

EXHIBIT 1

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas And Electric
Company (U 39-E) for Approval of 2008-2020
Conditioning Direct Load Control Program

Application No. 07-04-009

**SETTLEMENT AGREEMENT BETWEEN
AND AMONG PACIFIC GAS AND ELECTRIC
COMPANY, THE DIVISION OF RATEPAYER
ADVOCATES AND THE UTILITY REFORM
NETWORK**

I. INTRODUCTION

In accordance with Rule 12.1 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) the Division of Ratepayer Advocates (DRA) and the Utility Reform Network (TURN) (collectively referred to as "the Parties" or individually as a "Party"), hereby enter into this Settlement Agreement to resolve certain issues, as more fully described below, raised in PG&E's Application for an Air Conditioning Load Control Program (AC Program), A.07-04-009, that are currently pending before the Commission.

The Parties believe that this Settlement Agreement is in the public interest and represents a fair and equitable resolution of the issues in the proceeding and request that the Commission approve it without modification.

II. RECITALS

A. Commission President Peevey's August 9, 2006 Assigned Commissioner's Ruling (ACR) in Application (A.) 05-06-006 et al. requested PG&E and the other investor-owned utilities to propose enhancements to their demand response (DR) portfolios to increase the amount of DR available for summer 2007. Commissioner Peevey's ACR dated August 15,

2006^{1/}, required PG&E and San Diego Gas & Electric to file reports in R.05-02-013 addressing the need to increase AC load reduction capacity for summer 2007, in light of the July 2006 heat storm and growth in demand.

B. In response to the ACRs, PG&E's August 30, 2006 filing for enhancements to its DR programs included a proposal to implement a 5 MW AC Program beginning in 2007. On November 30, 2006, the Commission approved the 2007 AC Program and specifically found that AC cycling can result in concrete load reduction capability in PG&E's service area.^{2/} PG&E filed Advice Letter (AL) 2946-E on December 8, 2006 seeking approval of the 2007 AC Program. On February 15, 2007, the Commission issued Resolution E-4061 approving, with modifications, AL 2946-E, which approved the 2007 AC Program as well as acknowledged that PG&E intended to file a multi-year Application for an AC cycling program.

C. PG&E issued a Request for Proposals on October 17, 2006 requesting bids on one or more aspects of the AC Program. The requested bids included supply of the AC direct load control devices, installation of the AC direct load control devices, and all other services necessary to start up and maintain the AC Program. PG&E received several bids and has entered into two supplier agreements for AC Program.

D. On April 6, 2007, PG&E filed Application No. 07-04-009 requesting approval of the 2008 – 2020 AC Program with a requested budget of approximately \$362 million through 2020. PG&E filed concurrent written opening testimony that provided a detailed explanation of its proposed AC Program.

E. On May 11, 2007, DRA and TURN protested PG&E's Application. PG&E replied to the protests on May 21, 2007. No other parties have appeared in the proceeding.

^{1/} *Order Instituting Rulemaking to Consider Refinements to and Further Development of the Commission's Resource Adequacy Requirements Program*, Rulemaking (R.) 05-12-013.

^{2/} D.06-11-049, Finding of Fact No. 15.

F. On July 17, 2007, Commissioner Rachele Chong issued an Assigned Commissioner's Ruling and Scoping Memorandum which established a schedule for the proceeding and listed material disputed issues.

G. On September 17, 2007, TURN and DRA filed written testimony suggesting extensive revisions to PG&E's proposal but not disputing the need for an AC Program in PG&E's service area.

H. PG&E filed written rebuttal testimony on October 1, 2007 and filed an errata to its opening testimony on October 10, 2007.

I. On October 22, 2007, the Parties filed motions to designate exhibits in the record, which included, among other documents, the Parties' written testimony, extensive PG&E data request responses, and reports regarding PG&E's 2007 AC Program.

J. Prehearing conferences were held in this proceeding on July 10, 2007 and on October 4, 2007. The Parties waived their right to request evidentiary hearings in the proceeding.

