to the Commission's interpretation of AB 1X are beyond the scope of this proceeding.

5. Could additional demand response could be provided if AB 1X rate protection were no longer effective? If so, how much additional demand response? What would the potential bill impact be for residential customers if they were able to participate in dynamic pricing rates?

6. How would existing residential rates and programs such as increasing block rates and air conditioning cycling be affected by dynamic pricing rates for residential customers?

7. Should low-income residential customers be offered discounted dynamic rates or other dynamic rate options?

VIII. Critical Peak Pricing

1. What should a CPP rate be based on? Is there a reliability value that is not included in wholesale power prices that should be incorporated into the tariff?

2. How long should the critical peak period be?

3. When should a utility be able to trigger a critical peak period – during summer peak hours only, during summer mid-peak and off-peak hours, during winter hours?

4. How can a CPP tariff be structured to allow for a variable number of events each year while still recovering the revenue requirement?

5. Is the potential customer savings or cost great enough under a CPP rate to motivate a customer response?

IX. Relationship to reliability-oriented and other demand response programs

1. What is the purpose of reliability-oriented demand response tariffs and programs such as interruptible rates and programs and air conditioning cycling?

2. To what extent can dynamic pricing rates provide the reliability benefits that are provided by reliability-oriented tariffs and programs?

3. Should customers have the option to simultaneously participate in dynamic pricing tariffs and interruptible or other reliability programs?

4. When simultaneous participation is allowed, what rules are needed to minimize overpaying customers for demand reductions?

5. Should customers have the option to simultaneously participate in dynamic pricing tariffs and other price-responsive programs?

X. Timing of tariff development and roll-out

1. When should time-differentiated tariffs be introduced for each customer class?

2. Does the detailed development of some time-differentiated tariffs need to wait until after the CAISO's MRTU is on-line?

3. How does the meter installation schedule for small commercial and residential customers affect when tariffs should be introduced?

4. Should customers be given time before the implementation of new time-differentiated tariffs so that customers may make technological and operational changes to benefit from the new tariffs?

Customer Education

1. What type of education and marketing is necessary to help customers understand new dynamic tariff options?

2. What type of education and marketing is necessary to help customers understand their options for responding to new dynamic tariffs?

3. How much money is needed for education and marketing?

4. How should education and marketing be funded?

5. How should customer bills be designed to communicate information about dynamic rates?

6. What information should be available on the Internet?

7. How should CPP events and dynamic prices be communicated to customers?

8. Are there opportunities for customer education and dynamic load information to elicit significant demand response even in the absence of a dynamic pricing tariff?

Enabling Technology

1. In addition to interval meters, do the utilities need to offer enabling technologies to facilitate customer response to dynamic pricing?

2. Will the introduction of dynamic pricing create a demand for enabling technologies that will drive the marketplace, even without additional subsidies or regulations?

3. Will the introduction of dynamic pricing provide customers an incentive to invest in permanent load shifting technologies?

4. Should the CPUC increase technical assistance and technical incentives in conjunction with new rate options to subsidize enabling technologies?

5. Should enabling technologies be encouraged in other ways, such as through California Energy Commission standards?

6. What additional technologies, if any, are necessary to communicate dynamic prices to customers?

(END OF ATTACHMENT A)

ATTACHMENT B**Schedule**

The following is a preliminary schedule that initiates our review of rate design, customer education, and enabling technology issues.

Date	Action
Aug. 9, 2007	Comments on tentative list of issues, schedule, and categorization
Aug. 22, 2007	Further Ruling on issues, schedule and categorization
Sept. 7, 2007	CPUC hosts DRRC Rates Workshop
Oct. 5, 2007	Parties file comments on issues
Oct. 19, 2007	Parties file reply comments on issues
Nov. 5-6, 2007	Workshop to address issues
Nov. 27, 2007	Parties file post-workshop comments and deadline for requesting evidentiary hearings
Dec. 18, 2007 tentative	Ruling describing any tasks to be performed and identifying who will perform the tasks
Jan 29, 2008 tentative	Parties file any reports on assigned tasks and sample rates prepared
Late Feb. 2008	Workshop on sample rates
Early Mar. 2008	Workshop report and post-workshop comments on sample rates
April 2008	Workshop on Customer Education and Enabling Technologies
April 2008	Parties file comments regarding Customer Education and Enabling Technologies
Second Qtr 2008	Proposed Decision on Dynamic Pricing policy

(END OF ATTACHMENT B)

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 Notice of Availability of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the Notice of Availability of the filed document is current as of today's date.

Dated August 22, 2007, at San Francisco, California.

/s/ ANTONINA V. SWANSEN
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