STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

FILED
09/25/26
09:38 AM
R2509004

September 25, 2026 **Agenda ID #24559**
Ratesetting

TO PARTIES OF RECORD IN RULEMAKING 25-09-004:

This is the proposed decision of Administrative Law Judge Brandon T. Gerstle. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's October 29, 2026, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE
Michelle Cooke
Chief Administrative Law Judge

MLC:cg7
Attachment

Decision **PROPOSED DECISION OF ALJ GERSTLE** (Mailed 09/25/2026)

BEFORE THE PUBLIC UTILITIES COMMISSION OFTHE STATE OF CALIFORNIA

Order Instituting Rulemaking to Enhance Demand Response in California	Rulemaking 25-09-004

DECISION APPROVING TWO-YEAR BRIDGE FUNDING FOR DEMAND RESPONSE PROGRAMS

TABLE OF CONTENTS

DECISION APPROVING TWO-YEAR BRIDGE FUNDING FOR DEMAND RESPONSE PROGRAMS

Summary

This decision authorizes bridge funding for the 2028-2029 demand response (DR) programs operated by Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company, collectively the Investor-Owned Utilities (IOUs), to ensure program continuity while the Commission considers DR reforms in this rulemaking. In addition, we modify the November 1, 2026, filing deadline for the next IOU DR applications to November 1, 2028, to align the applications with the policy updates expected in this rulemaking. The next applications will cover program years 2030–2034. For the Emergency Load Reduction Program pilot, we limit pilot sub-groups and reduce the minimum dispatch hours to ensure the pilot's availability through the bridge year period, retain continuity for participants, and increase value for ratepayers. Also, we exempt the 2028–2029 DR bridge portfolios from the Societal Cost Test requirement while directing the IOUs to implement Societal Cost Test capability in their DR Cost-Effectiveness Reporting Tools, by April 1, 2028, in time for the 2030–2034 program cycle.

1. Background

In Decision (D.) 23-12-005, the Commission adopted demand response (DR) programs, pilots, and budgets for 2024–2027 and set a filing deadline of November 1, 2026, for Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE), collectively the Investor Owned Utilities (IOUs), to submit DR applications covering program years 2028–2032. Budget amounts for program years 2024–2027 were later corrected by D.24-12-029. The Commission adopted the Societal Cost Test (SCT) in D.24-07-015. Ordering Paragraph (OP) 5 of D.24-07-019 directed that after April 1, 2025, all Commission activities including IOU filings and submissions requiring cost-effectiveness analysis of distributed energy resources shall consider the results of the SCT, except where otherwise directed.

On September 29, 2025, the Commission issued the Order Instituting Rulemaking to Enhance Demand Response in California, initiating Rulemaking (R.) 25-09-004. In the parties' December 11, 2025, joint prehearing conference (PHC) statement, PG&E, SCE, Tesla, Inc. (Tesla), and Vehicle Grid Integration Council (VGIC) raised the issue of bridge year funding.[1] During the PHC, held on December 16, 2025, the California Large Energy Consumers Association (CLECA), PG&E, SCE, Tesla, and VGIC also raised the bridge year funding issue.[2] Additionally, the IOUs raised the bridge year funding issue in their post-PHC statements.[3]

On February 12, 2026, the Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) included the issue of whether the Commission should authorize bridge funding for existing DR programs, pilots, and budgets. The Scoping Memo indicated that a subsequent ruling would provide additional guidance.[4]

On March 10, 2026, an Assigned Administrative Law Judge (ALJ) Ruling (First Bridge Year Ruling) was issued. The First Bridge Year Ruling provided parties with a staff proposal and a set of questions to comment on, as well as a

---

[1] Joint PHC Statement at E-2, E-4.

[2] Reporter's Transcript of Virtual PHC at 41-43, 45, 48, 53, 66, 68.

[3] PG&E Post-PHC Statement at 2-3; SDG&E at Post-PHC Statement at 1-2; SCE Post-PHC Statement at 3-5.

[4] Scoping Memo at 4.

schedule to resolve the bridge year issue. Moreover, the First Bridge Year Ruling noted that:

> At the start of the last demand response rulemaking, the Commission adopted D.14-01-004 to provide bridge year demand response program funding. The Commission approved bridge year funding in D.14-01-004, in part, because it was not "prudent for the [IOUs] to spend time and resources planning for programs that may not fit into a new structure."[5]

On April 8, 2026, an ALJ Ruling Modifying Schedule on Bridge Year Funding Issue and Posing Supplemental Questions (Second Bridge Year Ruling) was issued. The Second Bridge Year Ruling posed supplemental questions on the potential extension of the Emergency Load Reduction Program (ELRP) pilot and extended the deadlines for opening and reply comments on all questions included in the First and Second Bridge Year Rulings (Bridge Year Rulings).

On April 30, 2026, the following parties filed opening comments in response to the Bridge Year Rulings: Advanced Energy United (AEU), California Solar & Storage Association (CALSSA), California Efficiency + Demand Management Council (Council), CLECA, EnergyHub, Enchanted Rock, LLC (ERock), Leapfrog Power, Inc. (Leap), Olivine, Inc. (Olivine), PG&E, Public Advocates Office (Cal Advocates), SCE, Small Business Utility Advocates (SBUA), SDG&E, Tesla, The Utility Reform Network (TURN), Utility Consumers' Action Network (UCAN), VGIC, and Voltus Inc. (Voltus).

On May 21, 2026, the following parties filed reply comments: AEU, Cal Advocates, CALSSA, Council, ERock, Leap, Olivine, PG&E, SBUA, SCE, SDG&E, Tesla, TURN, VGIC, Voltus, and Weave Grid, Inc. (Weave Grid).

