

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Item# 18 (Rev.1)
Agenda ID #24263
RESOLUTION E-5451
July 2, 2026

R E S O L U T I O N

Resolution E-5451. Pacific Gas and Electric Company mid-cycle updates to the Base Interruptible Program.

PROPOSED OUTCOME:

- This Resolution approves, with modifications, Pacific Gas and Electric Company (PG&E) Advice Letter 7738-E regarding the Base Interruptible Program (BIP).

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this resolution.

ESTIMATED COST:

- There are no incremental costs associated with this resolution. The program will utilize the budgets previously authorized in Decision (D.) 23-12-005.

By Advice Letter 7738-E, Filed on October 23, 2025.

SUMMARY

This Resolution approves, with modifications, PG&E Advice Letter 7738-E.

The following proposed changes are approved:

- Allow a streamlined online enrollment process for making updates to customers enrollments in BIP through an aggregator, as an alternative to the current PDF Add/Delete Form.
- Update the BIP Aggregator Agreement Form to remove references to facsimile communications.

- Update the Add/Delete Form's Prohibited Resources Attestation to match the current language that appears in PG&E's E-BIP tariff.

The following proposed change is denied:

- Increase summer BIP incentive levels (May through October) by 10 percent.

BACKGROUND

Procedural History

On December 20, 2023, the California Public Utilities Commission (Commission) issued Decision (D.) 23-12-005 in Application (A.) 22-05-002 et al.,¹ directing demand response programs and authorizing budgets for the investor-owned utilities (IOUs) during the years 2024 through 2027. In part, D.23-12-005 directed a process by which certain types of program updates could be proposed through the Advice Letter process during the 2024-2027 budget cycle.²

On October 23, 2025, PG&E submitted Tier 2 Advice Letter (AL) 7738-E, which seeks to modify the Base Interruptible Program (BIP).

Summary of Advice Letter 7738-E

The AL proposes four modifications to BIP:³

1. A 10 percent increase to the current summer (May through October) BIP incentives in order to maintain participant engagement and stimulate additional program enrollments.
2. Updating the Schedule E-BIP tariff to enable a streamlined online enrollment process for retail customers that are enrolled in BIP through a third-party aggregator, once that process becomes available.
3. Updating BIP operational procedures by removing all references to facsimile communication and adding electronic mail and secure file transfer protocol communication options.

¹ A.22-05-002 et al. is the investor-owned utilities' applications for approval of demand response programs, pilots, and budgets for program years 2023-2027. A.22-05-002 was submitted by PG&E. It was consolidated with San Diego Gas & Electric Company's A.22-05-003 and Southern California Edison Company's A.22-05-004. All three applications were filed on May 2, 2022.

² D.23-12-005, at 32-34; Ordering Paragraph (OP) 14.

³ AL 7738-E, pp. 1-2.

4. Updating the BIP Aggregator Add/Delete Form to clarify the Prohibited Resources requirement so that the language appearing on the form is aligned with the language that appears in the Schedule E-BIP tariff.

NOTICE

Notice of AL 7738-E was made by publication in the Commission's Daily Calendar on October 27, 2025. PG&E states that a copy of the AL was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS, RESPONSES, AND REPLIES

PG&E's AL 7738-E was timely protested on November 12, 2025, by the Public Advocates Office at the Public Utilities Commission (Cal Advocates).

In addition, a response was timely filed on November 12, 2025, by the California Large Energy Consumers Association (CLECA).

PG&E replied to the protest and response on November 19, 2025.

Cal Advocates Protest:

The protest by Cal Advocates was made on the grounds that:⁴

1. AL 7738-E was not authorized by [Ordering Paragraph (OP)] 14 of D.23-12-005.
2. The relief requested by PG&E is not appropriate for the AL process.
3. PG&E's request to increase summer BIP incentive rates by 10 percent is an unjust and unreasonable use of ratepayer funds. PG&E did not provide the necessary documentation to demonstrate what impact its proposed incentive changes will have on ratepayers.

1. *AL 7738-E was not authorized by OP 14 of D.23-12-005*

Cal Advocates states that D.23-12-005 OP 14 enumerated three PG&E programs and pilots for which a mid-cycle review AL was authorized: the Emergency Load Reduction Program, Capacity Bidding Program, and Automated Response Technology Program. Absent any authorization in the Decision's orders, Cal Advocates states that PG&E has no authority to submit AL 7738-E, and PG&E is not authorized by the Commission to use the advice letter process to request to increase summer BIP incentives.

⁴ Cal Advocates Protest of PG&E AL 7738-E, pp. 1-2.

