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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 May 30, 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)

PROTEST OF
THE DIVISION OF RATEPAYER ADVOCATES

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I. INTRODUCTION

The following Investor Owned Utilities ("IOU") filed the following Applications for approval of their respective 2009-2011 Demand Response ("DR") programs and budgets:

- Southern California Edison ("SCE"), A.08-06-001, filed June 2, 2008;
- San Diego Gas & Electric Company ("SDG&E") A.08-06-002, filed May 30, 2008;
- Pacific Gas & Electric ("PG&E"), A.08-06-003, filed June 2, 2008.

On July 2, 2008 all three Applications were consolidated. Commissioner Rachelle B. Chong and Administrative Law Judge Jessica T. Hecht are assigned to these consolidated proceedings. Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure, and the schedule set forth in the July 2nd ALJ Ruling, the Division of Ratepayer Advocates ("DRA") timely submits this protest in the above captioned cases.

Based on its supporting testimony, the consolidated Applications, in summary, request the following:

	SCE A.08-06-001	**PG&E** A.08-06-003	**SDG&E** A.08-06-002
Requested Amount (2009-2011)	$143 Million[1]	$147 Million[2]	$48.5 Million[3]
Load Reduction by 2011	1620 MW[4] (without aggregator contracts) 2000 MW[5] (with aggregator contracts	1313 MW[6]	314 MW[7]
Aggregator Contracts (2009-2012)	$66.4 million	TBD	None

II. ISSUES ANTICIPATED

DRA intends to conduct discovery and review the IOUs consolidated Applications and supporting testimony, and issue a report with its recommendations. While it is still

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[1] Application of Southern California Edison Company (U 338-E) for Approval of Demand Response Programs, Goals and Budgets for 2009-2011, June 2, 2008, p. 17.
[2] PG&E Prepared Testimony (A.08-06-003), p. 1-13.
[3] Application of San Diego Gas & Electric Company (U 902-M) for Approval of Demand Response Programs and budgets for Years 2009 Through 2011, June 2, 2008, Appendix A, p. MWW-68.
[4] Application of Southern California Edison Company (U 338-E) for Approval of Demand Response Programs, Goals and Budgets for 2009-2011, June 2, 2008, p. 18.
[5] *Id*.
[6] PG&E Prepared Testimony (A.08-06-003), p. 5-18.
[7] Application of San Diego Gas & Electric Company (U 902-M) for Approval of Demand Response Programs and budgets for Years 2009 Through 2011, June 2, 2008, Appendix A, p. MWW-1.

too early to identify all issues, DRA anticipates the following issues will arise regarding IOUs' Applications**:**

A. Issues Common to All Three IOU Applications

1. Cost Effectiveness

DRA considers cost-effectiveness a major consideration before the Commission approves any demand response program. Since the Commission has not yet adopted final cost-effectiveness protocols, all cost-effectiveness calculations will need to be updated after the final protocols are adopted.

In addition, the IOUs need to clearly explain how the Technical Assistance/ Technical Incentives ("TA/TI") costs are accounted for in cost-effectiveness calculations at the program and portfolio level.

2. Load Impacts

One of the important inputs in the determination of cost effectiveness is the ex-ante estimated load impacts both at the program and portfolio levels. Although the Commission has adopted load impact protocols in Rulemaking 07-01-041, it also provided considerable flexibility to each utility regarding the assumptions the IOU can make in applying the protocols. DRA would like to review the assumptions carefully since this is the first time IOUs have used the adopted protocols.

3. APX Platform Costs

Costs for the APX platform for the Capacity Bidding Program ("CBP") are currently shared by all three IOUs. Both PG&E and SCE propose to transition from the APX platform to new software platforms. DRA is concerned that this transition, if not coordinated with SDG&E, may be inefficient and that the burden of APX costs will fall entirely on SDG&E customers alone.

4. Overlap with Other Related Proceedings

CA Energy Efficiency Strategic Plan (A.08-06-004): The IOUs need to clarify what areas of their proposed DR programs and budgets will be attributable to the final plans and methodology for integrating all Demand Side Management (DR, Energy Efficiency, Low Income Energy Efficiency, etc.) programs, for allocating total load impacts, and all common costs between integrated programs.