---

[5] First Bridge Year Ruling at 2; D.14-04-004 at 7, Ordering Paragraph (OP) 1.

On June 11, 2026, PG&E filed a joint case management statement on the bridge year issue. Cal Advocates was the only party to argue that testimony was necessary, specifically to develop the record further before the Commission evaluates the reasonableness of significant modifications to the ELRP pilot and its budget, as certain parties requested in their comments. Cal Advocates also claimed that it is too early to determine whether evidentiary hearings were necessary, indicating that it could only determine the need for hearings once parties submit testimony. No other parties requested either testimony or evidentiary hearings.

On July 7, 2026, the ALJ sent an email ruling (Email Ruling) to the service list stating that testimony, hearings, and briefs were not needed. In response to Cal Advocates' request for testimony, the ALJ noted they were not inclined to change the ELRP pilot budget. Also, the Email Ruling clarified that an evidentiary hearing was not needed, since no party provided a list of disputed material facts and an explanation of why an evidentiary hearing was needed as required by the First Bridge Year Ruling. Similarly, the Email Ruling stated that briefs were not needed as no issues of disputed material facts or questions of law were raised.

1.1. Submission Date

The bridge year issue was submitted on June 11, 2026, upon submission of the joint case management statement.

2. Issues Before the Commission

This decision addresses the bridge year issue from the Scoping Memo:[6]

[6] Scoping Memo at 2.

Should the Commission authorize bridge year funding extensions for existing demand response programs, pilots, and budgets approved by D.23-12-005?

a. What existing program authorizations should the Commission consider modifying, if any?

b. What processes are needed to extend the authorizations granted in D.23-12-005?

3. DR Bridge Year Authorizations and Modifications

This decision provides DR bridge year authorizations and modifications to enable the next DR application cycle to incorporate DR reforms planned in this proceeding.

3.1. Bridge Year Authorization and IOU DR Application Deadline

3.1.1. Staff Proposal

The staff proposal noted that D.23-12-005 required the IOUs to submit their 2028-2032 proposed DR applications to the Commission by November 1, 2026.[7] In light of this, the staff proposal stated that the "November 1, 2026, application deadline will not provide sufficient time for the IOUs to incorporate the policy developments from R.25-09-004 in their applications," and that "it is reasonable to require the IOUs to implement the policy updates from R.25-09-004 in the immediately succeeding application cycle." As such, the staff proposal recommended the approval of two years of bridge funding for 2028 and 2029, setting the next budget cycle for five years from 2030 to 2034, and moving the IOUs' application deadline to January 1, 2029.[8]

[7] D.23-12-005 at OP 64.

[8] First Bridge Year Ruling, Attachment A at 2-3.

3.1.2. Party Comments

CLECA, Council, Leap, EnergyHub, ERock, PG&E, SCE, VGIC, Olivine, Leap, and Tesla, and Voltus were supportive of 2028-2029 bridge years.[9] UCAN, SBUA, and TURN supported 2028-2029 bridge years, with conditions.[10]

SDG&E did not support staff's proposal to authorize two years of bridge funding. SDG&E acknowledged that the ongoing DR policy development in this rulemaking "may possibly necessitate a two-year bridge period to ensure regulatory consistency and administrative efficiency," but noted the bridge period will restrict its ability to expand its currently limited DR offerings.[11]

Similarly, most parties supported moving the deadline for the IOUs' DR applications. In their comments, Leap, CLECA, SBUA, UCAN, Council, Olivine, and Voltus supported the January 1, 2029, IOU DR application deadline, presented in the staff proposal.[12] SCE, SDG&E, and TURN pointed out that the proximity of the January 1, 2029, deadline to the 2028 winter holidays may mean IOU personnel limitations and delays.[13] PG&E, VGIC, and SDG&E expressed concern that the January 2029 deadline will not allow sufficient time for the Commission to complete the proceeding by the beginning of 2030, when new

---

[9] CLECA Opening Comments on the Bridge Year Rulings (*hereinafter* Opening Comments) at 3; EnergyHub Opening Comments at 1; ERock Opening Comments at 2; PG&E Opening Comments at 3; SCE Opening Comments at 3; VGIC Opening Comments at 2; Olivine Opening Comments at 3; Council Opening Comments at 5; Leap Opening Comments at 2; Tesla Opening Comments at 7; Voltus Opening Comments at 3

[10] SBUA Opening Comments at 2-4; TURN Opening Comments at 2-5; UCAN Opening Comments at 5.

[11] SDG&E Opening Comments at 1-2.

[12] Leap Opening Comments at 3; CLECA Opening Comments at 10; SBUA Opening Comments at 7; UCAN Opening Comments at 10; Olivine Opening Comments at 3; Council Opening Comments at 7; Voltus Opening Comments at 4.

[13] SCE Opening Comments at 11; SDG&E Opening Comments at 20; TURN Opening Comments at 7.

