BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) for Approval of Demand Response Programs, Goals and Budgets for 2009 through 2011.	Application 08-06-001 (Filed June 2, 2008)
Application of San Diego Gas & Electric Company (U 902 M) for Approval of Demand Response Programs and Budgets for Years 2009 through 2011.	Application 08-06-002 (Filed June 2, 2008)
Application of Pacific Gas and Electric Company for Approval of 2009-2011 Demand Response Programs and Budgets (U39E).	Application 08-06-003 (Filed June 2, 2008)

REPLY BRIEF
OF THE DIVISION OF RATEPAYER ADVOCATES

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I. INTRODUCTION

Pursuant to Rule 13.11 of the Commission's Rules of Practice and Procedure, and the schedule set forth in the January 27, 2009 *Administrative Law Judge's Ruling Confirming Modification To Briefing Schedule*, the Division of Ratepayer Advocates (DRA) hereby submits this Reply Brief in the consolidated Applications of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas and Electric Company (SDG&E) (collectively, the "IOUs" or "utilities"), for the approval of their respective 2009-2011 Demand Response (DR) Cycle Programs and Budgets.

II. SOUTHERN CALIFORNIA EDISON'S DEMAND RESPONSE CONTRACTS

A. There is No Compelling Rationale To Approve The Day Ahead Contracts Which Are Not Cost-Effective On An Individual or Portfolio Basis

In its Opening Brief, SCE relies heavily on the "portfolio approach" to evaluate the reasonableness of the contracts, and claims that the contracts are cost-effective under the standard used in Decision 08-03-017.[1]

The Commission should not be fooled by the fiction of a "portfolio approach." While this approach was adopted with reservations in Decision 08-03-017[2], using the portfolio approach in the instant case is in no way an appropriate means to determine the reasonableness of the proposed DR Contracts. The portfolio approach, in this instance, is nothing more than a crutch to support poor aggregator contracts. There are no demonstrated synergies between these contracts that support the idea that the benefits of the portfolio outweigh the benefits of good individual contracts. When the Commission rejected the inferior aggregator contracts in Decision 08-03-017, it sent a shockwave through the industry—signaling that the competitive solicitation did not work, and that the utilities and contractors needed to do a better job. To demonstrate the industry's sense of entitlement, one contractor who lost out in that decision even questioned the audacity of the Commission to reject its contract based on cost![3] As a result of that decision, we saw several aggregators sharpen their pencils and produce better products. But there is still a lot of room for improvement. We will never know what the market can produce if the Commission does not hold the line and reject bad contracts. This is only common sense.

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[1] SCE Opening Brief, p. 39.

[2] In the Decision, the Commission stated that "we intend to move away from approval of demand response programs based on a portfolio approach." D.08-03-017, p. 14.

[3] Ex Parte written and oral communication by EnerNOC CEO Tim Healy on March 12, 2008, Notice of Ex Parte Communication filed on March 17, 2008 in A.07-10-013.

The portfolio approach invites the Commission to ignore the lowest two Total Resource Cost benefit-cost (TRC B/C) ratios of the four contracts, the day-ahead contracts with EnergyConnect (ECI) and Energy Curtailment Specialists (ECS).[4] Approving all four contracts based on the portfolio approach is also harmful to ratepayers because it allows poorly structured contracts to be "roped in" with other, more attractive contracts. The contracts with higher benefit-cost ratios essentially serve as a doorway for the more expensive resources to avoid a full reasonableness review based on the merits of the individual proposal. This is contrary to the Commission's statutory mandate that resources provided by the utilities be "just and reasonable."[5] The Commission is further obligated by statute to approve demand response resources that are "cost-effective, reliable, and feasible."[6] The portfolio approach works against the interest of the aggregators who provide cost-effective contracts (i.e., through no fault of their own, they could be included in a portfolio that is *not* cost-effective because of the inclusion of bad contracts).

Additionally, the process used for approval in Decision 08-03-017 cannot be applied in the instant case, because the applications considered in that decision consisted of a very different set of facts: in Application 07-10-013, two of the eight proposed SCE contracts were found to have TRC B/C ratio results above 1.0.[7] For reasons discussed in that decision, the Commission deemed it appropriate to include the NAPP and ECI day-ahead contracts—although their TRC B/C ratios were below 1.0—based on the argument that all four contracts, taken together, had a cost-effective portfolio. But because of the lack of any guidance with regard to potential T&D benefits, the Commission relied on the TRC values <u>that included 100 percent of the T&D benefits</u>. The Consensus Framework agreed to by the parties in Rulemaking 07-01-041 requires far more stringent criteria to

[4] See DRA Opening Brief, Tables 1 and 2, p. 15.