2. *The relief requested by PG&E is not appropriate for the AL process.*

Cal Advocates goes on to say that D.23-12-005 did not authorize PG&E to propose incentive modifications outside of an application. Cal Advocates argues that increases to PG&E's BIP incentives would result in new rates because incentive costs for compensating existing BIP customers would increase, and also new customers might join as a result of the incentive rate increase, which together could increase the total cost to ratepayers of BIP incentives. Cal Advocates states that Commission General Order 96-B, Rule 5.1, states that a request by a utility for a rate increase is a matter appropriate for an Application, and not an Advice Letter.

3. *PG&E's request to increase summer BIP incentive rates by 10 percent is an unjust and unreasonable use of ratepayer funds. PG&E did not provide the necessary documentation to demonstrate what impact its proposed incentive changes will have on ratepayers.*

According to Cal Advocates, AL 7738-E did not offer adequate evidence that the proposed BIP incentive increase would achieve any of the goals enumerated in OP 14(e) without negatively impacting program cost-effectiveness.

Cal Advocates states that the Commission should reject PG&E's proposed summer BIP incentive increases. Cal Advocates does not address the other, more ministerial proposed change in AL 7738-E.

CLECA's Response:

The response of CLECA to AL 7738-E expresses support for: PG&E's proposed summer BIP incentive rates, PG&E's proposal to streamline the enrollment process for aggregated customers, and PG&E's proposal to update the communication methods available for BIP.

CLECA states that increased summer incentives will encourage additional participation in PG&E's BIP, noting that PG&E's summer BIP incentives were increased by D.23-12-015, and that PG&E's BIP capacity grew by 11MW between 2024 and 2025.

CLECA refers to its direct testimony in the proceeding that resulted in D.23-12-005, which asserted that "incentives must reflect both the risk of interruption and the cost of

foregone production.”⁵ CLECA also refers to a 2023 update to CAISO Operating Procedure 4420 (System Emergency Operating Procedure), and asserts that the change has increased the risk of frequent and unpredictable dispatches for BIP. Again citing to its 2023 testimony, CLECA states, “[f]requent or extended dispatch without corresponding compensation undermines long-term participation.”⁶

CLECA contends that the proposed summer BIP incentive increase would not cause PG&E to overrun the \$43.2M annual BIP incentive budget that was authorized for 2026 and 2027 by D.23-12-005 – including if BIP enrollment grew by 15%. CLECA also claims that, were the proposed summer BIP incentive increases approved, PG&E’s BIP would remain cost-effective according to the Total Resource Cost test using the 2022 Avoided Cost Calculator.⁷

CLECA goes on to state that BIP incentives may help to offset energy costs for participating customers, and that BIP incentives have not risen at the same rate as inflation.

CLECA states that PG&E’s proposed summer BIP incentive increases should be approved now, because the next opportunity to make adjustments will not be until the next demand response budget application proceeding – which would not result in program changes until 2028 at the earliest.⁸

PG&E’s Reply:

In reply to the protest of Cal Advocates and the response of CLECA, PG&E offered rebuttals of the arguments made by Cal Advocates, and also provided copies of Excel workbooks that had previously been submitted at the request of Energy Division, showing updated cost-effectiveness data for PG&E’s supply-side demand response programs.

On the matter of its authorization to submit AL 7738-E, PG&E acknowledges that BIP is not explicitly listed in D.23-12-005 as a program that may submit a mid-cycle review advice letter. However, PG&E cites to two sections in the text of the Decision which discuss an exceptional BIP disenrollment period, outside of the annual disenrollment

⁵ CLECA response to AL 7738-E, p. 2; Direct Testimony of Sam Harper on behalf of CLECA, A.22-05-002 et al., at 18.

⁶ *Id.*

⁷ CLECA response to AL 7738-E, p. 3

⁸ *Id.*, p. 4

period prescribed in PG&E's BIP tariff, "following Commission approval of any technical modifications to BIP via the MCR process."⁹

On the matter of the proposed summer BIP incentive increase's appropriateness for the Advice Letter process, PG&E replies that:

1. Approving the incentive increase will not result in an increase in customer rates, because PG&E is not requesting additional cost recovery beyond what was already authorized in D.23-12-005, and
2. Rule 5.1 of Commission General Order 96-B authorizes the use of an advice letter to seek a rate increase "only if use of an advice letter for this purpose is authorized by statute or Commission order."