AMI: DRA is also concerned whether the technology needs for the DR program portfolio can be met, or partially met, with the advanced metering infrastructure functionalities for each utility, and how the areas of overlap should be treated and accounted for.

DR Rulemaking: As raised in Rulemaking 07-01-041, DRA will investigate how the current and proposed programs will integrate with California Independent System Operator ("CAISO") grid operations, including the utilities' ability to call DR programs by local capacity area.

B. Issues for SCE's Application

DRA has identified the issues below that are specific to the 2009-2011 DR Cycle application of Southern California Edison ("SCE"). Discovery is still continuing, and DRA reserves the right to raise additional issues, as appropriate.

Existing and Proposed Aggregator Contracts: DRA questions whether ratepayers should fund aggregator contracts that are not cost-effective. Furthermore, DRA questions whether SCE has obtained materially better terms for its proposed aggregator contracts, compared to those rejected in D.08-03-017.[8] In addition, DRA would like to examine the performance of SCE's existing third-party aggregator contracts during 2008 before any additional contracts are approved by the Commission.

Cost-effectiveness: SCE's analysis shows CBP and Real Time Pricing ("RTP") programs are not cost-effective.[9] DRA would like to explore how these programs could be made more cost-effective.

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[8] *See* Southern California Edison Company's (U 338 E) Application for Approval of Additional Demand Response Resource Purchase Agreements, A.07-10-013.

[9] SCE Prepared Testimony (A.08-06-001), p. 197.

Customer participation in dual programs: SCE does not allow customer participation in more than one DR program, which may hamper customer participation in certain programs. DRA is concerned that this may result in loss of additional reduction that could be provided by customers who would like to participate in more than one DR program.

Incentives: Additional information is needed to evaluate SCE's proposal to continue the current high level of incentives in its Summer Discount Plan ("SDP") customers (currently cycled through AC switches) after they are transitioned to price-responsive load control enabled by Programmable Controllable Thermostat ("PCTs") and SmartConnect (AMI) meters. For example, will this transition require replacing all existing AC cycling switches with PCTs? If so, SCE should explain the level of incentives SCE assumes after such transition in its cost-effectiveness calculations for SDP in Chapter XV of its supporting testimony.

Load Impacts: SCE states that it is applying Commission-adopted load impact protocols to only two of its programs: SDP and Base Interruptible Program ("BIP").[10] SCE does not explain how it estimates load impacts for all other programs. What load impacts were used in the cost-effectiveness calculations for programs other than SDP and BIP? What sort of additional experience should SCE consider in applying adopted protocols to programs other than SDP and BIP?

C. Issues for SD&E's Application

DRA has identified the issues below that are specific to the 2009-2011 DR Cycle application of San Diego Gas and Electric ("SDG&E"). Discovery is still continuing, and DRA reserves the right to raise additional issues, as appropriate.

CPP and PTR: Two of the SDG&E's biggest programs, Critical Peak Pricing ("CPP") and Peak Time Rebate ("PTR"), which provide more than 65 percent of the IOU's proposed load reduction, were authorized in the All Party and All Issue Settlement

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[10] SCE Prepared Testimony (A.07-06-001), Appendices, Appendix F, p. 1.

approved by D. 08-02-034**.** Another program, Summer Saver (AC cycling) program, was also authorized in D.04-06-011 and D. 06-11-049. While these programs are not being currently considered for funding in this application, the Commission should review these programs in the context of the 2009-2011 DR cycle portfolio. SDG&E should provide load impacts for these programs using the Commission-adopted load impact protocols for comparison and consistency purposes.

Multiple Program Participation: SDG&E does not explain how it evaluates programs when a customer participates in multiple programs. Thus, SDG&E's application is unclear and warrants clarification. For example, how does SDG&E allocate load reduction?[11] How are incentives developed in relation to avoided capacity costs when a customer participates in multiple programs? Can a customer participate in both the Summer Saver and CPP or PTR? How will SDG&E avoid paying duplicative incentives?