IOU DR authorizations would take effect.[14] PG&E proposed a deadline no later than June 30, 2028, or one set 9-12 months after the issuance of a final policy decision in this DR proceeding.[15] Conversely, SCE stated the staff proposal deadline will not give the IOUs the time needed to incorporate the Commission's intended policy changes into their 2030-2034 DR application. SCE recommended a deadline of March 1, 2029, but also agreed with PG&E that it may be efficient to link the deadline to the actual date of the final DR policy decision issuance. SCE claimed this later deadline will also facilitate coordination with other DR-related policy proceedings that may impact the substance of the DR applications.[16]

3.1.3. 2028-2029 Bridge Year Authorization and 2030-2034 DR Application Deadline

The staff proposal reasoned that a two-year bridge fund is necessary to achieve the policy objectives of this rulemaking in a timely manner and to provide sufficient time for the IOUs to incorporate new policy developments into their next full DR application cycle. As was the case in D.14-04-004, it would not be "prudent for the [IOUs] to spend time and resources planning for programs that may not fit into a new structure."[17] Therefore, consistent with the staff proposal and party comments, we find that it is reasonable to authorize a two-year bridge extension for the IOUs' DR program operations for 2028-2029. The bridge year authorization and extension for filing IOU applications will ensure DR program continuity, while giving the IOUs time to design and propose DR

---

[14] PG&E Opening Comments at 8; Voltus Opening Comments at 4; VGIC Opening Comments at 3; SDG&E Opening Comments at 20.

[15] PG&E Opening Comments at 8.

[16] SCE Opening Comments at 11-12.

[17] First Bridge Year Ruling at 2, D.14-04-004 at 7, OP 1.

programs for years 2030-2034 that comply with new Commission policies developed in this DR rulemaking.

Additionally, and consistent with PG&E's and SDG&E's comments, we maintain that given the Commission's procedural timelines and standards for reviewing and approving DR applications, a deadline later than January 1, 2029, is not realistic if the Commission is to have sufficient time to complete the IOUs' 2030-2034 DR application proceeding. We also agree with SCE that it is prudent to consider the timeline of other DR-related proceedings that may impact IOUs' 2030-2034 DR portfolios. Consequently, we direct PG&E, SCE, and SDG&E to file their 2030-2034 DR applications by November 1, 2028, to allow sufficient time to incorporate relevant policy developments in their DR applications.

3.2. SCT Funding and Requirement

3.2.1. Staff Proposal

The staff proposal noted that D.24-07-015 required "all commission activities, including filings and submissions requiring cost-effectiveness analysis of Distributed Energy Resources, except where directed otherwise by statute or Commission decision, shall also review and consider the results of the Societal Cost Test…" after April 1, 2025.[18] As such, the staff proposal recommended an exemption for the SCT requirement during the bridge year period, and funding authorization for the IOUs to incorporate the SCT in their DR Cost-Effectiveness Reporting Tools in time for the submission of their 2030-2034 DR applications.[19]

3.2.2. Party Comments

Most parties supported exempting the 2028-2029 DR bridge year programs from SCT analysis and funding SCT's incorporation into the DR Cost-

[18] First Bridge Year Ruling, Attachment 2 at 2, citing D.24-07-015 at OP 5.

[19] First Bridge Year Ruling, Attachment 2 at 3.

Effectiveness Reporting Tool during the bridge years. Council, PG&E, SCE, SDG&E, UCAN, VGIC, Olivine, and Cal Advocates supported exempting the 2028-2029 bridge years from the SCT analysis requirement.[20] SCE noted that the "SCT calculation tool does not yet exist and thus it would be impossible for IOUs to comply with a requirement to produce a SCT."[21] SDG&E noted "[t]he programs that are being extended in the bridge period have all been evaluated for cost-effectiveness upon their filing for the 2024 to 2027 cycle already and have been approved by the Commission based on those total resource cost (TRC) scores as required."[22] Similarly, Cal Advocates explained "the Bridge Years are intended to continue the IOUs' 2027 authorized DR portfolios, which were already evaluated for cost-effectiveness."[23]

UCAN stated the IOUs need to make progress on the SCT calculation tool; the exemption should only apply to the SCT analysis, not to general cost-effectiveness, and the exemption should only apply during the pendency of the bridge years.[24]

TURN and SBUA oppose exempting the 2028-2029 bridge year IOU DR programs from SCT analysis, citing the requirement in D.24-07-015 that the SCT must be considered in all DER proceedings.[25]

---

[20] Council Opening Comments at 8; PG&E Opening Comments at 9; SCE Opening Comments at 13; SDG&E Opening Comments at 20; UCAN Opening Comments at 10-11; VGIC Opening Comments at 3; Olivine Reply Comments at 8; Cal Advocates Reply Comments at 6-7.

[21] SCE Opening Comments at 13.

[22] SDG&E Opening Comments at 20.

[23] Cal Advocates Reply Comments at 7.

[24] UCAN Opening Comments at 10-11.

[25] TURN Opening Comments at 7-8; SBUA Opening Comments at 8-9.

PG&E, SCE, and SDG&E proposed $135,000 split proportionately among the IOUs for the SCT work plus other revisions to the 2016 DR Cost-Effectiveness Protocols and the DR Cost-Effectiveness Reporting Tool, which they argued need to be brought up to date with current DR and Avoided Cost Calculator policies before the next full IOU DR cycle applications become due.[26] PG&E, SCE, SBUA, TURN, Olivine, and Cal Advocates proposed using unspent 2024-2027 Budget Category 7—Evaluation, Measurement, and Verification (EM&V)—dollars to fund the SCT work during the bridge period.[27] In their reply comments to the Bridge Year Rulings, SDG&E disagreed with this proposal, as they do not have the ability to carry over unspent funds from the previous DR cycle due to the structure of their DR cost recovery mechanism.[28]

3.2.3. SCT Exemption Requirement and Funding from the Evaluation, Measurement, and Verification Budget

We adopt the staff proposal's recommendation to provide an exemption for the SCT requirement during the 2028-2029 bridge years. TURN and SBUA oppose this exemption, which they say goes against the order in D.24-07-015."[29] However, as SCE noted, the IOUs do not currently have access to a DR cost-effectiveness tool that enables them to perform the SCT for their DR bridge year programs. We find that by including "except where directed otherwise by statute or Commission decision," D.24-07-015 at OP 5 envisioned the need for potential

[26] PG&E Opening Comments at 6-7; SCE Opening Comments at 6; SDG&E Opening Comments at 2.