[5] California Public Utilities Code § 451.

[6] CA P.U. Code § 454.5(b)(9)(C)

[7] See TRC results of ASC DA and ASC DO contracts in Exhibit C-309, in Table entitled, "R.07-01-041 Framework with GHG and Updated Capacity Values"

afford any T&D benefits.[8] Thus, if properly considered under the Consensus Framework, none of the contracts approved in Decision 08-03-017 would have been given any deferred T&D investment benefits.

Unlike the contracts considered in Decision 08-03-017, none of the proposed DR Contracts are cost-effective (i.e., have a TRC B/C ratio over 1.0) at even a 50 percent T&D benefit level. The proposed DR Contracts in the instant application use uniform inputs prescribed in the Consensus Framework protocols. In the prior case, the inputs were arbitrary—based on proprietary information provided by different aggregators. As such, the situation does not lend SCE an opportunity to allow approval for its contracts that already demonstrate extremely low cost-effectiveness results. Based on the benefit-cost ratios calculated by SCE, it would be unreasonable to approve all four contracts on a portfolio basis. Rather, the Commission should evaluate the merits of each of the individual contracts on a stand-alone basis.

1. SCE Cannot Claim T&D Benefits Just To Improve Its Poor Cost-Effectiveness Results

Moreover, unlike Application 07-10-013, there has been extensive testimony in this proceeding regarding whether it is appropriate to include any deferred T&D investment costs as a benefit in the cost-effectiveness analysis. In its Opening Brief, SCE states that the Commission used a 100 percent T&D adder to approve its existing contracts in Decision 08-03-017, and argues that at least a 50 percent T&D adder should be considered for the proposed contracts. Not surprisingly, the California Demand Response Coalition[9] (CDRC) argues for a 50 to 100 percent T&D adder, claiming that the

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[8] According to the Consensus Framework, the criteria "right place" and "right certainty" are intended to limit the application of the avoided T&D costs to programs that (1) are located in areas where load growth would result in a need for additional delivery infrastructure but for demand-side potential; (2) are located in areas where the specific DR program is capable of addressing local delivery capacity needs; (3) have sufficient certainty of providing long-term reduction that the risk of incurring after-the-fact retrofit/replacement costs is modest, and (4) can be relied upon for local T&D equipment loading relief. Demand Response Cost Effectiveness Evaluation Framework Proposal (Consensus Framework), dated November 19, 2007.

[9] The CDRC represents three aggregators with proposed contracts: EnerNOC, Alternative Energy

(continued on next page)

proposed contracts "meet the right certainty test, as they can be dispatched to meet local T&D constraints."[10] As DRA noted in its Opening Brief, allocation of *any* deferred T&D is currently unsupported by SCE or any other party.[11] At best, SCE and CDRC provide vague assertions to support its T&D allocation, pointing to a clause in the contract that demonstrates only the *potential* for these resources to provide locational dispatch. But the locational dispatch capability is just one of the many stringent requirements under the Consensus Framework—having this capability is not enough; transmission and distribution planners must actually defer T&D investments. Neither SCE nor CDRC has provided any analysis of what T&D projects could be deferred by these contracts. The California Independent System Operator (CAISO) also expressed this concern in its Opening Brief that the "right place, right certainty" criteria of the Consensus Framework cannot easily be met[12], and notes "the recognition of an avoided T&D cost benefit may be justifiable, but not until demand response program impacts can be mapped and relied upon, down at the premise, circuit, feeder and/or substation level."[13] DRA agrees, as does TURN in its Opening Brief.[14] Until these resources can demonstrate *real* benefits, the

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Resources (AER), and EnergyConnect (ECI).

[10] Opening Brief of the California Demand Response Coalition (CDRC), p. 16.

[11] See DRA Opening Brief, pp. 16-18. SCE does support only a small T&D adder for Base Interruptible Program (BIP) and its Summer Discount Program (SDP).

