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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Enhance the Role of Demand Response in Meeting the State's Resource Planning Needs and Operational Requirements.

Rulemaking 13-09-011
(Filed September 19, 2013)

**ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE'S
RULING PROVIDING GUIDANCE FOR SUBMITTING
DEMAND RESPONSE PROGRAM PROPOSALS**

1. Summary

This Ruling provides guidance to Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) (jointly, the Utilities) regarding the required filing of proposals to improve Commission-regulated demand response programs in 2015 and 2016. Other parties in this proceeding are also invited to file proposals following the same guidance we provide below. All proposals shall be filed no later than 30 days following the issuance of this ruling.

Furthermore, this Ruling asks specific parties to provide additional responses or data in response to prior questions or comments on issues related to bridge funding. The responses to the additional questions shall be filed no later than 30 days from the issuance of this ruling.

2. Background

The Commission initiated Rulemaking (R.) 13-09-011 with the goal of enhancing the role of demand response programs in meeting the state's long-term clean energy goals while maintaining system and local reliability. The Order Instituting Rulemaking recognized that changes to the programs would not be complete in time for the Utilities to file applications for the 2015-2016 programs. Decision (D.) 14-01-004 approved two years of bridge funding for the programs in 2015 and 2016 and also acknowledged that it would be practical to revise the programs on a narrow basis to improve their success. Furthermore, the Commission concluded that it is reasonable to take this opportunity to use what we have learned from demand response programs over the past year and a half to improve 2015 and 2016 outcomes. D.14-01-004 found that there is a limited record to approve revisions to the program and stated that in a future ruling the Commission would solicit parties' recommendations on improving demand response program reliability and effectiveness.

3. Guidance for Program Improvement Proposals

The Utilities shall submit proposals that meet the following guidelines:

- Similar to what we requested in Application (A.) 12-12-016 et al., program revisions for 2015-2016 must a) improve program performance such as making its load reduction capacity more dependable, consistent and predictable and/or b) increase the availability and/or flexibility of programs.¹
- Program revisions in the proposals are not limited to program design features but may include operation,

¹ Letter from Energy Division requesting the Utilities to file applications to improve Demand Response programs in 2013 and 2014, November 16, 2012, at 2.

coordination, and communication practices of utility staff. All proposals should contain supporting rationale based on analyses, studies or reports. Program revisions based on evaluation, measurement, and verification studies are encouraged. For example, a process evaluation of the Utilities' statewide automatic demand response (Auto DR) program is nearing completion. Its findings and recommendations could be considered for a proposed revision to the Auto DR program.

- Program revisions are limited financially. Program budgets, including the aggregator managed portfolio contracts, are capped at the amount approved for 2013 and 2014 as approved by D.12-04-045 and D.13-04-017, with an additional \$2.895 million in PG&E demand response administrative costs proposed in the Partial Settlement requested in A.12-11-009. Thus, the Commission will not entertain program improvements that increase the budget above this cap.
- Because we are limiting the budget and implementation schedule for any program revision proposals, we do not anticipate impacts on cost-effectiveness. However, if the changes proposed for a program included changes to the inputs for the cost-effectiveness calculation of that program, the proposal shall include a revised cost effectiveness calculation and result. The requirements for cost-effectiveness are the same as those in D.12-04-045.
- Program revisions shall be implementable within 90 days and must be completely implemented no later than December 31, 2014.

The Utilities shall file their proposals no later than 30 days from the issuance of this ruling. All other parties to this proceeding are invited to file proposals that comply with this guidance. Replies to the proposals are permitted, but must be filed no later than 10 days after the filing of the proposals.

4. Additional Information Needed as a Result of Past Comments

Parties have provided comments regarding bridge funding that have raised questions in this proceeding. The following questions are addressed to one or more of the utilities, but parties are permitted to respond with any factual information they may have.

1. PG&E has requested that, if and when the Commission approves its Motion to Approve a Partial Settlement Agreement in A.12-11-009 and Investigation (I.) 13-03-007, the Commission approve the \$2.9 increase in recovery rates for demand response programs.² These funds are proposed to be moved from PG&E's General Rate Case to its demand response program budgets to fund employee benefits. If the Commission approves the settlement in A.12-11-009 and I.13-03-007, and if we were to approve the increase in demand response budgets for 2015 and 2016, what budget categories would be impacted and what would the impact be in dollar amounts.
2. The Utility Reform Network (TURN) recommends reducing the revenue requirement for demand response programs by at least 50 percent, to account for lower actual spending in 2012-2013. TURN provided a chart of actual spending through August 2013.³ Furthermore, SDG&E and PG&E requested that the Commission authorize the spending of the remaining unspent 2012-2014 funds during the 2015-2016 bridge funding.⁴ PG&E, SDG&E and SCE shall provide responses as to why they have each only spent less than 25 percent of a three-year budget over the course of 20 months and why this unspent funding should

² Comments of PG&E in Response to R.13-09-011, October 21, 2013 at 2.

³ Responses of TURN to Questions Concerning 2015 Bridge Funding and Pilots, October 21, 2013 at 2-4.

⁴ Response of SDG&E to Questions on Staff Proposal, October 23, 2013 at 2 and PG&E Comments at 2.

be made available to them in the 2015-2016 demand response program bridge funding.

3. In the case of funding for pilots in 2015 and 2016, D.12-04-045 requires that pilots approved for 2012-2014 be completed by December 31, 2014. As proposed in the Order Instituting Rulemaking, the pilot funds will be earmarked for the staff proposed pilots in 2015 and 2016. Utilities shall provide comments or concerns regarding this issue; other parties may comment as well.

IT IS RULED that:

1. No later than 30 days from the issuance of this ruling, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall file revisions to demand response programs for bridge fund years 2015 and 2016 that are in compliance with the guidance of this ruling.
2. No later than 30 days from the issuance of this ruling, all other parties to this proceeding may file demand response program proposals that are in compliance with the guidance of this ruling.
3. Replies to the program improvement proposals are due 10 days following the filing of the proposals.
4. Responses to the additional questions are also due 30 days from the issuance of this document.

Dated January 31, 2014, at San Francisco, California.

/s/ MICHAEL R. PEEVEY

Michael R. Peevey
Assigned Commissioner

/s/ KELLY A. HYMES

Kelly A. Hymes
Administrative Law Judge