III. SETTLEMENT AGREEMENT

As a compromise among their respective litigation positions, and subject to the recitals and reservations set forth in this Settlement Agreement, the Parties find reasonable PG&E's proposal for deployment of the AC Program, as described in PG&E's Application and supporting testimony, with the following modifications:

A. AC Program Budget

1. The Parties agree that an initial budget (Budget) for the period of 2007 – June 1, 2011 of \$178.8 million is reasonable. The Budget is based on the assumptions included in this Settlement Agreement regarding PG&E's forecasted expenses, which the Parties acknowledge will change during the Budget period. The Budget is based on the following categories and

estimates of PG&E's AC Program expenses:

	2007	2008	2009	2010	2011
PG&E Administrative Expenses Marketing and Incentives^{3/}	\$1,337,250	\$997,019	\$6,051,692	\$1,067,273	\$755,632
Purchase, Install and Maintain AC Load Control Devices Contingency Allowance Measurement and Evaluation	\$3,270,125	\$10,595,776	\$15,879,039	\$15,335,439	\$11,009,721
	\$6,443,159	\$22,282,610	\$32,616,880	\$29,343,257	\$18,300,179
	\$0	\$1,752,851	\$1,752,851	\$1,752,851	\$0
	\$460,000	\$835,750	\$973,250	\$620,750	\$65,000
Less costs approved in Res. E-4061	(\$4,494,240)	(\$188,450)			
Total	\$7,016,294	\$36,275,556	\$57,273,712	\$48,119,569	\$30,130,532

2. PG&E shall file a new application in the second quarter of 2009, after obtaining the results of the Measurement and Evaluation (M&E) analysis discussed in section E below, to address and update or request a change to the Budget and address any refinements to the AC Program. In this application, PG&E may request funding for the AC Program for the period of June 1, 2011 through December 31, 2011 to align the AC Program budget cycle with that of PG&E's DR portfolio budget cycle beginning 2012.

3. The Budget includes a cost contingency allowance of \$5,258,552 which is 3% of forecasted 2007-2011 AC Program expenses, less M & E expenses.

4. This Settlement Agreement addresses the Budget and AC Program design through June 1, 2011 only. PG&E shall file an application to request additional AC Program funding for the period beginning June 1, 2011.

^{3/} The Budget is based on \$50.00 per device for residential customers and \$100.00 per device for non-residential customers.

5. The total number of programmable controllable thermostats (PCTs) installed under the AC Program shall not exceed 40% of the total number of operating AC direct load control devices by June 2011, unless DRA and TURN agree to a higher percentage of PCTs.

6. The Commission will not review for reasonableness AC Program expenditures incurred by PG&E, which expenditures are consistent with this Settlement Agreement.

B. Load Control Device Installation and AC Program Size

The AC Program may be expanded to approximately 305 MW by June 1, 2011, as follows:

1. The Budget is calculated based on the assumption that approximately 397,000 operational and participating AC direct load control devices will provide approximately 305 MW of load reduction.

2. The number of installed and operational AC direct load control devices will be revised by PG&E as appropriate if M & E results demonstrate a different load reduction per device than PG&E assumed in its prepared written testimony (PG&E Ex. 5, Chapter 4).

3. The Parties acknowledge that actual number of AC direct load control devices to be installed in the AC Program to obtain 305 MW of load reduction will vary from the initial estimate of 397,000 used to calculate the Budget depending on customer enrollment rates, customer drop out rates, device failure rates, customer relocation rates, and event opt-out rates. The Budget is based on the assumption that the AC Program will experience a 1% customer drop out rate, a 5% customer relocation rate, and an 8% event opt-out rate.

4. The Parties agree that PG&E may install a sufficient number of load control devices to obtain the following amount of load reduction:

June 2008: maximum load reduction of 65 MW
June 2009: maximum load reduction of 152 MW
June 2010: 224 MW
June 2011: 305 MW

5. The total number of programmable controllable thermostats (PCTs) installed under the AC Program shall not exceed 40% of the total number of operating AC direct load control devices by June 2011, unless DRA and TURN agree to a higher percentage of PCTs.