[12] At page 10 of the Opening Brief of the California Independent System Operator (CAISO): "In the CAISO's view, the criteria still suffers from two vulnerabilities:

1) There is no "feedback loop" between a) the theoretical T&D cost avoidance effect which a utility may claim when the utility makes its case that the program is cost effective and ii) the actual deferral/avoidance of some actual investment by the utility that would have been undertaken but for the demand response resource which the utility has now integrated into its transmission and distribution solutions; and

2) Even if the utility is able to demonstrate that the demand response resource is situated in a desirable area (i.e. in a transmission-constrained local capacity area), in the majority of cases, the utility cannot demonstrate that it has a mechanism to dispatch this resource to affect a resolution of a particular constraint."

[13] Opening Brief of the CAISO, p. 12.

[14] See Opening Brief of The Utility Reform Network (TURN) on the Demand Response for 2009-2011: The $360 Million Utility Slush Fund, pp. 14-17.

Commission should defer allocating *any* T&D benefits for the purposes of evaluating the cost-effectiveness of the proposed DR Contracts.

2. The "Improvements" That SCE Made to the Proposed Contracts Are Questionable

In its Opening Brief, SCE states "[u]nder all Total Resource Cost (TRC) measures, the cost effectiveness of each of the four DR Contracts has improved over their previous versions."[15] SCE further claims the DR contracts "satisfy the expectations of the Commission in D.08-03-017 for improved cost-effectiveness."[16] DRA fails to see how the slight improvement in the TRC benefit-cost ratios of the day-ahead contracts satisfies the Commission's expectations in Decision 08-03-017. Even using the same cost-effectiveness methodology used in that decision, SCE only managed to raise the TRC results of the proposed day-ahead contract by less than ten percent, which does not bring the contracts anywhere close to cost-effective. This is hardly an "improvement" worth considering as a basis for Commission approval.

DRA also questions SCE's claim that it renegotiated significant "improvements" in the proposed programs, thereby increasing the value of the DR Contracts to ratepayers by assuring that the resources are performance-based and available when needed. SCE's Opening Brief states, "the DR Contracts have expanded hours of availability, locational dispatch capability, specific requirements for reducing capacity payments based on determining available capacity during non-dispatch months, and more specific provisions for termination of the contracts for poor performance."[17] As DRA argues in its Opening Brief, these added "benefits," such as locational dispatch, remain untested and have yet to

[15] SCE Opening Brief, p. 37. DRA also notes that SCE presents a flawed and misleading exhibit to justify the cost-effectiveness results of the individual programs. As DRA explained in its Opening Brief, Exhibit C-11 is inaccurate and conflicts with other facts SCE provided to the Commission. See DRA Opening Brief, pp. 14-15, commenting on the conflicting information provided in Exhibit C-11 to Exhibits C-309 and C-303.

[16] SCE Opening Brief, p. 37.

[17] SCE Opening Brief, p. 37.

be seen.[18] There is no persuasive evidence of the "improved" performance-based terms, and the efficacy of the adjustment of capacity payments in non-dispatch months (the "technical potential" mechanism), as DRA more fully explains in its Opening Brief.[19] Regarding the added "benefit" of expanded hours of availability, it is understandable that increasing hours helps raise the cost-effectiveness, but when these resources are not actually called for a majority of those hours, ratepayers are paying solely for the resource's availability, not its performance. In any event, the price of the contracts is far too high to pay for a large number of unused hours.

B. Low Aggregator Performance Across Utilities Demonstrates These Resources Will Also Likely Be Unreliable

SCE criticizes DRA for using a "sparse set of data to conclude that the performance of SCE's existing contracts is 'unacceptable.'"[20] SCE also argues, "The observation of one DR contract resource has historically performed at a certain level does not provide convincing evidence that another DR contract will also perform at that level."[21] SCE ignores the fact that DRA's recommendation is supported by the observation of actual aggregator performance in bilateral agreements *across utilities*. DRA's skepticism is not only based on the performance of SCE's existing contracts, but also the performance of similar contracts approved for PG&E in Decision 07-05-029, of which many of those third-parties are represented in the proposed contracts SCE presents here today. Across the board, DRA found low performance levels by aggregators in their bilateral agreements, with very few instances where average load drop during events exceeded 90 percent of its capacity commitments.[22]

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[18] See DRA Opening Brief, pp. 16-18.

[19] See DRA Opening Brief, pp. 14-26.

[20] SCE Opening Brief, p. 50.

[21] SCE Opening Brief, p. 50.

[22] See Ex. C-313, Attachment to Q1 for PG&E aggregator performance; Ex. C-304, Attachment to Q1 for SCE aggregator performance.