[27] PG&E Opening Comments at 7; SCE Opening Comments at 8; SBUA Reply Comments on the Bridge Year Rulings (hereinafter Reply Comments) at 6; TURN Opening Comments at 5; Olivine Reply Comments at 8-9; Cal Advocates Reply Comments at 7.

[28] SDG&E Reply Comments at 5.

[29] D.24-07-015 at OP 5.

exceptions to the SCT requirement, and we find an exception for the SCT requirement for the bridge year period is appropriate here given the need to avoid delay and that the SCT will apply to DR programs informed by the policies developed in this proceeding in the 2030-2034 DR program cycle.

An additional cost-effectiveness evaluation of the IOUs' 2028-2029 DR bridge year programs is not required, because as Cal Advocates and SDG&E explained, the 2028-2029 bridge years continue the IOUs' 2027 authorized DR portfolios, which were already evaluated for cost-effectiveness. Also, we do not authorize incremental funding to implement the SCT in the DR Cost-Effectiveness Reporting Tool. Instead, we authorize Energy Division, in collaboration with the IOUs, to use the DR research budget under the 2028-2029 Budget Category 7, EM&V funding, to implement the SCT in the DR Cost-Effectiveness Reporting Tool by April 1, 2028, in time for the IOUs' submission of their 2030-2034 demand response applications. This approach avoids creating any additional funding outside the 2027 budget categories and accommodates SDG&E's inability to carry over unspent funds.

3.3. Continuation of ELRP Pilot

3.3.1. Staff Proposal

The staff proposal recommends the 2028-2029 bridge years exclude the IOUs' 2027 budgets and operations for DR pilots approved in D.23-12-005.

3.3.2. Party Comments

The following parties supported continuing the ELRP pilot: AEU, CALSSA, PG&E, SCE, VGIC, Olivine, Council, Leap, SBUA, Tesla, and Voltus. Most of these parties expressed concern that discontinuing the ELRP pilot at this time would result in a programmatic void for existing resources that have been established so that they could be ready to respond in times of grid emergency.

Generally, parties in favor of continuing the ELRP pilot through the bridge years argued that to maintain continuity and the future availability of resources currently enrolled in the pilot program, the Commission should fund the ELRP pilot through the 2028-2029 bridge years while it considers longer-term DR policies.[30]

The IOUs recommended limiting the continuation of the ELRP pilot to sub-groups A.4 (Virtual Power Plant Aggregators) and A.5 (Electric Vehicle and Vehicle-Grid Integration Aggregators).[31] The IOUs noted that these sub-groups have performed better during ELRP events and have better enrollment than other ELRP pilot sub-groups.[32] SDG&E asserted its preference to continue its ELRP pilot sub-group A.1 (non-residential), given that this sub-group has delivered emergency DR value during previous ELRP events in SDG&E's territory and that SDG&E does not currently have a Base Interruptible Program or another traditional emergency offering. SDG&E argued that without subgroup A.1, it "would have no dedicated resource to call for last-minute load reduction during emergencies and … would be left to depend on more costly or less effective measures to maintain system reliability."[33]

---

[30] AEU Opening Comments at 2-3; CalSSA Opening Comments at 2-4; Council Opening Comments at 8-9; Leap Opening Comments at 4Olivine Opening Comments at 6; PG&E Opening Comments at 9; SBUA Opening Comments at 8SCE Opening Comments at 19; SDG&E Opening Comments at 21; Tesla Opening Comments at 9; VGIC Opening Comments at 4-5; UCAN Opening Comments at 12; Voltus Opening Comments at 5. Leap, Olivine, PG&E, SDG&E, and UCAN expressed support for the extension of the ELRP pilots during the 2028-2029 bridge years; however, their support, to different degrees, was contingent on the Commission making modifications to the ELRP pilot.

[31] PG&E Opening Comments at 4; SDG&E Opening Comments at 16; SCE Opening Comments at 14-16.

[32] PG&E Opening Comments at 4; SDG&E Opening Comments at 8, 15-16; SCE Opening Comments at 15.

[33] SDG&E Opening Comments at 8-9.

Cal Advocates opposed the extension of the ELRP pilot for myriad reasons. First, Cal Advocates argued the pilot does not adhere to the criteria established in D.12-04-045, requiring DR pilots to have a clear budget and timeframe, and where appropriate, to have a methodology to test their cost-effectiveness. Cal Advocates expressed concern that if funding for the ELRP pilot is authorized for the 2028-2029 bridge years, the pilot will have run since 2021 without a clear end date or meeting cost-effectiveness requirements. In addition, Cal Advocates argued that extending the ELRP pilot is inconsistent with the Governor's Executive Order (EO) N-5-24, which directed the Commission to close underperforming or underutilized programs with costs outweighing their value and benefits to electric ratepayers.[34] Cal Advocates requested that the Commission adopt "ratepayer protections," if the ELRP pilot is extended.[35] Cal Advocates' proposed ratepayer protections would include a Commission order to the IOUs to conduct an independent cost-effectiveness evaluation using the TRC test and setting a "clear termination criterion to sunset ELRP if it fails to demonstrate cost-effectiveness."[36]

TURN and UCAN echoed Cal Advocates' concerns about the lack of cost-effectiveness information on ELRP and the pilot's lack of a defined sunset date.[37]

Tesla, SCE, Olivine, Cal Advocates, and UCAN submitted comments on a potential ELRP pilot sunset date. Tesla and SCE asserted that the pilot sunset date could be set at the end of the 2029 bridge year, if a successor or alternate

[34] Cal Advocates Opening Comments at 6-7.