6. The Budget assumes that AC Program enrollment will not exceed 5% of small non-residential customers.

C. Integration With The California Independent System Operator (CAISO) Operations

PG&E shall continue to participate in the CAISO Market Redesign and Technical Upgrade (MRTU) working groups to integrate PG&E's DR programs into MRTU, including specifically to address the integration of the AC Program into the CAISO's Residual Unit Commitment (RUC) process and the real-time unit commitment process for the MW attributable to the AC Program.

D. Potential Program Design Modifications

PG&E shall continue to review the AC Program design to determine whether design changes are warranted during the Budget term, including: (1) analysis of the integration of the AC Program with the Advanced Metering Initiative (AMI) program; (2) analysis of the availability of new Title 24 PCTs including whether such devices can be installed in the AC Program; (3) analysis of the results of the load impact study discussed in section E below; and (4) analysis of any other potential changes to the AC Program design to increase the cost-effectiveness of the AC Program consistent with cost-effectiveness protocols adopted in R. 07-01-041.

E. Measurement and Evaluation

1. PG&E shall modify its M & E proposal for the AC Program discussed in its written testimony (PG&E Ex. 5, Chapter 5) to include a load impact study as described below.
2. PG&E will undertake and complete a load impact study for program year 2008, to be completed in spring 2009, on the persistence and level of DR from PCTs as compared to AC switches. The study will be made available to TURN and DRA as a public document. The study will include the following:
 - a. The load impact analysis will study the persistence of PCT load reductions during event periods to assess whether PCTs will result in material increases in aggregate customer load during later hours of an event (i.e., hours 3 through 6 of a 6 hour event) and enough test dispatches of system during various climate days (i.e., mid-90s, 100s, and greater than 100 degree days) to assess the persistence of demand response during an entire 6 hour event.
 - b. A subset of customers on critical peak pricing (CPP) rates to understand effect of CPP rates on those load impacts.
 - c. Customers will be requested to identify the year the residence or commercial building was constructed or the year of any major remodel. This data will be separated into buildings built a) before 1975, b) between 1975 and 1995 and c) built after 1995.
 - d. The study shall include a break-down of AC Program participants by climate Zones S, R, and X.
 - e. PG&E will install additional sample points in order to support the requested units of analysis.
 - f. The study will target an overall 90% confidence level and 10% relative precision.
3. The raw data (excluding customer identifier) will be available to TURN and DRA to allow them to undertake their own analysis.
4. The 2008 study shall be conducted by PG&E in collaboration with the DR M & E Committee (DRMEC), which will include the participation and input of DRA and TURN.

F. Cost Recovery

1. The Parties agree to support PG&E's request in Advice Letter 3163-E, dated November 30, 2007, to modify its Air Conditioning Tracking Memorandum Account (ACTMA) to allow PG&E to record the costs associated with the installation of up to 25,000 additional devices, for a total of 45,000 load control devices, pending the Commission's issuance of a final decision in this proceeding.

2. PG&E shall collect the full amount of the ACTMA balance in its electric distribution rates in 2008.

3. PG&E shall recover its 2008 AC Program expenses from electric distribution customers via the DR Revenue Balancing Account (DRRBA), effective March 1, 2008. DRRBA shall be increased for 1) the ACTMA balance and 2) the authorized 2008 AC Program expenses not included in ACTMA.

4. PG&E's authorized AC Program expenses for 2009-2011 shall be adjusted and collected via DRRBA in the annual Annual Electric True Up (AET) filing.