On the matter of how the proposed summer BIP incentive increase would impact the program's cost-effectiveness, PG&E replies with workbooks showing the cost-effectiveness scores of BIP, using current incentive levels, for four cost-effectiveness tests performed under the 2022 Avoided Cost Calculator's framework: the Total Resource Cost test (score of 1.38), the Program Administrator Cost test (1.05), the Ratepayer Impact Measure test (1.04), and the Participant Cost Test (1.33).

PG&E states that, because it is not requesting additional budget authorization beyond what was already authorized in D.23-12-005, the cost of BIP would not increase if incentives were raised. However, the benefits (i.e., the load impacts of BIP) could increase if the incentive increase resulted in additional BIP participation by PG&E's customers. PG&E also acknowledges, that while the additional incentive increase would not increase the cost of BIP and as a result the cost to ratepayers, it may reduce the amount of remaining unspent funds that would be returned to ratepayers at the conclusion of the 2024-2027 demand response budget cycle.¹⁰

On the matter of whether the proposed summer BIP incentive rate increase is a just and reasonable use of ratepayer funds, PG&E replies that BIP and other demand response resources "provide benefits to all customers and residents of California." PG&E adds that raising BIP incentives addresses the concern of BIP participants that current incentive levels may not warrant the disruption to business operations. In concluding its reply comments, PG&E states that "a few customers [were] considering opting out of BIP" during the November 2025 annual disenrollment

⁹ PG&E Reply, pp. 2-3; D.23-12-005, p. 34

¹⁰ PG&E Reply Comments, p. 5

window, and that some of those customers would consider remaining enrolled if the proposed summer incentive increase is approved.

DISCUSSION

The Commission has reviewed PG&E AL 7738-E, the Cal Advocates' protest, CLECA's response and PG&E's reply, and partially approves the advice letter, as described below. This section is structured as follows:

1. Addressing the question of whether PG&E was authorized to submit AL 7738-E
2. Proposals in the AL that were not protested
3. Addressing the following questions raised by Cal Advocates and CLECA, which pertain to PG&E's proposal to increase BIP summer incentive rates:
 - a. Whether the proposed summer BIP incentive increase is a matter appropriate for an Advice Letter
 - b. Whether the cost-effectiveness of BIP would be impacted by the proposed summer BIP incentive increase
 - c. Whether higher BIP incentives are justified by more frequent and unpredictable BIP dispatches
 - d. Whether BIP incentive rates should be tied to inflation
 - e. Whether PG&E's BIP incentive rates should be reviewed again before the next demand response budget application proceeding

1. Whether PG&E was authorized to submit AL 7738-E

Cal Advocates argues that PG&E was not authorized to submit AL 7738-E because a BIP Mid-Cycle Review Advice Letter was not explicitly authorized in D.23-12-005 OP 14. PG&E replies that the intention of the Commission to authorize the BIP Mid-Cycle Review AL was clear by the Decision's references to an exceptional disenrollment window for BIP customers after the approval of any changes following the Mid-Cycle Review.

In A.22-05-002 et al., a Proposed Decision was mailed to parties on November 6, 2023. This Proposed Decision did not discuss the possibility of a Mid-Cycle Review AL for BIP, or an exceptional disenrollment period for BIP following the Mid-Cycle Review. As discussed in PG&E's reply comments, CLECA submitted opening comments on this Proposed Decision which resulted in revisions in the approved D.23-12-005, ordering that exceptional disenrollment window for BIP customers after the approval of any

changes following the Mid-Cycle Review.¹¹ While the final Decision did not enumerate BIP amongst the pilots and programs listed in OP 14 for Mid-Cycle Review ALs, the intention of the Commission to allow a BIP Mid-Cycle Review is made clear by the context of the revisions made to the final Decision. Therefore, we reject the Cal Advocates argument that PG&E was not authorized to submit AL 7738-E.

2. Unprotested proposals in AL 7738-E

In addition to the proposal to increase BIP summer incentive levels, PG&E also proposed the following in AL 7738-E:

1. Updating the Schedule E-BIP tariff to enable a streamlined online enrollment process for retail customers that are enrolled in BIP through a third-party aggregator, once that process becomes available.
2. Updating BIP operational procedures by removing all references to facsimile communication and adding electronic mail and secure file transfer protocol communication options.
3. Updating the BIP Aggregator Add/Delete Form to clarify the Prohibited Resources requirement so that the language appearing on the form is aligned with the language that appears in the Schedule E-BIP tariff.

These proposals were not protested by the parties. These three proposals are reasonable and unprotested. They are approved.

3. Addressing questions raised by Cal Advocates and CLECA, pertaining to PG&E's proposal to increase BIP summer incentive rates

a. Whether the proposed summer BIP incentive increase is a matter appropriate for an Advice Letter

Cal Advocates argues that the proposed summer BIP incentive increase would introduce new costs that will likely result in new rates, and that Commission General Order 96-B Rule 5.1 requires that proposals that will result in new rates must be submitted through the Application process and not through the Advice Letter process.

