Decision 13-04-021 April 18, 2013

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of 2013-2014 Statewide Marketing, Education, and Outreach Program and Budget (U39M).	Application 12-08-007 (Filed August 3, 2012)
And Related Matters.	Application 12-08-008 Application 12-08-009 Application 12-08-010

DECISION ON PHASE I ISSUES: UTILITY BUDGETS FOR THE FLEX ALERT PROGRAM FOR 2013 AND 2014

Table of Contents

DECISION ON PHASE I ISSUES: UTILITY BUDGETS FOR THE FLEX ALERT PROGRAM FOR 2013 AND 2014

1. Summary

This decision establishes annual utility budgets for the Flex Alert program for 2013 and 2014. The Flex Alert program is an emergency alert campaign, which was created in 2001 for use during system emergencies or power shortages. For 2013 and 2014, Pacific Gas and Electric Company's authorized annual budget is $2.5 million, Southern California Edison Company's authorized annual budget is $6 million, and San Diego Gas & Electric Company's authorized annual budget is $1.5 million, for a total annual statewide Flex Alert budget of $10 million.

This proceeding remains open to consider Phase 2 issues.

2. Background and Procedural History

The Commission addressed Statewide Marketing, Education, and Outreach (ME&O) for 2013 and 2014 in two recent decisions. In Decision (D.) 12-04-045, the Commission adopted Demand Response Activities and Budgets for 2012 through 2014, and in D.12-05-015 the Commission provided guidance on policies and programs for energy efficiency in the 2013-2014 portfolio cycle. D.12-04-045 authorized 2012 funding for the Demand Response Statewide Marketing, Education and Outreach program for Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) to be used for an emergency alert campaign, commonly known as Flex Alert. The total statewide marketing budget was set at no more than $10 million. One month later, in D.12-05-015, the Commission directed PG&E, SCE, SDG&E, and the Southern California Gas Company to file applications for statewide ME&O activities for demand-side programs in 2013 and 2014, including Flex Alert. These applications were filed on August 3, 2012.[1]

Responses or protests to the applications were filed on September 6, 2012 by the California Center for Sustainable Energy (CCSE), the Center for Accessible Technology (CforAT), the Greenlining Institute (Greenlining), The Utility Reform Network (TURN), and, jointly, by the National Asian American Coalition, the Black Economic Council, and the Latino Business Chamber of Greater Los Angeles. Each of the utilities and the National Asian American Coalition, Black Economic Council, and Latino Business Chamber of Greater Los Angeles (jointly) filed replies on September 17, 2012.

An Administrative Law Judge Ruling on November 8, 2012 consolidated the applications. A prehearing conference was held on November 26, 2012. On January 18, 2013, the Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge determined the scope, schedule, and need for hearing in this proceeding and divided the proceeding into two phases: Phase 1, related to the budgets for the Flex Alert program for 2013-2014; and Phase 2, all other aspects of the statewide marketing, education, and outreach plans for 2013-2014. The phasing was deemed necessary due to the possibility of continuing generation outages at the San Onofre Nuclear Generating Station (SONGS) during the summer of 2013, and possible impacts on southern California, making it important that the Commission act to authorize activities and budgets for Flex Alerts as soon as possible in 2013. As directed in the scoping ruling,

[1] Southern California Gas Company did not propose any funding for Flex Alerts, as the program is an emergency program for electricity only. This decision refers to PG&E, SCE and SDG&E, collectively, as "the utilities."

opening comments on the utilities' proposed budgets or activities associated with the Flex Alert program were filed and served on February 1, 2013; reply comments were filed and served on February 8, 2013. This decision addresses Phase 1 issues.

The Flex Your Power brand, and its associated brand Flex Alert, was created during the California energy crisis of 2000 and 2001 and inspired by emergency energy shortages necessitating emergency conservation by consumers. Today, the Flex Alert program continues to support the State's and the California Independent System Operator's (CAISO or ISO) emergency efforts for summer preparedness in the event of system emergencies or power shortages. In D.12-05-015 we stated "Consistent with the comments of the CAISO, we see value in continuing the emergency response portion of Flex Your Power –Flex Alert – in particular for use during hot summer months, or at any other time, when energy supplies have the potential to be tight. Emergency requests for action may be and should be connected to a larger information and education campaign, but they are fundamentally different because they are typically immediate and temporary requests for short-term conservation." Accordingly, we requested that the utilities plan to continue the limited use of Flex Alerts for the emergency type of advertising and calls for conservation advocated by the CAISO in Rulemaking 09-11-014,[2] and directed that in their 2013-2014 applications for statewide ME&O, the utilities should propose a

[2] Order Instituting Rulemaking to Examine the Commission's Post-2008 Energy Efficiency Policies, Programs, Evaluation, Measurement, and Verification, and Related Issues.

budget for Flex Alerts and explain how they will be coordinated with the overall statewide education and outreach program.[3]

Opening comments on the utilities' proposed budgets or activities associated with the Flex Alert program were filed by the CAISO, Greenlining, PG&E, SDG&E, CforAT, and jointly, by the Black Economic Council, Latino Business Chamber Of Greater Los Angeles, and National Asian American Coalition (Joint Parties).