5. PG&E shall create an AC Expense Balancing Account (ACEBA), a one-way balancing account that compares actual and authorized AC Program expenses. The ACEBA will be a separate section of the electric preliminary statement. At the end of the AC Program cycle in June 2011 (or in December 2011 if the AC program is extended to December 31, 2011 per Section A 2. above), the balance of the ACEBA will be transferred to the DRRBA (if actual expenses were less than authorized expenses) or to shareholders (if actual expenses exceeded authorized expenses). The Parties agree to jointly request the Commission to approve the preliminary statement for ACEBA, in the form attached hereto as Exhibit A.

G. Customer Financial Incentives

PG&E will continue to market the AC Program with a \$25 financial incentive to customers as proposed in its Application, in addition to any end-of-the-year customer “thank you” gift^{4/}, until PG&E determines that the AC Program has reached market saturation. PG&E may increase the incentive after consultation with TURN and DRA.

H. Critical Peak Pricing Customer Eligibility

CPP customers will remain eligible to enroll in the AC Program.

I. Reporting requirement

PG&E will provide to the Energy Division and the Parties an annual report on the AC Program in December 2008, 2009, and 2010. The Report shall address the AC Program’s performance, potential design modifications, enrollment, and current budget estimates.

J. AC Program Electric Rate Schedules

The Parties will jointly request the Commission to approve Schedule E-RSAC and Schedule E-CSAC, PG&E’s electric rate schedules for the AC Program, as attached hereto as Exhibits B and C. PG&E retains the right to request by advice letter any revision to these schedules, provided that said revisions are not inconsistent with this Settlement Agreement.

K. Commission Approval

This Settlement Agreement shall become effective on the mailing date of a final Commission decision approving the terms of this Settlement Agreement without modifications unacceptable to any Party.

L. General Terms and Conditions.

1. The Settlement Agreement is intended to be a resolution among the Parties of all issues raised in the Application A.07-04-009.

^{4/} The proposed “thank you” gift is designed to keep customers engaged in the program. It is budgeted at \$8 per customer.

2. The Parties agree to support the Settlement Agreement and perform diligently, and in good faith, all actions required or implied hereunder to obtain Commission approval of the Settlement Agreement, including without limitation, the preparation of written pleadings. No Party will contest in this proceeding, or in any other forum or in any manner before this Commission, this Settlement Agreement.

3. The Parties understand that time is of the essence in obtaining the Commission's approval of this Settlement Agreement and that each will extend its best efforts to ensure that the Commission issues a final decision approving the Settlement Agreement by February 14, 2008.

4. The Parties agree by executing and submitting this Settlement Agreement that the relief requested herein is just, fair and reasonable, and in the public interest.

5. The Settlement Agreement is not intended by the Parties to be precedent regarding any principle or issue. The Parties have assented to the terms of this Settlement Agreement only for the purpose of arriving at the compromise embodied in this Settlement. Each Party expressly reserves its right to advocate, in current and future proceedings, positions, principles, assumptions, and arguments which may be different than those underlying this Settlement Agreement and each Party declares that this Settlement Agreement should not be considered as precedent for or against it.

6. This Settlement Agreement embodies compromises of the Parties' positions. No individual term of this Settlement Agreement is assented to by any Party, except in consideration of the other Parties' assent to all other terms. Thus the Settlement Agreement is indivisible and each part is interdependent on each and all other parts. Any Party may withdraw from this Settlement Agreement if the Commission modifies, deletes from, or adds to the disposition of the matters stipulated herein. The Parties agree, however, to negotiate in good faith with regard to

any Commission-ordered changes in order to restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful.

7. The terms and conditions of the Settlement Agreement may only be modified in writing subscribed to by the Parties and approved by a Commission order.

DATED: December 18, 2007

By: Steve J. McCarty
STEVEN J. MCCARTY
Director, Demand Response
Pacific Gas and Electric Company

By: _____
NINA SUETAKE
for:
The Utility Reform Network

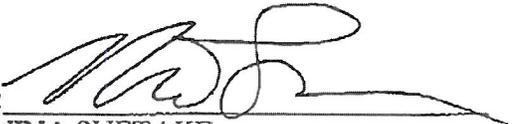
By: _____
DANA APPLING
Director
Division of Ratepayer Advocates

any Commission-ordered changes in order to restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful.