SCE argues that EnerNOC's strong performance in recent 2008 events "demonstrates more than acceptable performance levels, and does not provide a reasonable basis for rejecting the DR Contracts here."[23] By the same token, DRA does not believe one aggregator's one-time performance justifies approval of all four contracts. As noted in DRA's Opening Brief, a settlement in principle has been met with SCE regarding the EnerNOC and Alternative Energy Resources (AER), and a Joint Motion for Settlement will soon be filed. Any evidence of EnerNOC's past performance with SCE should be a factor in determining the reasonableness of EnerNOC's proposed contract, not establishing the potential of performance of other aggregators in the market, or the reasonableness of the other proposed aggregator contracts in this proceeding.

C. Aggregator Contracts Are Not Preferred Resources, Only Cost-Effective Demand Response Is A Preferred Resource

SCE's Opening Brief asserts, "[t]he DR Contracts also contribute to the Commission's objective to increase third-party DR resources in California."[24] DRA disagrees. The Commission prefers *reliable* and *cost-effective* demand-side resources. In fact, the Commission does not even require that aggregator contracts are necessary to the utilities' demand response portfolios. In approving SCE's existing DR contracts in Decision 08-03-017, the Commission stated,

> Our action here is in no way meant to signal a Commission preference for or against 3rd party aggregators in our overall Demand Response program.[25]

In commenting on the fact that the competitive solicitation could have produced undesirable results, the Commission also at one point stated,

> The utilities could have walked away from the [aggregator] negotiations and informed the Commission that they had not received any acceptable bids.[26]

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[23] SCE Opening Brief, p. 51.

[24] SCE Opening Brief, p. 38.

[25] D.08-03-017, p. 32.

[26] D.07-05-029, p. 14.

The same rings true in this case. For a utility to offer third-party contracts with such low cost-benefit results for Commission approval—in light of the current economic climate—requires the demonstration of significant public benefit to justify the need for these additional resources. SCE does not provide compelling arguments why it is essential to approve the proposed ECI and ECS day-ahead contracts. These contracts have the lowest benefit-cost ratios, and only appear to be cost-effective when considered on a portfolio basis. With limited ratepayer funds available, these non cost-effective contracts essentially push out other more cost-effective programs.

D. SCE Falls Short in Explaining The Comparability of the Proposed DR Contracts To the CBP Program

SCE criticizes DRA's analysis, saying DRA fails to reconcile its inconsistent treatment of the DR Contracts and the Capacity Bidding Program (CBP).[27] "To be fair in evaluating the DR Contracts, DRA should have fully considered any benefits it identified for comparable resources, like CBP, and DRA should have given the same 'benefit of the doubt' to the DR Contracts in assessing the reasonableness of their benefit/cost ratios."[28] SCE continues, "Had Mr. Gokhale evaluated the DR Contracts under his method, SCE submits that he would have been compelled to recommend approval of the DR Contracts as he did for CBP."[29]

DRA disagrees. SCE errs in claiming that the DR Contracts have "comparable cost effectiveness to CBP."[30] SCE explains how the program designs have "substantial comparability,"[31] but when comparing their cost-effectiveness results, SCE uses inconsistent TRC B/C ratios: SCE claims that CBP obtained a 0.89 benefit-cost ratio and the DR Contracts obtained a 0.91.[32] However, the DR Contracts have a portfolio TRC

[27] SCE Opening Brief, p. 43.

[28] SCE Opening Brief, p. 41.

[29] SCE Opening Brief, p. 42.

[30] SCE Opening Brief, p. 42.

[31] SCE Opening Brief, p. 41.

[32] SCE Opening Brief, p. 42.

ratio of 0.91 *with 50 percent T&D* benefit but only a **0.76** with zero percent T&D. The CBP benefit-cost ratio of 0.89 was calculated with zero percent T&D. DRA is unsure why SCE asserts that the two programs are comparable but then chooses to evaluate them at different T&D levels.

For such similar programs, the DR Contracts and CBP deserve the same level of T&D benefits—when compared at that level, the contracts are almost 20% less cost-effective. As DRA explains in Section II.A.1 above, nowhere on the record has SCE submitted compelling evidence that T&D benefits *should* be allocated to the DR Contracts, and, more relevantly, what percentage of those benefits should be allocated. Both CAISO and TURN claim in their Opening Briefs that the utilities' demand response programs do not deserve T&D benefits at this time.[33] SCE itself gave two other programs a small percentage of deferred T&D investment benefits—by SCE's own analysis, the Base Interruptible Program (BIP) and Summer Discount Plan (SDP) received only 8 percent and 18 percent, respectively.[34] It is unclear how SCE determined its tacit assumption that the proposed DR Contracts warrant a 50 percent T&D benefit.

