Decision **PROPOSED DECISION OF ALJ MALCOLM (Mailed 2/14/2006)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY (U 39-E), for Approval of 2006–2008 Demand Response Programs and Budgets.	Application 05-06-006 (Filed June 1, 2005)
Southern California Edison Company's (U 338-E) Application for Approval of Demand Response Programs for 2006-2008 and Cost Recovery Mechanism.	Application 05-06-008 (Filed June 1, 2005)
Application of San Diego Gas & Electric Company (U 902-E) for Approval of Demand Response Programs and Budgets for Years 2006 through 2008.	Application 05-06-017 (Filed June 2, 2005)

(See Attachment D for List of Appearances)

DECISION ADOPTING SETTLEMENT

This order adopts the uncontested settlement filed by Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), the Division of Ratepayer Advocates (DRA) (then known as the Office of Ratepayer Advocates), The Utility Reform Network (TURN), Aglet Consumer Alliance (Aglet), San Francisco Community Power, and the Association of California Water Agencies (ACWA) (Settling Parties) which would resolve all outstanding issues in these applications. Accordingly, we adopt programs and associated budgets for the demand response efforts of

SCE, PG&E and SDG&E for 2006-08. The demand response budgets for the three utilities during the three year funding cycle are as follows:

PG&E	$108.7 million
SCE	$101 million
SDG&E	$ 52.6 million

Consistent with the settlement, we also adopt various program management practices and procedures for utility recovery of associated demand response program costs. We defer to a process outlined in Decision (D.) 05-11-009 for the review and adoption of a cost-benefit model for evaluating demand response programs and a set of utility-specific demand response goals.

I. Procedural Background

PG&E, SCE, and SDG&E filed these applications in June 2005 seeking approval of program plans and budgets for their 2006-2008 demand response programs, and in compliance with D.05-01-056. In these proceedings, the Commission has considered which programs should be funded and at what funding levels.

Testimony provided in these consolidated applications considers (1) demand response program goals; (2) cost-benefit models for evaluating demand response programs; and (3) measurement of program elements toward program goals. In Rulemaking (R.) 02-06-001, all three utilities received authority to fund existing programs through April 2006 pending an order in these applications.

The Commission conducted a prehearing conference on October 21, 2005. It issued a Scoping Memo and Ruling, which, among other things, scheduled evidentiary hearings in these applications for November 29—December 5, 2005. The Commission subsequently took the hearings off calendar upon notification

by several active parties that they were close to reaching a settlement on all contested issues. On December 2, 2005, Settling Parties filed a settlement resolving most programmatic issues and agreeing to reserve certain issues for later consideration.

Following the protest period, the assigned administrative law judge (ALJ) convened a hearing on January 17, 2006 for the purpose of addressing outstanding procedural matters and clarifying elements of the settlement. At the hearing, Energy Division staff, California Energy Commission (CEC) staff and the ALJ asked a number of questions about the settlement. The ALJ clarified the CEC staff's role as being similar to that of Energy Division staff, one of providing expertise and assistance to decision-makers. The ALJ also described some concerns she had about the settlement, namely, that some of its elements appeared to be either unlawful, contrary to Commission policy, or more bureaucratic than necessary. Based on these concerns, the Settling Parties agreed to reconsider some of the settlement's elements and possibly to modify the settlement to address the ALJ's concerns.

On January 30, 2006, the Settling Parties filed a modified settlement. The modified settlement states the parties' intent that their amendments to the original settlement address and resolve the concerns raised by the ALJ at the January 17 hearing. The Commission has received no objection or protest to the settlement or the amended settlement.

II. Background on Demand Response Programs

"Demand response" applies rate design, incentives and technology to induce changes in customer demand. The Commission and the CEC have stated their common objective to adopt cost-effective demand response programs that improve system reliability and mitigate utility system costs. The Energy Action

Plan II, signed by both agencies in October 2005, finds that energy efficiency and demand response should be "first resources" to be used by the utilities in resource planning and expresses the agencies' policy objectives:

> California is in the process of transforming its electric utility distribution network from a system using 1960s era technology to an intelligent, integrated network enabled by modern information and control system technologies. This transformation can decrease the costs of operating and maintaining the electrical system, while also providing customers with accurate information on energy use, time of use, and cost. With the implementation of well-designed dynamic pricing tariffs and demand response programs for all customer classes, California can lower consumer costs and increase electricity system reliability. To achieve this transformation, state agencies will ensure that appropriate, cost-effective technologies are chosen, emphasize public education regarding the benefits of such technologies, and develop tariffs and programs that result in cost-effective savings and inducements for customers to achieve those savings.