7. The terms and conditions of the Settlement Agreement may only be modified in writing subscribed to by the Parties and approved by a Commission order.

DATED: December 18, 2007

By: _____
STEVEN J. MCCARTY
Director, Demand Response
Pacific Gas and Electric Company

By:  _____
NINA SUETAKE
for:
The Utility Reform Network

By: _____
DANA APPLING
Director
Division of Ratepayer Advocates

any Commission-ordered changes in order to restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful.

7. The terms and conditions of the Settlement Agreement may only be modified in writing subscribed to by the Parties and approved by a Commission order.

DATED: December 18, 2007

By: _____
STEVEN J. MCCARTY
Director, Demand Response
Pacific Gas and Electric Company

By: _____
NINA SUETAKE
for:
The Utility Reform Network

By: 
DANA APPLING
Director
Division of Ratepayer Advocates

ATTACHMENT A



Pacific Gas and Electric Company
San Francisco, California
U 39-E

Cancelling

Original

Cal. P.U.C. Sheet No.
Cal. P.U.C. Sheet No.

DRAFT

XX. AIR CONDITIONING EXPENDITURES BALANCING ACCOUNT (ACEBA)

(N)

- 1. **PURPOSE:** The purpose of the Air Conditioning Expenditure Balancing Account (ACEBA) is to track the authorized Air Conditioning Direct Load Control program budget compared to costs incurred by PG&E to implement and administer the Air Conditioning Direct Load Control Program authorized by Decision (D.) 08-xx-xxx (AC Program) beginning in 2008.

The ACEBA is a one-way balancing account that records the one-time set-up and ongoing Operations and Maintenance (O&M) and Administrative and General (A&G) expenses (including customer participation incentives) incurred to develop and implement, or in reasonable anticipation of implementing the AC Program.

- 2. **APPLICABILITY:** The ACEBA shall apply to all customer classes, except those specifically excluded by the Commission.
- 3. **REVISION DATE:** The revision dates applicable to the ACEBA shall be determined as necessary in the Annual Electric True-Up (AET) process or other proceeding as authorized by the Commission.
- 4. **RATES:** The ACEBA does not have a rate component.
- 5. **ACCOUNTING PROCEDURE:** The following entries shall be made at the end of each month:
 - a. A debit entry equal to PG&E's incremental one-time "set up" and ongoing O&M and A&G expenses incurred to develop and implement, or incurred in reasonable anticipation of implementing the AC Program.
 - b. A credit entry equal to one-twelfth of the current year AC Program budget as authorized by the CPUC.
 - c. An entry to transfer the balance or amounts recorded in this account to other accounts upon approval by the Commission.
 - d. A debit entry equal to the interest on the average of the balance at the beginning of the month and the balance after the above entries at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

DISPOSITION: The ACEBA is a one-way balancing account. Disposition of any remaining balance in ACEBA once all authorized AC Program costs have been recorded will be determined in the AET or other proceeding as authorized by the Commission.

(N)

Advice Letter No.
Decision No. 08-xx-xxx

Issued by
Brian K. Cherry
Vice President
Regulatory Relations

Date Filed _____
Effective _____
Resolution No. _____

ATTACHMENT B



Pacific Gas and Electric Company
 San Francisco, California
 U 39-E

Cancelling

Revised

Cal. P.U.C. Sheet No.
 Cal. P.U.C. Sheet No.