[35] Cal Advocates Opening Comments at 3.

[36] Cal Advocates Opening Comments at 8.

[37] TURN Opening Comments at 9-10; UCAN Opening Comments at 15.

program is made available to current ELRP resources by that date.[38] Olivine and UCAN stated the ELRP pilot should sunset at the end of 2029. Olivine stated the ELRP pilot should be transitioned to a cost-effective program, and UCAN stated it should be retired if it was not found cost-effective.[39] Cal Advocates recommended sunsetting ELRP after 2027.[40]

3.3.3. The ELRP Pilot Should Continue with Limited Sub-Groups for the Bridge Years

We acknowledge the parties' concerns regarding the potential loss of emergency resources during the bridge years and the lack of cost-effectiveness analysis for an ongoing multi-year pilot. The Commission will consider ELRP and its cost-effectiveness later in this Rulemaking and/or as part of the 2030-2034 DR applications review process. However, to avoid further delays in the proceeding, the Commission authorizes the continuation of a subset of the ELRP pilot without a requirement for cost-effectiveness evaluation for the bridge years.

Furthermore, we approve continuation of the specific ELRP pilot sub-groups that the IOUs noted have historically had better enrollment and performance numbers compared to other sub-groups. We authorize the continuation of sub-groups A.4 and A.5 for all IOUs. Given SDG&E's lack of a non-residential emergency DR offering, other than the ELRP pilot, we also authorize the continuation of sub-group A.1 for SDG&E only. All other ELRP pilot sub-groups shall close at the end of 2027.

---

[38] Tesla Opening Comments at 11; SCE Opening Comments at 18-19.

[39] Olivine Opening Comments at 7; Olivine Opening Comments at 13-14.

[40] Cal Advocates Reply Comments at 9.

We appreciate Cal Advocates', TURN's, and UCAN's concern about the lack of a cost-effectiveness evaluation for the ELRP pilot,[41] and determine that the Commission will consider its cost-effectiveness beyond 2029.

This treatment of the ELRP pilot ensures ELRP's availability during grid emergencies through the pendency of the bridge years, retains continuity for ELRP pilot participants, and tailors the pilot to increase value for ratepayers by keeping the highest performing subgroups, and as discussed below in Section 3.4, reducing the minimum dispatch hours.

We authorize annual bridge year budgets for the continuation of the ELRP pilots, consistent with the budget amounts announced below in Section 3.5. The IOUs shall submit a joint Tier 2 Advice Letter by November 30, 2027, to update the ELRP Terms and Conditions to comply with the requirements of this Decision, including the minimum dispatch hours adopted in Section 3.4 below.

3.4. Other Modifications to the IOUs' 2027 DR programs

3.4.1. Staff Proposal

The staff proposal did not put forth any other program modification proposals for the 2028-2029 bridge years.

3.4.2. Party Comments

Parties provided numerous comments on ELRP pilot design. The IOUs recommended reducing the ELRP pilot incentive rate as well as the annual minimum dispatch hours for sub-groups A.4 and A.5.[42] More specifically, PG&E and SDG&E suggested the minimum dispatch hours for sub-groups A.4 and A.5 should be lowered to 10 hours, from the current 20 and 30 hours, respectively.

---

[41] *See also* Olivine Opening Comments at 7.

[42] PG&E Opening Comments at 4-5; SDG&E Opening Comments at 15, 22-23; SCE Opening Comments at 18.

PG&E and SDG&E stated that these modifications would support utilizing the budget more efficiently and reduce unnecessary spending while still providing emergency relief when needed and regular testing of the resource to support accurate measurement and evaluation.[43] In support of the proposal, PG&E explained that "in recent years, meeting the minimum hours requirement has been difficult because weather and grid conditions did not meet the emergency triggers."[44] SDG&E argued that reducing the minimum dispatch requirement "[preserves] ELRP's reliability value while improving overall cost management."[45]

Tesla, CalSSA, AEU, Leap, Council, VGIC, and Voltus noted that reducing the minimum dispatch will negatively impact participation rates, thereby diminishing the availability of reliability resources able to respond to an emergency grid event.[46] Voltus added that the minimum dispatch requirement allows aggregators to conduct testing that improves their load reduction strategies.[47]

PG&E also proposed expanding ELRP pilot dispatch triggers to enhance flexibility in meeting local distribution reliability needs. Relatedly, PG&E proposed to increase the cap on the ELRP pilot annual dispatch from 60 to 100

---

[43] SDG&E Opening Comments of Bridge Year Rulings at 15; PG&E Opening Comments on Bridge Year Rulings at 4-5.

[44] PG&E Opening Comments at 5-6.

[45] SDG&E Reply Comments on the Bridge Year Ruling at 10. *See also* SBUA Reply Comments at 4-5; Cal Advocates Opening Comments at 9; PG&E Opening Comments at 4-5; SCE Opening Comments at 18.

[46] Tesla Reply Comments at 6; CALSSA Reply Comments at 1-2; AEU Reply Comments at 4; Council Reply Comments at 6; VGIC Reply Comments at 8; Voltus Reply Comments at 6.