PG&E replies that, because it is not seeking to spend more money on BIP incentives than was previously authorized in D.23-12-005, the proposal to increase summer BIP

¹¹ D.23-12-005, at 34.

incentive rates will not result in an increase in customer rates. PG&E acknowledges, however, that its proposal may reduce the amount of remaining unspent funds that would be returned to ratepayers at the conclusion of the 2024-2027 demand response budget cycle.¹² We note that while an increase in PG&E's summer BIP incentive rates may not result in a retail rate increase during the current demand response budget cycle, it is worth considering the fact that, if PG&E spends more of its approved budget and returns less to ratepayers at the end of the current demand response budget cycle, then future customer retail rates will necessarily be higher than they otherwise would have been.

In reply to the Rule 5.1 argument made by Cal Advocates, PG&E points to the last paragraph of Rule 5.1 which states that "A utility may seek a rate increase by means of an advice letter only if use of an advice letter for this purpose is authorized by statute or Commission order." We note that, in CLECA's previously cited opening comments to the Proposed Decision on the 2024-2027 demand response budget, it requested that the Commission explicitly state that BIP incentive increases could be considered in the Mid-Cycle Review.¹³ While the Commission did make changes to the final Decision that authorized a BIP mid-cycle review AL, the Decision did not state that BIP incentive increases could be considered in that AL. We are unpersuaded by PG&E's argument that the summer BIP incentive increase via this AL is "authorized by [...] Commission order." However, incentive increases via an Advice Letter process may be authorized by the Commission, and thus we consider this requested increase in the following sections b-f.

b. Whether the cost-effectiveness of BIP would be impacted by the proposed summer BIP incentive increase

Cal Advocates asks how the proposed incentive rate increase would impact the cost-effectiveness of PG&E's BIP. PG&E responds with cost-effectiveness calculations that were conducted during Summer 2025.

The calculations PG&E included with its reply to protest and response used the 2022 Avoided Cost Calculated, updated to reflect the program costs based on the budgets approved in D.23-12-005 and the more recent ex ante load impact forecasts for 2026 and 2027. However, PG&E did not use the proposed incentive rates or potential increases in enrollment resulting from the proposed summer incentive rate increase when

¹² PG&E Reply Comments, p. 5

¹³ California Large Energy Consumers Association Opening Comments on Proposed Decision, November 28, 2023, pp. 11-12

calculating these new cost-effectiveness scores. According to PG&E BIP was cost-effective in all four tests.

PG&E argues that in the cost-effectiveness analysis it included in its reply, the total cost of BIP incentives is fixed based on the budgets that were approved in D.23-12-005. However, according to PG&E: load impacts, as the primary benefit, are variable based on the level of BIP enrollment in any month. PG&E contends that, if load impacts increase while costs remain constant, then the scores on the four cost-effectiveness tests would necessarily rise since the budgeted cost of BIP incentives doesn't change.

We note that the Commission's current Cost-Effectiveness framework for demand response accounts for the program's cost and benefits on an ex-ante basis.

Unless and until the Commission updates the current framework, the cost-effectiveness of BIP as calculated would not be impacted.

c. Whether higher BIP incentives are justified by more frequent and unpredictable BIP dispatches

CLECA claims that 2023 updates to CAISO's System Emergency Operating Procedures have risked an increase in frequency and unpredictability of BIP dispatches. We note that, according to PG&E's monthly interruptible load reports that are sent to the Commission's service list for R.13-09-011, there have only been two non-test BIP events since 2023:

1. An event on July 7, 2023 that was triggered by a rapidly-escalating Energy Emergency Alert (EEA) declared by the CAISO, and
2. A partial dispatch on February 4, 2024 that was triggered by a regional transmission emergency. 35 BIP customers out of 190 total were dispatched for this event.

We also note that, since 2022, the frequency of EEA conditions at the CAISO has decreased annually – with zero EEAs declared in 2025. We agree that there should be some relationship between BIP incentives and the frequency of BIP events. However, given the apparently decreasing risk of BIP dispatch today, we see no compelling case to increase BIP incentives at this time for this reason.

d. Whether BIP incentive rates should be tied to inflation

CLECA states that industrial electricity costs in California and inflation have both risen in recent years, and that BIP incentives can help to offset those costs. It argues that BIP incentive rates should be adjusted to account for inflation, and in order to ensure that “summer rates remain favorable relative to winter rates.”¹⁴

We clarify that demand response incentives are payments for services and benefits that retail customers provide to the grid, and not a subsidy intended to offset summer electric rates. Demand response incentive levels should be driven by the value of the services that participating customers provide.

e. Whether PG&E’s BIP incentive rates should be reviewed again before the next demand response budget application proceeding

CLECA remarks that, after the Mid-Cycle Review, there will not be another venue in which to consider BIP incentive rate adjustments until the next demand response budget application. CLECA notes that the opening of R.25-09-004¹⁵ may also delay those budget applications.