DRAFT

SCHEDULE E-RSAC – RESIDENTIAL SMART A/C PROGRAM

APPLICABILITY: This schedule provides customers with an option to supplement the service provided under the customer’s otherwise applicable electric rate schedule. Schedule E-RSAC – Residential Smart A/C Program (Program) is a voluntary demand response program where PG&E installs a device at a customer’s premise that can temporarily disengage the customer’s air-conditioning (A/C) unit or raise the temperature at the thermostat when the device is remotely activated by PG&E. The Program is intended to be a service option for individually metered residential customers and master metered customers and their tenants with single stage central electric A/C units that generally operate during PG&E’s summer peak periods. (T)
 (T)

PURPOSE: PG&E may activate the devices in order to reduce its system peak demand during an ISO Stage 1 condition, emergency or near-emergency situations, or for limited program testing. The operation of this program will act as a demand-side resource to PG&E to help maintain service reliability for all electric customers, defer construction of additional generation facilities, and reduce environmental pollutants. This program will be limited to 100 hours per year. (T)
 (T)

TERRITORY: This schedule applies throughout PG&E’s electric service area. (T)

ELIGIBILITY: This schedule applies to residential electric customers who are being served on one of the following PG&E rate schedules or would be billed under one of the following rate schedules if service was taken directly from PG&E. (T)
 |
 (T)

Non-Time-Of-Use (TOU) Rate Schedules: E1, EL-1, E-8, EL-8, EM, EML, ES, ESL, ESR, ESRL, ET, and ETL

TOU Rate Schedules: E-6, E-7, E-A7, EL-7, EL-A7, and E-9

Customers may not participate in the Program if any of the following conditions apply: (1) A/C unit is not compatible with PG&E’s device or is located in an area where there is inadequate signal strength to reliably and remotely operate it; (2) A/C equipment is in an unacceptable operating condition in PG&E’s sole discretion; (3) A/C system is not a central electric unit, such as window air conditioners or evaporative coolers; (4) A/C unit is generally not used during PG&E’s system peak time periods; (5) A/C unit installation does not meet electrical code; (6) Installation of the device would pose a safety risk for the installer of the equipment; (7) Any premise occupant has a medical condition that would prohibit their participation; or (8) Customer does not authorize PG&E to install a device.

(Continued)

Advice Letter No.
 Decision No. 08-xx-xxx

Issued by
Brian K. Cherry
 Vice President
 Regulatory Relations

Date Filed _____
 Effective _____
 Resolution No. _____



SCHEDULE E-RSAC – RESIDENTIAL SMART A/C PROGRAM
 (Continued)

- RATES:** A customer's monthly electric bill will continue to be calculated in accordance with the otherwise applicable rate schedule.
- DEVICE OPTIONS:** Customers may elect that PG&E install, free of charge, one of the following two devices at their premise:
1. **A/C Cycling Switch:** The A/C Cycling switch will generally be installed outdoors, on or adjacent to the customer's A/C unit. When activated by PG&E, the switch will turn off or cycle the A/C unit for approximately 50% of the time over each subsequent 30 minute interval. This is called a "cycle." Program events will be limited to no more than six hours each day. An A/C unit can be cycled no more than 100 hours each year. (T)
 2. **Programmable Controllable Thermostat (PCT):** A PCT is a thermostat that can be programmed and operated or activated remotely by a signal. When the program is called, PG&E will activate the device one of two ways: (1) the thermostat temperature will be incrementally increased up to four degrees or, (2) the device will cycle the A/C unit for approximately 50% of the time over each 30 minute interval, similar to the switch, until the event is complete. Program events will be limited to no more than six hours each day. A PCT can be activated no more than 100 hours each year. (T)
- PG&E understands that there may be times that a temperature increase, however modest, may inconvenience customers. PG&E will provide its customers with a toll free telephone number and/or a dedicated website to override, without penalty, PG&E's control of their device for a program event absent rotating block outages.
- DEVICE CALL OPTION:** Customers on the SmartRate Program may request PG&E to activate their A/C Cycling switch or PCT when the customer is participating solely in a SmartDay event.
- SPECIAL CONDITIONS:**
1. Devices may be activated by PG&E based on system peak loading conditions, or transmission or distribution system loading conditions. PG&E may on a limited basis conduct operational tests on a segment of customer devices.
 2. Program events will occur during PG&E's summer season, which runs from May 1 through October 31 each year. (T)
 3. Customers must remain on the Program for 12 months.
 4. PG&E will furnish, install, operate, and maintain an A/C Cycling switch or PCT at no cost to the customer for as long as the customer remains on this Program. Ownership of the installed devices will vest with the property owner. As a condition of participating in this Program, customer and property owner must agree to not deface, remove or otherwise interfere with the device or its operation while the customer is enrolled in this Program.
 5. PG&E will install specialized metering on a small sample of participants' A/C units to facilitate program impact estimates. PG&E will retain ownership of the specialized meters.
 6. Customer participation is limited to equipment and installation availability.