E. Technical Potential Mechanism Is Subjective and Opaque and Has a History of Inaccuracy

DRA addresses its concerns regarding SCE's proposed technical potential mechanism in its Opening Brief.[35] In response, SCE states DRA's proposed performance-based mechanism would not account for a material loss of load reduction potential in the current month, and as a result, may "blindly" overpay the aggregator for capacity going forward by ignoring times when a major customer has departed.[36] SCE continues, "DRA also fails to acknowledge that use of only past performance data to set capacity compensation during non-dispatch months provides a strong incentive for the aggregator to call for test events when it believes the past performance is not indicative of

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[33] See Opening Brief of the CAISO, p. 12; TURN Opening Brief, pp. 14-17.

[34] Ex. 1, p. 216, lines 5-7; Ex. 4, Appendix C, p. 25.

[35] DRA Opening Brief, p. 21-23.

current capacity during months when the nominated capacity is growing or 'ramping up.'"[37] This, however, is not a flaw of the mechanism. First, the contracts generally ramp-up over several years. Consequently, even if a major customer drops out, new customers will be continuously added to meet the increasing commitments. Second, DRA does want the aggregator to conduct as many tests or re-tests as necessary to establish the true potential of the contract. These test events will demonstrate the capacity available and assure that capacity payments are indeed accurate. SCE claimed in its testimony that the ramp-up time has been an issue for the current aggregator contracts.[38] This has led to deplorable performance. Test events that accurately adjust capacity are in the interest of ratepayers since they assure fair payments.

F. DRA Recommendation

For the reasons set forth above, DRA recommends the Commission reject SCE's proposed day-ahead contracts with EnergyConnect (ECI) and Energy Curtailment Specialists (ECS). The two day-ahead contracts represent approximately one quarter of the total megawatts supplied by all four of SCE's proposed DR Contracts.[39] Accordingly, the Commission's action will ultimately save ratepayers a significant portion of the $66.407 million[40] that SCE forecasts for all four aggregator contracts for the years 2009-2012.

Furthermore, the Commission should direct the utilities to require that all proposed third-party contracts contain provisions that adjust capacity payments based on an aggregators' most recent performance in a Test, Re-Test, or dispatch event to ensure that payments during the ramp-up period and beyond are commensurate with actual performance.

(continued from previous page)
[36] SCE Opening Brief, p. 48.

[37] SCE Opening Brief, p. 48.

[38] Ex. 7, p. 36.

[39] Ex. 1, p. 50, Table V-26.

[40] Ex. 1, p. 51, line 4.

III. PACIFIC GAS AND ELECTRIC'S PROPOSED BEC/ABEC PROGRAMS

DRA recommends the Commission reject PG&E's proposed Business Energy Coalition (BEC) and Auto Business Energy Coalition (ABEC) programs. PG&E's Opening Brief attempts to salvage its low cost-effectiveness results by incorporating other criteria listed in the Scoping Memo, such as projected future performance, program flexibility, locational value, environmental benefits, and customer acceptance and participation.[41] These considerations add only minimal additional benefits, as many of them are already reflected in the cost-effectiveness analysis. For example, future performance and program flexibility benefits are reflected in the utilities' estimates of load impacts, locational value is reflected in the T&D benefit analysis and MRTU integration, and environmental benefits are part of the Consensus Framework protocols.[42] In any case, PG&E's arguments are not compelling enough to overcome the programs' dismal cost-benefit ratios.

For the reasons fully explained in DRA's Opening Brief[43], DRA recommends the Commission discontinue PG&E's existing BEC program and reject the proposed ABEC program. The Commission's action will ultimately save over $15.4 million in ratepayer funding.[44]

IV. OTHER ISSUES

A. Advice Letters Should Not Be Used For Incremental Funding Requests, Major Program Modifications, or Changes Related to MRTU

PG&E requests approval of new aggregator contracts through an advice letter process[45], as well as to revise programs to reflect operational changes under MRTU.[46]

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[41] PG&E Opening Brief, pp. 17-18.

[42] See DRA Opening Brief, pp. 5-9.

[43] DRA Opening Brief, pp. 11-13.

[44] Ex. 201, p. 7-2, Table 7-1.

[45] Ex. 201, p. 2-15.