Recovery of BIP incentives: SDG&E includes BIP incentives in the proposed program budgets.[12] SCE and PG&E typically do not. Instead, they recover these costs in rate design phases of their GRCs. Since BIP is a statewide program, DRA wants to confirm that SDG&E's proposed recovery of BIP incentives through DR program budgets is consistent with Commission directives.

Cost-Effectiveness: Inconsistent application of cost-effectiveness protocols between IOUs makes statewide IOU programs difficult to compare. Despite a February 27, 2008 ALJ Ruling in R.07-01-041 directing the IOUs to use a specific framework for evaluating cost-effectiveness in the instant applications, SDG&E uses a different methodology. The Joint Parties[13] framework includes an adjustment for gross margins in

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[11] In response to a data request from DRA, SDG&E explains when a customer participates in multiple programs, load reductions for individual programs are calculated through a hierarchy of programs. DRA would like to explore this issue further. (SDG&E's July 3, 2008 response to DRA Data Request No. DRA-1).

[12] SDG&E's July 3, 2008 response to DRA Data Request No. DRA-1.

[13] *See* ALJ Ruling, R.07-01-041, dated February 27, 2008. The cost-effectiveness framework is contained in the Joint Comments of California Large Energy Consumers Association, Comverge, Inc., DRA,

calculating avoided capacity costs. SDG&E instead uses the "Staff Protocols" that do not include such an adjustment. Although SDG&E provides additional cost-effectiveness sensitivity analysis, SDG&E should use the protocols as provided in the ALJ Ruling.

Demand Bidding Program ("DBP"): Both PG&E and SCE find it useful to continue their DBP programs in the next program cycle, but SDG&E plans to phase out DBP beginning in 2009. Several questions arise surrounding SDG&E's plans. Does DBP compete with CBP as SDG&E suggests? CBP has capacity and energy incentives and penalties while DBP addresses only energy and has no penalties. Why eliminate this choice if some customers prefer it over CBP? Would SDG&E lose customers who currently participate in a DR program only on a "best effort" basis (as in DBP) but cannot commit as required by CBP?

D. Issues for PGE's Application

DRA has identified the issues below that are specific to the 2009-2011 DR Cycle application of Pacific Gas and Electric ("PG&E"). Discovery is still continuing, and DRA reserves the right to raise additional issues, as appropriate.

Cost-Effectiveness: PG&E's CBP, BIP, and Business Energy Coalition ("BEC") programs are not cost-effective. DRA would like to explore how these programs could be made more cost-effective.

BIP: PG&E shows a sudden increase in 2011 to 324 MW for its price-responsive PeakChoice program. PG&E explains this is achieved by transitioning its BIP customers to PeakChoice in 2011. DRA questions whether elimination of BIP is necessary – BIP should continue to be viewed as an emergency program until issues surrounding the BIP program are addressed along with all other emergency programs.

Third-Party Contracts: PG&E requests to file an RFP to replace the expiring PG&E Aggregator ("AMP") contracts in 2011 in this application.[14] PG&E seeks

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EnergyConnect, Inc., EnerNoc, Inc. Ice Energy, Inc., PG&E, SDG&E, SCE and TURN Recommending a Demand Response Cost Effectiveness Evaluation Framework, filed November 19, 2007 in R.07-01-041.

[14] PG&E Prepared Testimony (A.08-06-003), p. 2-12.

approval of the contracts selected through the RFP process via filing an advice letter, rather than an application. Since aggregator contracts could carry potentially substantial risks to ratepayers and the issues raised are often controversial in nature, contract approval is more appropriately addressed through an application process.

SmartMeter Upgrade: PG&E is currently requesting PTR program funding in its SmartMeter Upgrade ("Upgrade") A.07-12-009. DRA believes the PTR program design and funding should be examined here in the context of PG&E's DR portfolio application along with PG&E's other residential DR programs, in order to identify areas of potential integration, avoid duplicative efforts, and optimize DR portfolio efficiency.