Reply comments were filed by CCSE, PG&E, SCE, and SDG&E.

3. Positions of the Parties

The applications and testimony filed August 3, 2012 by PG&E, SCE and SDG&E included proposed budgets for Flex Alert spending in 2013 and 2014. The proposed budgets are summarized below.

Table 1
Utilities' Proposed Flex Alert Budgets ($ millions)

	2013	2014	Total
PG&E[4]	1.3	1.3	2.6
SCE[5]	3.0	3.0	6.0
SDG&E[6]	1.0	1.0	2.0
Total	5.3	5.3	10.6

3 D.12-05-015 at 298-299 and Ordering Paragraph 117

4 PG&E Testimony at 2-28

5 SCE-1 at 40. SCE proposed a total of $4.6 million per year: $3 million dedicated exclusively to the Flex Alert program, with the remaining $1.6 million for other demand response programs.

6 SDG&E Testimony at SH-27.

Since the testimony filed by PG&E, SCE and SDG&E dated back to August 2012, the more recent round of comments and reply comments offered parties an opportunity to provide updated input on this aspect of the proceeding. Parties provided comments and recommendations on the Investor-owned Utilities' (IOUs) proposed budgets as well as related items.

3.1. Opening Comments

3.1.1. Pacific Gas and Electric Company

In its opening comments, PG&E makes two recommendations:

1. PG&E requests that the commission approve PG&E's proposed 2013-2014 Flex Alert costs of $2.6 million ($1.3 million per year) and grant PG&E's requested approach to recovering the Flex Alert revenue requirement as discussed in its testimony; and
2. PG&E also requests that SCE continue to be designated as the lead utility for Flex Alert for 2013-2014.

PG&E notes that it presented its 2013-2014 costs for Flex Alerts in Table 2-2 in its prepared testimony. Those costs are approximately $2.6 million for the two-year period, or $1.3 million for each year. PG&E believes its funding request, presented in Table 2-2 of its prepared testimony, is reasonable and meets the Commission's objectives for 2013-2014 outlined in Decision 12-05-015.

3.1.2. San Diego Gas & Electric Company

In its opening comments, SDG&E makes three recommendations regarding Flex Alerts:

1. Coordination of statewide Flex Alerts and local utilities' demand response program (DRP) events are critical;
2. The Commission should authorize Comprehensive Evaluation, Measurement and Verification (EM&V) of Flex Alerts;

3. The Commission should consider the transfer the administration and funding of Flex Alerts, as a Stage 1 Emergency alert program, to the California Independent System Operator.

3.1.3. California Independent System Operator Corporation

In its opening comments, the ISO summarizes the utilities' funding proposals, and states that it is "strongly concerned that this funding amount is not adequate, especially in light of the potential that the Southern California may be facing another summer with outages at SONGS." The ISO notes that in 2012, the level of Flex Alert campaign funding was approximately $9.6 million, and only enabled funding of broadcasts of television and radio ads for summer months. In the ISO's view, the funding was insufficient to enable additional buys for Fall 2012. The ISO recommends that per-year Flex Alert program funding levels remain at least consistent with those of prior years—which it states ranged from $6 million to $15 million each year. The ISO believes that this funding amount is reasonable and appropriate because of a confluence of events: both SCE and SDG&E will be discontinuing or reducing some of their demand response programs such as SCE's "10/10" program and SDG&E's "Reduce the Use" for small businesses, and the continued uncertainty regarding the availability of voltage support devices at the now disabled Huntington Beach power plant units 3 and 4, which are critically needed to prevent blackouts should SONGS continue to be shut down. Finally, the ISO recommends that the Commission revisit the funding amount yearly, for possible adjustment taking into account the electricity supply and demand forecast and other resources-related issues.[7]

3.1.4. The Greenlining Institute

In its opening comments, Greenlining does not specifically address the level of funding requested by the utilities, but does make recommendations regarding how the money should be spent, and how the spending should be evaluated:

> During this first phase addressing the Flex Alert program, Greenlining recommends that the Commission support traditional and new approaches that reach diverse communities and consider language and digital access needs…
>
> Greenlining respectfully urges the use of successful traditional messaging efforts and the consideration of innovative approaches including local engagement with new entities, leveraging ethnic media, and expanding social media messaging.