[47] Voltus Reply Comments at 7.

hours for both sub-groups, in support of its efforts to test ELRP pilot resources at the local distribution level.[48]

Tesla and VGIC requested that the Commission update ELRP pilot sub-metering rules and align policy between the A.4 and A.5 sub-groups.[49]

PG&E requested Commission authorization to submit a proposal via advice letter to test ELRP pilot sub-group A.4 and A.5 California Independent System Operator market integration and to pilot different export compensation models for these resources.[50]

SCE, AEU, Council, and Tesla recommended streamlining the ELRP pilot enrollment process, based on lessons learned from the California Energy Commission's Demand Side Grid Support (DSGS) program, to improve customer experience and increase participation.[51]

Leap, SCE, CALSSA, VGIC, and AEU disagreed that design changes should be made to the ELRP pilot to align it with the Guiding Principles staff proposal.[52] SCE and VGIC note that the Guiding Principles are still contained only in a proposal and are not under consideration currently for alignment with any other bridge year DR programs.[53]

Also, Council, ERock, UCAN, Voltus, PG&E, SBUA, SDG&E, SCE, Cal Advocates, TURN, CLECA, and Olivine proposed modifications to existing non-

---

[48] PG&E Opening Comments at 5.

[49] Tesla Opening Comments at 9-10; VGIC Opening Comments at 4.

[50] PG&E Opening Comments at 5.

[51] SCE Opening Comments at 23; AEU Opening Comments at 3; Council Opening Comments at 11; Tesla Reply Comments at 9.

[52] Leap Opening Comments at 5; SCE Opening Comments at 22; CALSSA Opening Comments at 5; VGIC Opening Comments at 9; AEU Opening Comments at 3.

[53] VGIC Opening Comments at 9-10; SCE Opening Comments at 22.

ELRP programs. Non-ELRP proposals focused on a range of DR issues, including new reporting requirements, DR program incentive increases, and modifications to program design and policy to expand enrollment.[54]

3.4.3. ELRP Pilot Minimum Dispatch Hours Are Reduced and Simplified Enrollment is Permissible

We agree that the ELRP pilot's minimum dispatch hours should be reduced, and that the ELRP pilot enrollment process can be simplified. We acknowledge dissenting parties' concerns that significantly reducing the minimum dispatch hours has the potential to discourage program enrollment as aggregators lose certainty on a minimum level of compensation they can expect from participation in the ELRP pilot. However, we find it prudent to improve ELRP's pilot efficiency by lowering the minimum dispatch hours for ELRP pilot sub-groups A.4 and A.5 to 18 hours for both sub-groups, which is more than the IOU's recommendation but less than the current minimum dispatch hours, sought by other parties. Because these ELRP pilot sub-groups both have three-hour event durations, the reduction to 18 hours results in one fewer event for A.4 and four fewer events for A.5. This improves pilot efficiency and costs. However, reliability is maintained, as the authorized sub-groups will still be available for dispatch up to 60 hours, if needed.

SCE, AEU, Council, and Tesla support the recommendation to simplify ELRP pilot enrollment by following the process used in DSGS. We find this is a minor revision with the potential to improve customer experience that can be implemented without the need for further Commission funding or record development. Therefore, we encourage the IOUs to submit a joint Tier 3 advice

[54] *See* Opening Comments by PG&E, SCE, SDG&E, Council, ERock, Voltus, UCAN, SBUA, TURN, CLECA, and Olivine.

letter proposing process improvements to ELRP pilot enrollment. These updates should be limited to technical aspects of the enrollment process, and not policy changes. The proposed improvements should avoid any approach that could weaken the enforcement of dual participation/double compensation rules. The proposal should be uniform statewide. The joint Tier 3 advice letter may be submitted no later than January 30, 2027.

We find other modifications proposed by parties are not critical to the success of the 2028-2029 bridge year DR program implementation, require additional funding, or record development, which would delay the adoption of the bridge year funding and the development of the DR policies in this proceeding. Therefore, we do not adopt other recommendations at this time; however, these recommendations may be addressed later in this proceeding.

3.5. Bridge Year Budgets

3.5.1. Staff Proposal

Staff recommended 2028-2029 bridge year funding based on the approved funding levels for 2027, excluding pilots, plus funding for the IOUs to incorporate the SCT in their DR Cost-Effectiveness Reporting Tools.

3.5.2. Party Comments

As discussed in the previous Sections of this decision, the parties generally support two years of bridge funding, retaining the ELRP pilots during the bridge years, and funding to incorporate SCT into the IOUs' DR Cost-Effectiveness Reporting Tools.

TURN noted the IOUs had significant underspending in all DR budget categories in previous years and urged the Commission to reduce the budgets allocated for the 2028-2029 DR program years, instead of approving the same budget levels as the 2027 authorized budgets. TURN stated PG&E and SDG&E

have spent 19.7 percent and 17.8 percent of their 2024-2025 DR budget, respectively. For SCE its expenditures, based on a 2023-2027 budget cycle, show it had used 36 percent of its authorized budget as of the end of 2025. TURN's analysis of ELRP pilot spending revealed a similarly low spending pattern across the IOUs. Therefore, TURN argued, if the ELRP pilot is extended to the 2028-2029 bridge years, the Commission should reduce its budget significantly based on actual spending rates. For all other DR budget categories, TURN recommended that the Commission examine each of the current DR cycle's programs and their spending levels to date, to determine if a budget reduction is necessary.[55]

PG&E and SDG&E opposed TURN's proposal to base 2028-2029 DR budgets on actual spending to date within the current DR cycle. Regarding overall DR program spending, SDG&E contended that it expects "program participation, project execution, and evaluation requirements" to increase in the bridge period, so that reducing "bridge period budgets…would undermine the reliability objectives [DR programs] are designed to achieve."[56] Regarding the ELRP pilot, specifically, SDG&E pointed out that TURN's analysis relating to the 2024-2025 ELRP pilot spending is not reflective of the authorized 2027 budget, on which the 2028-2029 bridge year budgets will be based. For example, SDG&E stated that figures cited by TURN for the ELRP pilot in 2024 and 2025 are more than four times higher than SDG&E's 2027 budget due to the Commission's closure of ELRP pilot sub-group A.6 across the IOUs at the end of 2025. Furthermore, SDG&E and PG&E argued that ELRP is an emergency DR pilot

[55] TURN Opening Comments at 5.