(Continued)



Pacific Gas and Electric Company
San Francisco, California
U 39

Cancelling

Original

Cal. P.U.C. Sheet No.
Cal. P.U.C. Sheet No.

DRAFT

SCHEDULE E-RSAC – RESIDENTIAL SMART A/C PROGRAM
(Continued)

SPECIAL
CONDITIONS:
(Cont'd.)

- 7. Program participation must be authorized by a property owner at the premise. Renters or lease holders may participate with the owner's written approval.
- 8. Customers with multiple air conditioning units at one premise must have all units controlled in order to participate in this program.
- 9. The ability to override device may not be available in the event of an extreme emergency, such as a rotating block outage.

(L)

(L)

CUSTOMER
INCENTIVE:

Following program enrollment and installation of an A/C Cycling switch or PCT, customers will receive a one-time financial incentive of up to \$50.00, depending on fund availability and PG&E's program marketing in effect at the time of installation.

(N)

(N)

Advice Letter No.
Decision No. 08-xx-xxx

107628

Issued by
Brian K. Cherry
Vice President
Regulatory Relations

Date Filed _____
Effective _____
Resolution No. _____

ATTACHMENT C



Pacific Gas and Electric Company
San Francisco, California
U 39-E

Cancelling

Revised

Cal. P.U.C. Sheet No.
Cal. P.U.C. Sheet No.

DRAFT

SCHEDULE E-CSAC – COMMERCIAL SMART A/C PROGRAM

APPLICABILITY: This schedule provides customers with an option to supplement the electric service provided under the customer's otherwise applicable rate schedule. Schedule E-CSAC – Commercial Smart A/C Program (Program) is a voluntary demand response program where PG&E installs a device at a customer's premise that can temporarily disengage the customer's air-conditioning (A/C) unit or raise the temperature at the thermostat when the device is remotely activated by PG&E. The Program is intended to be a service option for individually metered small commercial customers and master metered customers and their tenants with single stage central electric A/C units that generally operate during PG&E's summer peak periods. (T)
(T)

PURPOSE: PG&E may activate the devices in order to reduce its system peak demand during an ISO Stage 1 condition, emergency or near-emergency situations, or for limited program testing. The operation of this program will act as a demand side resource to PG&E to help maintain service reliability for all electric customers, defer construction of additional generation facilities, and reduce environmental pollutants. This program will be limited to 100 hours per year. (T)
(T)

TERRITORY: This schedule applies throughout PG&E's electric service area. (T)

ELIGIBILITY: This schedule applies to small electric commercial customers who are being served on one of the following PG&E rate schedules or would be billed under one of the following rate schedules if service was taken directly from PG&E. (T)
(T)

Non-Time-Of-Use (TOU) Rate Schedules: A-1 and A-10

TOU Rate Schedules: A-6 and E-19V

Customers may not participate in the Program if any of the following conditions apply: (1) A/C unit is not compatible with PG&E's device or is located in an area where there is inadequate signal strength to reliably and remotely operate it; (2) A/C equipment is in an unacceptable operating condition in PG&E's sole discretion; (3) A/C system is not a central electric unit, such as window air conditioners or evaporative coolers; (4) A/C unit is generally not used during PG&E's system peak time periods; (5) A/C unit installation does not meet electrical code; (6) Installation of the device would pose a safety risk for the installer of the equipment; (7) Any premise occupant has a medical condition that would prohibit their participation; (8) Customer's electrical demand exceeds 200 kW; or (9) Customer does not authorize PG&E to install a device.