Greenling also recommends that performance metrics should be applied to adequately evaluate the messaging tools for the Flex Alert Program.

3.1.5. Center for Accessible Technology

Like Greenlining, in its opening comments CforAT does not specifically address the level of funding requested by the utilities, but does make recommendations regarding how the money should be spent. CforAT requests that any decision issued regarding the Flex Alert system takes into account the specialized needs of customers with disabilities to obtain information and respond appropriately to Flex Alerts.

---

7 ISO February 1, 2013 comments at 2.

3.1.6. Black Economic Council, Latino Business Chamber of Greater Los Angeles, National Asian American Coalition (Joint Parties)

Joint Parties recommend that the Commission should utilize the most cost-effective and widespread methods to reach all ratepayers, regardless of whether they follow English language media sources. Specifically, Joint Parties recommend that Flex Alerts should be aimed in large measure towards communities of color and ethnic media must be utilized in order to disseminate Flex Alerts.

3.2. Reply Comments

3.2.1. California Center for Sustainable Energy

CCSE directs its comments toward brand coordination, budgetary matters, and the merits of an Evaluation, Measurement, and Verification study to estimate the actual load reductions resulting from Flex Alerts.

Regarding coordination, CCSE notes that as part of the larger effort to reduce peak and overall demand, it is critical that CAISO and the IOUs closely coordinate Flex Alert activities under the state's umbrella brand for demand side management, Energy Upgrade California.

Regarding the Flex Alert budget itself, CCSE notes the ISO's concern that the proposed funding levels for Flex Alerts may not be adequate, particularly in light of the continuing SONGS outage in Southern California. CCSE recommends that any budget increase for Flex Alert above and beyond what has been proposed in the IOUs' Statewide ME&O applications should come from a source outside of the overall budget for Statewide ME&O in order to "ensure that Energy Upgrade California is adequately resourced to fulfill its highly ambitious and important mandate as the state's primary ME&O platform to engage Californians in energy management."

Regarding SDG&E's recommendation that the Commission authorize an EM&V study to estimate the actual load reductions resulting from Flex Alerts, CCSE is highly supportive of this idea:

> In light of the emergence of new and expanded demand response programs becoming available to residential and small business customers, it is important to objectively assess the overall effectiveness of various approaches so that the limited existing resources can be optimally deployed to achieve maximum peak load reductions when and where they are most needed on the grid. We therefore support any efforts to collect data related to the effectiveness of efforts to engage customers to help avoid the need for expensive peaker plants and/or additional electricity imports during peak demand events.

3.2.2. Pacific Gas and Electric Company

In its reply comments, PG&E responds to a number of points raised by parties in their opening comments.

First, PG&E repeats its recommendation from its opening comments, that the lead utility for Flex Alert should be SCE, not PG&E. PG&E notes that CAISO's opening comments reinforce PG&E's position that SCE should be the lead utility for the 2013-2014 Flex Alert program instead of PG&E. With the continued focus on Southern California, and given that SCE was the 2012 lead, PG&E recommends SCE should take the lead utility role for Flex Alert in 2013-2014.

Second, PG&E asserts that the IOUs' proposed 2013-2014 funding level for the Flex Alert programs is appropriate and consistent with D.12-04-045. PG&E proposed its $1.3 million annual budget based on an assumption of at least one Flex Alert per year. PG&E reasons that the Flex Alert program will also benefit from the general demand response education presented through the statewide marketing, education and outreach.

Third, PG&E states that CforAT, Greenlining and CAISO's specific proposed outreach activities are too prescriptive and taken together likely would significantly exceed the available Flex Alert funding. While PG&E appreciates the desire for comprehensive outreach to reach everyone, PG&E notes that the outreach needs to be commensurate with the approved budget. PG&E further notes that once the 2013-2014 Flex Alert budget is finalized, the lead utility along with the relevant agency partners will be able to determine the best communication channels to most effectively utilize the budget while maximizing the outreach potential.

Fourth, PG&E recommends that the Commission should approve SDG&E's proposal for an Evaluation, Measurement and Verification analysis of Flex Alerts. PG&E observes that, since there has not been an EM&V study of the impact of Flex Alerts, the effectiveness of the Flex Alert program is unknown. PG&E believes that the Commission should authorize an EM&V study to estimate the actual load reductions resulting from Flex Alerts with particular attention to isolating the incremental savings achieved relative to all utilities' demand response programs that may be concurrently in effect at the time of the Flex Alert event. PG&E believes that the measurement and evaluation protocols used for all DRP program load impacts would be appropriate for this purpose. Finally, PG&E notes that it did not request funding in its application for an EM&V study, so if the Commission deems it appropriate to accept SDG&E's request, an amount to fund the EM&V study should be added in the final decision.