[56] SDG&E Reply Comments at 4.

program, which necessitates funding levels that ensure "readiness and [should not] be penalized for the absence of emergencies."[57]

Parties raised varying points about whether the IOUs should carry over unspent dollars from the current DR cycle to fund the 2028-2029 bridge years. SCE, Cal Advocates, TURN, VGIC, and Voltus recommended that the Commission require the IOUs to carry over unspent funds from the current DR cycle to cover the 2028-2029 bridge years before accessing new funds.[58]

The IOUs recommended different mechanisms for funding their 2028-2029 bridge year budgets. SCE stated that carrying over funding from the previous DR cycle is more efficient for bridge year program administration and implementation.[59] SCE noted that its Demand Response Program Balancing Account (DRPBA) is set up such that carrying over funding from the previous DR cycle is more efficient for bridge-year program administration and implementation.[60] PG&E strongly preferred the Commission authorize new funding for the 2028-2029 bridge year and allow PG&E to return unspent 2024-2027 DR cycle funds to ratepayers, stating that "for its portfolio, [this is] the most expeditious option with the least administrative burden."[61] SDG&E noted it does not have the ability to carry over unspent funds from the previous DR cycle given that its non-ELRP DR cost recovery is facilitated through a memorandum account, whereby costs tracked in the memorandum account are recovered after

[57] SDG&E Reply Comments at 2; PG&E Reply Comments at 3.

[58] SCE Opening Comments at 3; Cal Advocates Reply Comments at 3; TURN Reply Comments at 2-3; VGIC Reply Comments at 7; Voltus Reply Comments at 3.

[59] SCE Opening Comments at 4-5.

[60] SCE Opening Comments on Bridge Year Rulings at 5.

[61] PG&E Reply Comments to the Bridge Year Rulings at 4.

they are incurred. SDG&E mentioned the use of a balancing account for the ELRP pilot.[62]

3.5.3. 2028-2029 Bridge Year Budget Amounts

We approve bridge year funding consistent with 2027 DR budgets. We acknowledge the valid concern raised by certain parties that historical underspending across the IOUs' DR budget categories indicate funding levels should be reviewed and potentially adjusted to reflect the actual needs of DR programs. This proceeding may assess DR program funding levels for the next IOU DR Applications; however, to avoid delays to the bridge year authorization, we approve the 2028-2029 budgets at the same level as the 2027 DR budgets. We order that any unspent funds, including accrued interest, for the 2028-2029 bridge years shall be returned to ratepayers after the bridge years close at the end of 2029.

We adopt the staff proposal's recommendation to base the 2028-2029 DR bridge year budgets on the 2027 budgets previously authorized in D.23-12-005. The adopted annual bridge year budget amount is shown in Table 1 below:

Table 1: Adopted Annual Budgets ($thousands) for IOUs' 2028 and 2029 (per year)			
	PG&E	**SCE**	**SDG&E**
Budget Category 1: Supply-Side Demand Response Program	$ 59,187	$ 131,639	$ 1,776
Budget Category 2: Load-Modifying Demand Response Program	$ 9	$ 3	$ 0
Budget Category 3: Direct Participation Electric Rule 24/32	$ 3,500	$ 966	$ 1,648

[62] SDG&E Opening Comments at 19.

Budget Category 4: Emerging and Enabling Technology	$ 3,175	$ 9,121	$ 774
Budget Category 5: Pilots	$27,805	$19,192	$6,720
Budget Category 6: Marketing, Education, and Outreach	$ 3,678	$ 3,983	$ 282
Budget Category 7: Portfolio Support*	$ 13,112	$ 13,528	$ 4,041
Total Bridge Year Funding (per year)	**$110,466**	**$178,432**	**$15,241**
*As discussed in Section 3.2, we authorize Energy Division in collaboration with the IOUs to use the DR research budget under the 2028-2029 Budget Category 7, EM&V funding, to implement the SCT in the DR Cost-Effectiveness Reporting Tool.			

Given the distinct accounting systems of the IOUs, we authorize the IOUs to utilize the best paths identified for funding their 2028-2029 bridge year budgets. PG&E shall use newly authorized funding for the bridge years and return unused 2024-2027 DR cycle funds to its ratepayers. SCE shall first carry over unspent funds from the previous DR cycle to fund its 2028-2029 bridge year programs. SDG&E shall continue to use its memorandum account funding structure for the 2028-2029 DR bridge year period for non-ELRP DR budget categories. While SDG&E mentioned their use of a balancing account for the ELRP pilot, it did not provide comment on its preference for a pathway for funding its bridge year ELRP pilot budgets. SDG&E shall carry over unspent funds from the previous ELRP cycle to cover its 2028-2029 ELRP budget using the balancing account. This proceeding may assess whether the IOUs should share a unified cost tracking approach going forward, including guidance for the IOUs' 2030-2034 DR applications.

4. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. There were no relevant public comments on the Docket Card at the time of submission of the record for this decision.

5. Comments on Proposed Decision

The proposed decision of ALJ Brandon Gerstle in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on __________, and reply comments were filed on _____________ by ________________.