(Continued)

Advice Letter No.
Decision No. 08-xx-xxx

107629

Issued by
Brian K. Cherry
Vice President
Regulatory Relations

Date Filed _____
Effective _____
Resolution No. _____



SCHEDULE E-CSAC – COMMERCIAL SMART A/C PROGRAM
 (Continued)

RATES: A customer's monthly electric bill will continue to be calculated in accordance with the otherwise applicable rate schedule.

DEVICE OPTIONS: Customers may elect that PG&E install, free of charge, one of the following two devices at their premise:

1. **A/C Cycling Switch:** The A/C Cycling switch will generally be installed outdoors, on or adjacent to the customer's A/C unit. When activated by PG&E, the switch will turn off or cycle the A/C unit up for approximately 33% of the time over each subsequent 30 minute interval. This is called a "cycle." Program events will be limited to no more than six hours each day. An A/C unit can be cycled no more than 100 hours each year. (T)

2. **Programmable Controllable Thermostat (PCT):** A PCT is a thermostat that can be programmed and operated or activated remotely by a signal. When the program is called, PG&E will activate the device one of two ways: (1) the thermostat temperature will be incrementally increased up to four degrees or, (2) the device will cycle the A/C unit for approximately 33% of the time over each 30 minute interval, similar to the switch, until the event is complete. Program events will be limited to no more than six hours each day. A PCT can be activated no more than 100 hours each year. (T)

PG&E understands that there may be times that a temperature increase, however modest, may inconvenience customers. PG&E will provide its customers with a toll free telephone number and/or a dedicated website to override, without penalty, PG&E's control of their device for a program event absent rotating block outages.

DEVICE CALL OPTION: Customers on the SmartRate Program may request PG&E to activate their A/C Cycling switch or PCT when the customer is participating solely in a SmartDay event.

- SPECIAL CONDITIONS:**
1. Devices may be activated by PG&E based on system peak loading conditions, or transmission or distribution system loading conditions. PG&E may on a limited basis conduct operational tests on a segment of customer devices.

 2. Program events will occur during PG&E's summer season, which runs from May 1 through October 31 each year. (T)

 3. Customers must remain on the Program for 12 months.

 4. PG&E will furnish, install, operate, and maintain an A/C Cycling switch or PCT at no cost to the customer for as long as the customer remains on this Program. Ownership of the installed devices will vest with the property owner. As a condition of participating in this Program, customer and property owner must agree to not deface, remove or otherwise interfere with the device or its operation while the customer is enrolled in this Program.

 5. PG&E will install specialized metering on a small sample of participants' A/C units to facilitate program impact estimates. PG&E will retain ownership of the specialized meters.

 6. Customer participation is limited to equipment and installation availability.

(Continued)



Pacific Gas and Electric Company
San Francisco, California
U 39

Original
Cancelling

Cal. P.U.C. Sheet No.
Cal. P.U.C. Sheet No.

DRAFT

SCHEDULE E-CSAC – COMMERCIAL SMART A/C PROGRAM
(Continued)

SPECIAL
CONDITIONS:
(Cont'd.)

- 7. Program participation must be authorized by a property owner at the premise. Renters or lease holders may participate with the owner's written approval.
- 8. Customers with multiple air conditioning units at one premise must have all units controlled in order to participate in this program.
- 9. The ability to override device may not be available in the event of an extreme emergency, such as a rotating block outage.

(L)

(L)

CUSTOMER
INCENTIVE:

Following program enrollment and installation of an A/C Cycling switch or PCT, customers will receive a one-time financial incentive of up to \$100.00, depending on fund availability and PG&E's program marketing in effect at the time of installation.

(N)

(N)

DRAFT

(END OF EXHIBIT 1)

Advice Letter No.
Decision No. 08-xx-xxx

Issued by
Brian K. Cherry
Vice President
Regulatory Relations

Date Filed _____
Effective _____
Resolution No. _____