Fifth, PG&E states that although funding and administration of Flex Alert should remain with the utilities for 2013-2014, PG&E believes that SDG&E's and SCE's proposal to move the administration and funding of Flex Alerts to the ISO beginning in 2015 has merit. PG&E agrees that the 2013-2014 cycle would provide ISO with sufficient time to seek appropriate funding through its Grid Management Charge for cost recovery. PG&E agrees with SCE and SDG&E that transferring responsibility to the ISO would provide equity so that the statewide emergency alert message that benefits all Californians would be funded by all constituents, not just the SCE, SDG&E and PG&E ratepayers. According to PG&E, this position is further supported by the fact that the ISO is the only entity that can initiate calling a Flex Alert.

3.2.3. Southern California Edison Company

In its reply comments, SCE responds to a number of points raised by parties in their opening comments.

First, SCE asserts that the IOUs' proposed 2013-2014 funding level for the Flex Alert Programs is appropriate and consistent with the Commission's decision in SCE's 2012-2014 Demand Response Proceeding. According to SCE, although the IOUs' proposed Flex Alert funding is less than CAISO's recommendation, the Flex Alert program will benefit from SCE's Summer Readiness campaign and from a demand response awareness effort that is within the scope of the Statewide ME&O program. SCE also asserts that its funding request is consistent with Commission policy of reducing the need to market emergency-based programs and focusing outreach efforts on price-responsive programs such as SCE's "Save Power Days," citing D.12-04-045 and its rejection of all funding to support marketing efforts for SCE's interruptible emergency-based programs. Instead, the Commission stated that SCE's marketing focus should be on price-responsive programs.

Second, SCE asserts that the IOUs' proposed funding would allow the IOUs to effectively address the needs identified by Greenlining, CforAT, and

Joint Parties: ensuring that the needs of hard to reach customers, customers with disabilities, and communities of color are incorporated into the Flex Alert program, and utilizing innovative approaches to effectively message low-income customers. SCE supports the use of ethnically-owned media, community and faith based organizations, and social media, but believes that it is premature to identify funding allocations for these activities and that it would be more prudent to do so once a strategy and plan are developed. SCE states that its proposed Flex Alert program includes customer outreach for hard to reach customers, customers with disabilities, and to communities of color.

Third, SCE states that it supports SDG&E's recommendations that 2013-2014 Flex Alert Program funding be recorded in the Demand Response Program Balancing Account and that Flex Alert administration be transferred to CAISO in 2015. Regarding cost recovery, SCE notes that in its Application, it set forth its Statewide ME&O cost recovery proposal for 2013–2014 Statewide ME&O activities, including the Flex Alert program. SCE notes that, despite the phased approach now being taken in this proceeding, a Commission decision in Phase 1 of this proceeding will still need to address the 2013 and 2014 cost recovery for the Flex Alert program. Regarding Flex Alert administration beginning in 2015, SCE agrees with SDG&E's recommendation that the ISO fund and manage the Flex Alert program beginning in 2015. SCE states that this proposal is consistent with SCE's testimony, which highlights the challenges of the IOUs funding a program which is directed by the ISO and benefits all Load Serving Entities in the state.

Fourth, SCE states that it agrees to accept the lead utility role for the Flex Alert program for 2013-2014, describing PG&E's proposal as reasonable in response to the Scoping Memo's separation of Flex Alert from the remainder of the Statewide ME&O application. SCE is willing to continue as the lead utility for Flex Alert as an interim measure until a final resolution for the program is reached in 2015.

Fifth, SCE states that it agrees with Greenlining that performance metrics should be used to evaluate Flex Alert program elements and with SDG&E that the performance of the program should be validated by the customary EM&V Process: "While Flex Alert is generally regarded as an important and effective part of California's electric system reliability tools, its benefits should be evaluated and confirmed by customary evaluation, measurement, and validation standards on an ongoing basis. Validated benefits will allow the CPUC to assess the appropriate funding, cost effectiveness, and operation of the program in the future."

3.2.4. San Diego Gas & Electric Company

In its reply comments, SDG&E states that the Commission should not increase the funding for Flex Alerts, and cites the CAISO's opening comments to support its own recommendation that that the Commission transfer the responsibility of managing and funding Flex Alerts to the CAISO: "Since the alerts are determined and issued by the CAISO, it is more efficient and effective for the CAISO to work directly with the Flex Alert third party contractor and coordinate their own marketing, education and outreach activities." Furthermore, according to SDG&E, the CAISO's description of their activities and the purpose of Flex Alerts supports SDG&E's recommendation based on the CAISO's target market, i.e., the whole state, that the Flex Alert program be funded by all customers across the state and not just by investor-owned utility ratepayers.