6. Assignment of Proceeding

Matthew Baker is the assigned Commissioner and Brandon Gerstle is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. As was the case in D.14-04-004, it would not be prudent for the IOUs to spend time and resources to develop DR programs for the Bridge Years that may not fit into a revised DR policy structure.
2. The November 1, 2026, application deadline set in D.23-12-005 will not provide the IOUs with sufficient time to incorporate DR policy developments from R.25-09-004 in their applications.
3. The IOUs do not currently have an SCT-enabled DR Cost Effectiveness Reporting Tool and will need time and a budget to incorporate the SCT into the tool.

4. Incremental funding for implementing the SCT in the DR Cost-Effectiveness Reporting Tool is not needed, as the 2028-2029 DR research budget, based on the 2027 research budget, is sufficient to cover the cost of this work.
5. The ELRP pilot lacks a cost-effectiveness analysis.
6. Not conducting a cost-effectiveness evaluation for the ELRP pilot for the bridge years will avoid delay.
7. ELRP pilot subgroups A.4 and A.5 have historically shown better enrollment and performance numbers than other ELRP pilot sub-groups.
8. ELRP pilot subgroup A.1 is the only emergency DR offering available to SDG&E's non-residential customers.
9. Retaining a modified version of the ELRP pilot ensures the pilot's resources are available during grid emergencies through the pendency of the 2028-2029 bridge years, retains continuity for ELRP pilot participants, and tailors the pilot to improve the value for ratepayers.
10. Reducing the ELRP pilot minimum dispatch for subgroups A.4 and A.5 will improve pilot efficiency, reduce fixed costs, and increase ratepayer value.
11. Simplifying the ELRP pilot enrollment is a minor revision with the potential to improve customer experience.
12. The IOUs have historically used different accounting mechanisms for their DR programs.
13. The annual DR bridge year budget for 2028 and 2029 is based on the IOU's 2027 authorized DR budget, which was already evaluated for cost-effectiveness during the 2024-2027 program cycle.

Conclusions of Law

1. The Commission should authorize two years of bridge funding for 2028-2029 DR programs for the IOUs.

2. The IOUs should file DR applications for the 2030–2034 program cycle no later than November 1, 2028.

3. The Commission should exempt the IOUs from the D.24-07-015 SCT requirement for the 2028-2029 bridge years.

4. The IOUs should work with the Commission's Energy Division to use the DR research budget to implement the SCT in the DR Cost-Effectiveness Reporting Tool, by April 1, 2028, in time for the submission of their 2030-2034 demand response applications.

5. The Commission should extend ELRP pilot subgroups A.4 and A.5 in the IOUs' service territories for the 2028-2029 bridge years.

6. The Commission should extend ELRP pilot subgroup A.1 for SDG&E's service territory for the 2028-2029 bridge years.

7. The Commission should reduce the ELRP pilot minimum dispatch for subgroups A.4 and A.5 to a uniform 18 hours.

8. It is reasonable to consider the cost-effectiveness of ELRP beyond December 31, 2029, in the final decision on the IOUs' 2030-2034 DR applications.

9. The Commission should allow the IOUs to modify their ELRP pilot enrollment processes to improve customer experience by filing a joint Tier 3 advice letter, no later than January 30, 2027.

10. The Commission should establish the IOUs' 2028-2029 bridge year funding based on previously authorized 2027 DR funding levels to ensure continuity of DR programs.

11. The IOUs should return any unspent funds, including accrued interest, for the 2028-2029 bridge years cycle to ratepayers after the bridge years close at the end of 2029.

12. The IOUs should use their preferred accounting mechanisms for funding the 2028-2029 bridge years.

13. The proceeding should remain open.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company are required to file demand response program applications covering program years 2030–2034 no later than November 1, 2028.

2. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall work with the Commission's Energy Division to incorporate the Societal Cost Test in the demand response Cost-Effectiveness Reporting Tool by April 1, 2028, in time for the submission of their 2030-2034 demand response applications.

3. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall submit Tier 2 advice letters by November 30, 2027, to update the Emergency Load Reduction Program (ELRP) Terms and Conditions to comply with the ELRP pilot modifications as directed in the Conclusions of Law of this decision.

4. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company may submit a joint Tier 3 advice letter to propose improvements to the Emergency Load Reduction Program enrollment process no later than January 30, 2027.

5. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company are granted two years of bridge funding for 2028 and 2029, with annual budgets as shown in Attachment A.

6. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall return any unspent funds, including accrued interest, for the 2028-2029 bridge years cycle to ratepayers after the bridge years close at the end of 2029.

7. This proceeding remains open to address additional issues.

This order is effective today.

Dated ____________________________, at San Francisco, California.

ATTACHMENT A:

Investor-Owned Utilities 2028-2029 Demand Response Program Annual Budgets

Adopted Annual Budgets ($ thousands) for IOUs' 2028 and 2029 (per year)			
	PG&E	**SCE**	**SDG&E**
Budget Category 1: Supply-Side Demand Response Program	$ 59,187	$ 131,639	$ 1,776
Budget Category 2: Load-Modifying Demand Response Program	$ 9	$ 3	$ 0
Budget Category 3: Direct Participation Electric Rule 24/32	$ 3,500	$ 966	$ 1,648
Budget Category 4: Emerging and Enabling Technology	$ 3,175	$ 9,121	$ 774
Budget Category 5: Pilots	$27,805	$19,192	$6,720
Budget Category 6: Marketing, Education, and Outreach	$ 3,678	$ 3,983	$ 282
Budget Category 7: Portfolio Support*	$ 13,112	$ 13,528	$ 4,041
Total Bridge Year Funding (per year)	**$110,466**	**$178,432**	**$15,241**