The Commission is currently deliberating on the 2028-2029 bridge year funding and will also be considering policy updates to program rules and incentive structures in R.25-09-004. The Commission may consider updates to DR programs including BIP as needed.

For the reasons discussed above, we decline to authorize PG&E’s proposed summer BIP incentive rate increase, as proposed in AL 7738-E.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 20 days of the date of its mailing and publication on the Commission’s website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

¹⁴ CLECA response, p. 4

¹⁵ Order Instituting Rulemaking to Enhance Demand Response in California

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments on May 30, 2026.

No party commented on the draft resolution.

FINDINGS AND CONCLUSIONS

- 1) Commission Decision (D.) 23-12-005 authorized Pacific Gas and Electric Company (PG&E) to submit mid-cycle review Advice Letters to update their demand response programs and pilots during the 2024-2027 demand response budget cycle.
- 2) D.23-12-005 ordered a 30-day disenrollment period following Commission approval of changes to the Base Interruptible Program (BIP) via the mid-cycle review process.
- 3) D.23-12-005 authorized PG&E to submit a mid-cycle review AL for BIP.
- 4) The following technical changes proposed in PG&E AL 7738-E were not protested:
 - a) Updating the Schedule E-BIP tariff to enable a streamlined online enrollment process for retail customers that are enrolled in BIP through a third-party aggregator, once that process becomes available.
 - b) Updating BIP operational procedures by removing all references to facsimile communication and adding electronic mail and secure file transfer protocol communication options.
 - c) Updating the BIP Aggregator Add/Delete Form to clarify the Prohibited Resources requirement so that the language appearing on the form is aligned with the language that appears in the Schedule E-BIP tariff.
- 5) The unopposed technical changes proposed in PG&E AL 7738-E are reasonable.
- 6) D.23-12-005 authorized PG&E to spend and recover up to \$43,225,000 in program year 2026 and up to \$43,225,000 in program year 2027 for incentives paid to BIP-participating customers and aggregators.
- 7) PG&E does not seek authorization to spend more money on BIP than was previously authorized in D.23-12-005.
- 8) PG&E's proposal to raise BIP summer incentive rates would not cause an increase in customer rates during the current demand response budget cycle, which ends after program year 2027.
- 9) The Commission's current Cost-Effectiveness framework for demand response accounts for the program's cost and benefits on an ex-ante basis.
- 10) BIP incentive rates are structurally not related to the frequency of BIP dispatches.

- 11) Structural changes to the BIP incentive rate structure are not appropriate for consideration in PG&E AL 7738-E.
- 12) BIP incentive rates should be driven by the value of the services that participating customers provide.
- 13) The number of EEA conditions declared by the CAISO has decreased in each year since 2022.
- 14) There have only been two non-test BIP events since 2022.
- 15) The BIP summer incentive increase proposed in PG&E AL 7738-E should not be approved.

THEREFORE IT IS ORDERED THAT:

1. The request of Pacific Gas and Electric Company (PG&E) to increase summer incentive rates for the Base Interruptible Program (BIP), as requested in Advice Letter 7738-E, is denied.
2. The following changes, as requested in PG&E Advice Letter 7738-E, are approved:
 - a. Updating the Schedule E-BIP tariff to enable a streamlined online enrollment process for retail customers that are enrolled in BIP through a third-party aggregator, once that process becomes available.
 - b. Updating BIP operational procedures by removing all references to facsimile communication and adding electronic mail and secure file transfer protocol communication options.
 - c. Updating the BIP Aggregator Add/Delete Form to clarify the Prohibited Resources requirement so that the language appearing on the form is aligned with the language that appears in the Schedule E-BIP tariff.
3. PG&E shall submit a Tier 1 Advice Letter within 30 days of the effective date of this Resolution to update the Base Interruptible Program tariff to reflect the modifications directed in this Resolution.

This Resolution is effective today.

The foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on July 2, 2026; the following Commissioners voting favorably thereon:

Commissioner Signature blocks to be added
upon adoption of the resolution

Dated _____, at <Voting meeting location>, California