SDG&E also repeats its assertion from its opening comments that measurement and verification of Flex Alert load impacts is critical. SDG&E summarizes research that finds notably varied levels of conservation in response to past Flex Alerts, and states that "these significant differences need to be reconciled. If Flex Alerts are to be relied on to deliver consistent and measureable load reductions, then it is critical for the Commission and the CAISO to require a rigorous evaluation of this program consistent with the DRP M&E [measurement and evaluation] Protocols before making decisions to increase funding and expand the program."

4. Discussion

4.1. Flex Alert Activities and Target Audience 2013-2014

In its filed testimony, SCE provided a description of the Flex Alert activities that occurred in 2012. The list of activities included developing various in-language ads; providing expanded outreach to community-based and faith-based organizations; and increasing the media buys in southern California, compared to previous years.[8] The 2012 activities are consistent with requests by stakeholders in this proceeding to consider language needs, use ethnic media and to engage at the local level with new entities. In 2013-2014, the utilities should work with the marketing agency to ensure that ads continue to be aired in multiple languages. Additionally, the utilities should work with the marketing agency to ensure that the funding for advertisements targets areas that are the most at risk for power shortages due to San Onofre being offline. Regarding outreach to community- and faith-based organizations, we note that

8 SCE Testimony at 31.

the utilities made proposals for this outreach in their Demand Response Applications.[9] Therefore, funding for that type of outreach will not be addressed in this proceeding.

PG&E commented that stakeholder recommendations for outreach were likely to significantly exceed the available Flex Alert funding, but that the lead utility and agency partners would determine the best communication channels to maximize the outreach potential given the authorized budget. If utilities or agency partners find that the Flex Alert budget severely limits the ability to reach customers, utilities should work with CCSE to identify how Energy Upgrade California can augment the reach of Flex Alerts through community-based outreach, placement of accessible tools on the Energy Upgrade California website or other channels.

4.2. Proposed Budgets and Cost Recovery

4.2.1. Proposed Budgets

In 2012, we issued D.12-04-045 and authorized a 2012 budget for Flex Alerts totaling $10 million across PG&E, SCE and SDG&E. In that decision, we discussed the funding initially requested by each utility and found that the requested amounts were too low. We increased PG&E's request from $1.086 million to $3.5 million, SCE's request from $1.649 million to $5.5 million, and SDG&E's request from $210,000 to $1 million. For 2013 and 2014, two

[9] SDG&E Application 12-12-016, "Application of San Diego Gas & Electric Company For Approval of Demand Response Program Augmentations and Associated Funding for the Years 2013 through 2014" at 8, and SCE Application 12-12-017 "Testimony of Southern California Edison Company in Support of its Application for Approval of Program Improvements and Augmentations to its Existing Demand Response Program Portfolio for the Summers of 2013 and 2014" at 22.

utilities request amounts lower than the amounts we authorized in 2012: PG&E seeks $1.3 million and SCE seeks $3.0 million; SDG&E again seeks $1 million. The ISO's comments appear to recommend a range of $9 million to $13 million annually.[10] Other parties are silent on the utility proposals and the ISO recommendations, though CCSE does recommend that, should the Commission increase the Flex Alert budgets in this decision, it should not do so by reducing the remaining ME&O budget, but should rather increase the entire budget accordingly.

The utilities are unified in their assertion that their proposed budgets are properly sized. However, they do not explain why, if 2012 spending totaled $9.6 million and the supply-related concerns and circumstances in southern California are similar in 2013, a reduced Flex Alert budget would be adequate in 2013. Therefore, we are inclined to continue funding at 2012 levels, but will slightly reduce PG&E's contribution and slightly increase SCE's and SDG&E's contributions, since the need for public messaging at this time is greatest in southern California. We do agree with the suggestion in the utility comments that the general demand response education that will be part of the Energy Upgrade California campaign will indirectly support awareness of Flex Alerts, and for this reason we will not increase spending above 2012 levels, as the ISO requests. For 2013 and 2014, PG&E's authorized budget is $2.5 million, SCE's authorized budget is $6 million, and SDG&E's authorized budget is $1.5 million, for a total annual Flex Alert budget of $10 million. This budget is separate from

[10] One reference in the ISO's February 1, 2013 comments to annual spending of $6 million appears, when read in context, to be a typographical error.

the budget for the umbrella brand, Energy Upgrade California, and does not impact the Energy Upgrade California budgets proposed by the utilities or CCSE that will be addressed in Phase II of this proceeding.