SCE seeks to use advice letters to request incremental funding for new or existing programs.[47] SDG&E requests the Commission authorize SDG&E to incorporate new DR proposals in the annual Advice Letter filing as long as such proposals are within the provisions of program and budget flexibility.[48]

The potential for abuse of the advice letter process is high, especially if used to request millions of dollars of additional funding (e.g., new or modified aggregator contracts) or to authorize major program changes (e.g., higher incentive payments for specific programs). As pointed out in the Prepared Testimony of Sudheer Gokhale, there are a myriad of outstanding issues that need to be addressed in the next two years that an advice letter process is not adequate to give careful consideration to these issues.[49] The Commission should direct all utilities to file applications regarding program changes (including termination), and for program modifications with respect to a program's integration with MRTU. This is consistent with the August 7, 2008 ALJ Ruling, which stated:

> [S]ome IOUs suggest that program changes related to MRTU may be made in the future when MRTU requirements become more defined, potentially through advice letter filings. This is contrary to the process set out in the February Guidance Ruling, which orders IOUs to work with CAISO to understand expected MRTU requirements and propose programs in these applications that better align with MRTU as it is currently expected to operate. If further program changes are needed within the 2009-2011 period to take advantage of MRTU capabilities, the Guidance Ruling states that "IOUs may submit ***applications*** for new programs or program modifications for implementation during the 2009-2011 period. IOUs are directed to address compatibility of all programs with MRTU in their amended applications, and to keep in mind that the appropriate vehicle for future program

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46 PG&E Opening Brief, p. 15.

47 SCE Opening Brief, p. 52.

48 SDG&E Opening Brief, p. 55.

49 See Ex. 314, pp. 5-10.

> changes will be a new application or a petition to modify a decision adopting the program, not an advice letter.

To ensure ratepayer protection, DRA recommends the Commission direct the utilities to submit applications for requests for incremental funding, certain "major" program modifications, or program changes related to MRTU, consistent with the reasons set forth above.

B. The Commission Must Establish a Regulatory Framework for Aggregator Participation in the Wholesale Market

PG&E's Opening Brief[50] raised the issue of whether aggregators are permitted to participate in the CAISO markets, as ordered by the Federal Energy Regulatory Commission (FERC) Order 719. Aggregators (or ARCs) are permitted to participate in an RTO or ISO market, unless a law or regulation of the relevant electric retail regulatory authority do not permit the customers aggregated in the bid to participate.

DRA is not aware of any current rule or regulation that prevents aggregator participation in the CAISO markets. While aggregator participation in the wholesale markets is an important policy objective, DRA agrees with PG&E that the Commission should adopt an appropriate regulatory framework before aggregators can directly participate in CAISO's markets. DRA recommends the Commission issue a ruling in the Demand Response Order Instituting Rulemaking (R.) 07-01-041, as an appropriate forum to initiate this discussion.

C. Transphase's Standard Offer Is Not In The Interest of The Ratepayers

DRA agrees and offers its support to the points made by the Utilities in the *Joint Opening Brief on the Proposal of Transphase*, filed on February 4, 2009. In particular, DRA agrees that, "Transphase's cost-effectiveness evaluation did not comply with the Standard Practice Manual or Consensus Framework,"[51] which made it difficult to

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[50] PG&E Opening Brief, pp. 32-33.

[51] Joint Utilities' Opening Brief, p. 4.

compare the cost-effectiveness of Transphase's Standard Offer with other demand response programs. As the Standard Offer is valued at an estimated $103 million[52], a strong showing of its cost-effectiveness would be necessary for approval.

Transphase also has yet to show that its proposed $1,400/kW[53] price is reasonable, and DRA agrees with the IOUs that a price set—regardless of the technology chosen—does not benefit ratepayers, as it may charge a price that is significantly higher than the cost of the technology the vendor chooses.

V. CONCLUSION

For the reasons discussed above, DRA's recommendations are reasonable and are consistent with the Commission's policies on demand response. Accordingly, the Commission should adopt DRA's recommendations set forth in this proceeding.

Respectfully submitted,

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February 11, 2008

[52] Joint Utilities' Opening Brief, p. 1.

[53] Ex. 1025, p. 7.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **REPLY BRIEF OF THE DIVISION OF RATEPAYER ADVOCATES** in **A.08-06-001 et al.** by using the following service:

[X] **E-Mail Service:** sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

[   ] **U.S. Mail Service:** mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on February 11, 2009 at San Francisco, California.

/s/ ALBER HILL

ALBERT HILL

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 and/or e-mail address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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