E. Notice of Compliance and Other Possible Issues

DRA will review the utilities' proof of compliance filings pursuant to Rule 3.2 of the Commission's Rules of Practice and Procedure and reserves the right to raise other issues and objections as appropriate.

III. SCHEDULE

A. Coordination with the DSM Strategic Plan and Other DSM Portfolios is Essential to Maintain Continuity Across Programs

As mentioned above, the utilities' DR portfolios are unclear on the final plans and methodology for integrating all Demand Side Management programs (Demand Response, Energy Efficiency and Low Income Energy Efficiency), how it will allocate total load impacts and all common costs between integrated programs.

The Commission is currently developing a strategic plan for all Demand Side Management programs, and the utilities have filed a Joint Application revising the California Energy Efficiency Strategic Plan on June 2, 2008.[15] Consistent with DRA's Protest[16] in A.08-06-004, it is essential the Commission coordinate the schedule of all DSM activities. Therefore, DRA recommends that the Commission delay the start of a full 3-year cycle DSM programs for one year to commence in January 2010, so that the

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[15] See A.08-06-004.
[16] See DRA Protest in A.08-06-004, filed July 9, 2008.

portfolios reflect the finalized EE Strategic Plan. DRA proposes bridge funding as the solution to both the concern of resolving issues and of maintaining continuity. Supplying bridge funding for one year allows DSM programs to continue providing services, but not commit to three full years of funding. During that time, the Commission is also likely to resolve many outstanding issues that would require a fair amount of substantive changes to the DR portfolios. For example, the Commission has not yet adopted the final cost-effectiveness protocols in Rulemaking 07-01-041 needed to determine the cost-effectiveness of the proposed DR programs. Moreover, the Commission has yet to address many issues related to integration of utilities' DR programs with CAISO's Market Redesign and Technology Upgrade ("MRTU"). Instead, the Commission could take one year to resolve the problems across the board and start full cycles for all three DSM portfolios in 2010 based on an integrated Strategic Plan.

B. DRA Needs Adequate Time for Review to Develop Testimony and Requests That Hearings Be Scheduled

DRA would need additional time for testimony than what is provided by the schedules proposed by the utilities. Given the substantial dollar amount at stake in this proceeding, DRA requests that the Commission schedule hearings. DRA agrees with SCE that hearings may be avoided through more informal procedures, but recommends that at a later date, parties inform Judge Hecht whether hearings remain necessary. However, the testimony and supporting documents are voluminous and the scope of review requires a significant amount of time for DRA to make thorough evaluations.

While coordination across all DSM applications is critical, DRA offers the following schedule as an alternative:

Protest Filed	July 9, 2008
Replies to protests and responses due	July 21, 2008
Prehearing Conference	July 28, 2008
DRA/Intervenor Testimony	October 15, 2008
Utility Reply Testimony	November 5, 2008
Hearings begin (if necessary)	November 17, 2008
Opening Briefs	December 8, 2008
Reply Briefs	December 22, 2008
Proposed Decision	February 2, 2009
Comments on Proposed Decision	February 16, 2009
Reply Comments	February 20, 2009
Final Decision	February/March 2009

DRA is mindful of the some of the utilities' need for DR program funding in 2009, and agrees with PG&E that the Commission conditionally approve a bridge funding mechanism through the early part of 2009 to continue the current 2009 programs.[17]

DRA's proposed schedule is reasonable. DRA believes, however, that the schedule can be accelerated if and when the parties make a determination that hearings may not be necessary.

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[17] Application of PG&Efor Approval of 2009-2011 Demand Response Programs and Budgets, p. 12, fn 13.

Respectfully submitted,

/s/ LISA-MARIE SALVACION

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July 9, 2008

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **"PROTEST 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 in San Francisco, California, on the 9th day of July, 2008.

/s/ HALINA MARCINKOWSKI

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Halina Marcinkowski

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.

* *

Pursuant to the July 2, 2008 ruling by ALJ Hecht, DRA hereby serves this protest on the service list in Rulemaking (R.) 07-01-041, which will serve as the temporary service list in this consolidated proceeding until a permanent service list is established.

Service list for R.07-01-041

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