4.2.2. Cost Recovery

PG&E proposes to collect the revenue requirements associated with Energy Upgrade California and Flex Alert activities through the existing Energy Efficiency (EE), Demand Response (DR), and Energy Savings Assistance Program (ESAP) revenue accounts and proposes to track the expenses through a new expense account (the Statewide Marketing, Education & Outreach Expenditure Balancing Account, or SWME&OBA). PG&E's prepared testimony also shows how the authorized funding would be allocated across PG&E's demand side management revenue balancing accounts. PG&E explains that it no longer has a DR-specific revenue balancing account. According to PG&E, the portion of expenses derived from existing DR expenses is recovered via DRAM (PG&E's Distribution Revenue Adjustment Mechanism, a two-way revenue balancing account that recovers authorized electric distribution revenue requirements). Under PG&E's cost recovery proposal, Flex Alert expenses will be paid in proportion to the authorized statewide ME&O revenue requirements for its demand-side management programs, i.e. 63.6% will be paid from EE funds, .9% from ESAP, and 35.5% from DR.

No party opposes PG&E's cost recovery proposal. We find it reasonable, and we approve it here.

SCE requests that the Commission approve several cost recovery provisions:

- Authorize SCE to include the approved Statewide ME&O 2013 and 2014 funding in the Public Purpose Programs Adjustment

Mechanism (PPPAM) to be collected through Public Purpose Programs Charge (PPPC) rate levels;

- Authorize SCE to establish a one-way SCE Statewide ME&O Balancing Account (SME&OBA) to record the difference between the authorized Statewide ME&O funding and the actual recorded Statewide ME&O costs in EE and DR subaccounts, effective upon a decision on SCE's Application; and
- Limit reasonableness review of the SME&OBA to ensure all recorded costs are consistent with the scope of activities and within the total cost estimate level as defined and adopted by the Commission in this proceeding.

In Application 12-12-017, SCE's Application for Approval of Improvements and Augmentations to its Existing Demand Response Program Portfolio for Summer 2013 and 2014, SCE requested funding to support community based outreach activities for Flex Alert awareness in 2013. The funding to support those activities would be recorded in the Demand Response Program Balancing Account (DRPBA). However, this would result in the 2013 Flex Alert funding being recorded in the DRPBA and the remainder in the SME&OBA. As such, SCE requests that funding to support Flex Alert in this Application be recorded in the DRPBA and not the SME&OBA.

No party opposes SCE's cost recovery proposal. However, we do not approve one aspect of SCE's request, namely that funding to support Flex Alert in this Application be recorded in the DRPBA and not the SME&OBA. It is not logical to establish an SWME&OBA to recover all statewide costs, only to immediately create an exception for Flex Alert costs, even though they are statewide in nature. SCE should track all statewide costs in a single statewide account, the SME&OBA. With this exception, we find the remainder of SCE's cost recovery proposal to be reasonable, and we approve it here.

SDG&E's testimony outlines its cost recovery proposal:[11]

> Consistent with D.12-04-045, SDG&E currently records all program costs associated with its existing demand response programs and its current and future DRP bilateral contracts in its Advanced Metering and Demand Response Memorandum Account (AMDRMA). SDG&E will continue the existing disposition of the AMDRMA balances being transferred to SDG&E's Rewards and Penalties Balancing Account (RPBA) on an annual basis for amortization in SDG&E's electric distribution rates over 12 months, effective on January 1st of each year, consistent with SDG&E's adopted tariffs.
>
> SDG&E is requesting that authorized demand response program costs related to DR program costs associated with the IDSM program activities in the 2013-2014 EE portfolio, be recorded in AMDRMA.

No party opposes SDG&E's cost recovery proposal. We find it reasonable, and we approve it here.

4.3. Coordination of Statewide Flex Alerts and Local Utilities' DRP Events

In its opening comments, SDG&E states that coordination of statewide Flex Alerts and local utilities' DRP events are critical. In the Summer of 2012, for example, SDG&E was very concerned about potential customer confusion between Flex Alerts and its Peaktime Rebate program (PTR) referred to as "Reduce Your Use" days. SDG&E recommends that a formal evaluation take place regarding customer understanding of the differences between local demand response programs, such as Reduce Your Use, and Flex Alerts in order

[11] August 3, 2012 Testimony, Volume 3, Chapter VI, at AB-11.

to help inform both the utilities and the CAISO concerning future messaging and differentiation. This would create more efficiencies, less confusion and avoid duplicative efforts.

