

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Promote Consistency in Methodology and Input Assumptions in Commission Applications of Short-Run and Long-run Avoided Costs, Including Pricing for Qualifying Facilities.

Rulemaking 04-04-025
(Filed April 22, 2004)

To: ALL PARTIES OF RECORD IN THE ABOVE-CAPTIONED PROCEEDING

NOTICE OF AVAILABILITY

The draft decision of ALJ Gottstein has been made available at http://www.cpuc.ca.gov/PUBLISHED/COMMENT_DECISION/56572.htm on May 23, 2006. The draft decision addresses the "2006 Update" of avoided costs and related issues pertaining to energy efficiency resources. For the evaluation of energy efficiency resources, we refine the interim avoided costs adopted in D.05-04-024 in two ways. First, we adopt correction factors for residential and small commercial packaged air conditioning (a/c) unit installations, to account for the undervaluation of avoided costs when hourly avoided costs are averaged for these measures by time-of-use periods. Second, we update the natural gas and generation avoided costs currently contained in the E3 calculator that produces *ex ante* estimates of energy efficiency portfolio cost-effectiveness based on recent market data and updated gas price forecasts. We reject, however, proposed modifications to the avoided costs methodology that would incorporate an adder during peak hours, either based on the costs of a combustion turbine or other factors. We find that consideration of such an adder requires the resolution of complex theoretical issues, assumptions and methodological issues that are beyond the scope of this 2006 Update. The draft decision also addresses several other issues related to the valuation of energy efficiency resources that were identified for the 2006 Update.

Any recipient of this Notice of Availability who is not receiving service by electronic mail in this proceeding or who is unable to access the link to the

Page 2 of 2

Commission's web site given above may request a paper copy of the draft decision from the Commission's Central Files Office, at (415) 703-2045; fax number (415) 703-2263; e-mail cen@cpuc.ca.gov.

The draft decision will not appear on the Commission's agenda for at least 30 days after the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on the draft decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the draft decision as provided in Article 19 of the Commission's "Rules of Practice and Procedure," accessible on the Commission's website at www.cpuc.ca.gov. Pursuant to Rule 77.3 opening comments shall not exceed 15 pages.

Comments must be filed with the Commission's Docket Office. Comments should be served on parties to this proceeding in accordance with Rules 2.3 and 2.3.1. Electronic copies of comments should be sent to ALJ Gottstein at meg@cpuc.ca.gov. All parties must serve hard copies on the ALJ and the assigned Commissioner, and for that purpose I suggest hand delivery, overnight mail or other expeditious methods of service. The current service list for this proceeding is available on the Commission's web site, www.cpuc.ca.gov.

Dated May 23, 2006, at San Francisco, California.

/s/ ANGELA K. MINKIN
Angela K. Minkin, Chief
Administrative Law Judge