In its reply comments regarding coordination, CCSE notes that as part of the larger effort to reduce peak and overall demand, it is critical that the ISO and the utilities closely coordinate Flex Alert activities under the state's umbrella brand for demand side management, Energy Upgrade California. We agree and direct the utilities to continue the coordination described in parties' comments in 2013 and 2014.

4.4. Evaluation, Measurement and Verification of Flex Alerts

SDG&E's proposal that the Commission should authorize comprehensive Evaluation, Measurement and Verification of Flex Alerts is widely supported in comments by SCE, PG&E, CCSE and Greenlining. These parties generally agree that the measurement and evaluation protocols used for all demand response program load impacts would be appropriate for this purpose.

We agree that a formal EM&V study of Flex Alert should be conducted. It is reasonable that, given the continued reliance upon Flex Alerts for urgent conservation and load reduction, the actual success of the program should be analyzed in order to support future decisions on whether to increase funding and expand the program. The lead utility that we designate in today's decision shall take the lead in initiating and coordinating an EM&V study of Flex Alert. The evaluation should be limited to measuring 2013 *ex post* load impacts, and should be conditioned upon the occurrence of a Flex Alert in 2013. The design and conduct of the study should be executed under the oversight of the statewide Demand Response Measurement and Evaluation Committee. The study should be completed by January 31, 2014. A portion of the 2012-2014 Evaluation, Measurement and Verification budgets authorized in D.12-04-045 shall be used to fund this study.

4.5. Lead Utility

In its opening comments, PG&E requests that SCE continue to be designated as the lead utility for Flex Alert for 2013-2014. In its reply comments, SCE states that it agrees to accept the lead utility role for the Flex Alert Program for 2013-2014. We appreciate SCE's willingness to continue as the lead utility, and we continue that designation for 2013 and 2014.

4.6. Future Funding

In its opening comments, SDG&E recommends that, effective in 2015, the Commission consider the transfer of the administration and funding of Flex Alerts, as a Stage 1 Emergency alert program, to the California Independent System Operator. PG&E and SCE agree, citing the statewide benefits and the principle that all consumers in the state should fund the alerts, since all consumers benefit from the resulting conservation and load reduction. There is no opposition to this proposal.

We find merit in the IOU arguments. It is logical that the entity controlling the program, the ISO, also be responsible for administering and securing funding for the program, and that the funding is provided by all customers who benefit from the conservation and load reduction due to Flex Alerts, not just the ratepayers of the investor-owned utilities. We direct SCE, as the lead utility, to work with the other IOUs, the ISO, and other interested parties to develop a proposal for the transfer of the administration and funding of the Flex Alert program to the ISO or another entity, effective in 2015. SCE shall file and serve the proposal in this proceeding no later than March 31, 2014. We will address the proposal in a future decision.

In the near term, while this proposal is pending, we are intent on ensuring that the IOUs and the ISO fully coordinate their messaging during Flex Alert events. The IOUs and the ISO shall jointly prepare a report describing how they coordinate their efforts today, and how they will optimize these efforts beginning this summer. This report shall be filed and served in this proceeding by May 17, 2013.

5. Comments on Proposed Decision

The proposed decision of the Administrative Law Judge (ALJ) 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 April 8, 2013 by SCE, SDG&E, CAISO, Joint Parties, and Greenlining and reply comments were filed on April 15, 2013 by PG&E, SCE, and SDG&E. The comments that focused on factual, technical, and legal errors have been considered, and, if appropriate, changes have been made. The final order adopted by the Commission contains several technical clarifications to the ALJ's proposed decision.

6. Assignment of Proceeding

Mark J. Ferron is the assigned Commissioner and Stephen C. Roscow is the assigned ALJ in this proceeding.

Findings of Fact

1. The Flex Your Power brand, and its associated brand Flex Alert, was created during the California energy crisis of 2000 and 2001 when emergency energy shortages necessitated emergency conservation by consumers.

2. The Flex Alert program continues to support the State's and the CAISO's emergency efforts for summer preparedness in the event of system emergencies or power shortages.

3. In 2012 Flex Alert spending totaled $9.6 million.

4. The supply-related concerns and circumstances that occurred in 2012 in Southern California are similar in 2013.

5. It is important to coordinate statewide Flex Alerts with local utilities' demand response program events.

6. Research has been conducted that finds notably varied levels of conservation in response to past Flex Alerts.

7. Due to the continued focus on Southern California supply and reliability issues, it is logical that SCE continue to take the lead utility role for Flex Alert in 2013 and 2014.

8. It is logical that the entity controlling the Flex Alert program also be responsible for administering and securing funding for the program, and that the funding is provided by all customers who benefit from the conservation and load reduction due to Flex Alerts, not just the ratepayers of the investor-owned utilities.

Conclusions of Law

1. Flex Alert spending for 2013 should continue at 2012 levels.

2. The cost recovery proposals of PG&E, SCE, and SDG&E, as described and modified in this decision, should be approved.

3. SCE should track all statewide costs, including Flex Alert costs, in a single statewide account, the SME&OBA.

4. Statewide Flex Alerts should be coordinated with local utilities' demand response program events.

5. It is reasonable that, given the continued reliance upon Flex Alerts for urgent conservation and load reduction, the actual success of the program should be analyzed in order to support future decisions on whether to increase funding and expand the program.

6. A formal EM&V study of Flex Alert should be conducted. A portion of the 2012-2014 EM&V budgets authorized in D.12-04-045 shall be used to fund this study.

7. SCE should continue to be designated as the lead utility for Flex Alert for 2013-2014.

8. SCE should coordinate with PG&E, SDG&E, the CAISO and other interested parties to develop a proposal for the transfer of the administration and funding of the Flex Alert program to the CAISO or another entity, effective in 2015.

O R D E R

IT IS ORDERED that:

1. For 2013 and 2014, the authorized annual Flex Alert budget for Pacific Gas and Electric Company is $2.5 million.

2. For 2013 and 2014, the authorized annual Flex Alert budget for Southern California Edison Company is $6 million.

3. For 2013 and 2014, the authorized annual Flex Alert budget for San Diego Gas & Electric Company is $1.5 million.

4. The cost recovery proposal of Pacific Gas and Electric is approved.

5. Pacific Gas and Electric shall collect the revenue requirements associated with Energy Upgrade California and Flex Alert activities through its existing

Energy Efficiency, Demand Response, and Energy Savings Assistance Program revenue accounts.

6. Pacific Gas and Electric Company shall track the expenses associated with Energy Upgrade California and Flex Alert activities through a new Statewide Marketing, Education & Outreach Expenditure Balancing Account.

7. Pacific Gas and Electric Company shall pay Flex Alert expenses in proportion to the authorized statewide Marketing, Education and Outreach revenue requirements for its demand-side management programs.

8. The cost recovery proposal of Southern California Edison Company, as described and modified in this decision, is approved.

9. Southern California Edison Company shall include the approved Statewide Marketing, Education and Outreach 2013 and 2014 funding in the Public Purpose Programs Adjustment Mechanism to be collected through Public Purpose Programs Charge rate levels.

10. Southern California Edison Company shall establish a one-way Statewide Marketing, Education and Outreach Balancing Account to record the difference between the authorized Statewide Marketing, Education and Outreach funding and the actual recorded Statewide Marketing, Education and Outreach costs in Energy Efficiency and Demand Response subaccounts.

11. Southern California Edison Company shall track all statewide costs in a single statewide account, the Statewide Marketing, Education and Outreach Balancing Account.

12. The cost recovery proposal of San Diego Gas & Electric Company is approved.

13. San Diego Gas & Electric Company shall record authorized demand response program costs related to demand response program costs associated

with the integrated demand side management program activities in the 2013-2014 energy efficiency portfolio in its Advanced Metering and Demand Response Memorandum Account.

14. Southern California Edison Company (SCE), as the lead utility designated in this decision, shall take the lead in initiating and coordinating an Evaluation, Measurement and Verification study of Flex Alert, measuring 2013 *ex post* load impacts. SCE shall file and serve the proposal in this proceeding no later than January 31, 2014. A portion of the 2012-2014 Evaluation, Measurement and Verification budgets authorized in Decision 12-04-045 shall be used to fund this study.

15. Southern California Edison Company is designated as the lead utility for Flex Alert for 2013 and 2014.

16. Southern California Edison Company (SCE) shall work with Pacific Gas and Electric, San Diego Gas & Electric Company, the California Independent System Operator (ISO), and other interested parties to develop a proposal for the transfer of the administration and funding of the Flex Alert program to the ISO or another entity, effective in 2015. SCE shall file and serve the proposal in this proceeding no later than March 31, 2014.

17. The Investor-owned Utilities and California Independent System Operator shall jointly prepare a report describing how they coordinate their messaging during Flex Alert events today, and how they will optimize these efforts beginning this summer. This report shall be filed and served in this proceeding by May 17, 2013.

18. Application (A.) 12-08-007, A.12-08-008, A.12-08-009, and A.12-08-010 remain open to consider Phase 2 issues.

This order is effective today.

Dated April 18, 2013, at San Francisco, California.

MICHAEL R. PEEVEY
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON
CARLA J. PETERMAN
Commissioners