R.02-06-001, which has investigated demand response opportunities, found that demand response applications may also address certain market imperfections;

> …demand-responsive capabilities are important regardless of the ultimate electricity market structure that emerges in the next few years. A perfectly functioning wholesale and/or retail electricity market is not a precondition for development of demand response. On the contrary, demand-responsive capability can be a tool in mitigating the effects of a dysfunctional market, as well as for controlling costs, even in a completely vertically integrated and regulated market.

The subject utility applications continue and build upon existing programs designed to reduce demand when energy prices are high or when supplies are tight. SCE, PG&E and SDG&E have had some types of demand responsiveness programs for many years. Their programs and our policy in support of them

have evolved in recent years in response to the state's energy crisis and in recognition of the benefits of reducing demand where possible rather than increasing supplies that may impose environmental costs or hazards. Currently, each of the three utilities has a variety of demand response programs that employ various incentives and technologies. The programs are designed to motivate customers to reduce energy usage during periods when system demand is straining the system or supplies are expensive.

D.01-05-056 adopted utility programs for 2005 and described two types of demand response programs:

- "price-responsive" programs (in which customers choose how much load reduction they can provide based on either the electricity price or a per-kilowatt (kW) or Kilowatt-hour (kWh) load reduction incentive), and
- "reliability-triggered" programs (in which customers agree to reduce their load to some contractually-determined level in exchange for an incentive, often a commodity price discount).

It also stated, "Both types of programs motivate customers to reduce their loads in exchange for some type of benefit such as reduced energy rates, bill credits, or exemptions from rotating outages. Increasingly the line between these two types of programs has blurred. This blurring occurs because high market price forecasts often coincide with high temperatures and high system or local peak demands, which are two drivers of reliability concerns. When system demand is very high, reserve margins can be low, which puts the ability of the system to serve all the load online at risk in the event of an unexpected generation or transmission outage. When reserve margins fall below acceptable levels, reliability-triggered programs are called upon." The programs adopted here today include both types of programs.

One major element of demand response is metering technologies. The subject demand response applications do not consider the latest of these, which we refer to as advanced metering or Advanced Metering Infrastructure (AMI), which would provide the utilities and customers with time-sensitive usage information and permit the utilities to design rates that better reflect costs during various periods of use. All customers whose load exceeds 200 kW (who are the principal target group for the programs proposed in the subject applications) already have advanced (or interval) meters that can track energy usage by time. Installation of AMI for residential and small commercial customers is the subject of separate utility applications filed in March 2005.

Most recent work on demand response policy has occurred in R.02-06-001, which we closed by D.05-11-009. Recognizing additional work on demand response policies and practices is required, D.05-11-009 established procedures for review of various policy matters. Below, we refer to that process where it is relevant to the issues raised in this proceeding.

As a prelude to our discussion of the settlement, we observe that this Commission has stated its commitment to developing cost-effective demand response programs. The settlement does not necessarily propose programs according to their cost-effectiveness and defers more work on this issue to the next round of programs. Many demand response are somewhat experimental in nature and may require change over the course of the funding cycle in order to make them more responsive to customer requirements and more efficient from the standpoint of net cost. We expect to hear from the parties and the utilities over the course of the funding if the programs we adopt today are not successful or cost-effective so that they may be modified or eliminated in favor of better programs. We also expect to see progress in the area of making the programs more cost-effective generally.

III. Utility Applications

A. SCE

SCE states it expects to add 321 megawatts (MW)[1] of demand response over the three year program cycle with a budget of $132.7 million. By the summer of 2008, SCE estimates that it will have a total enrollment of 1,911 MWs in its demand response programs. SCE emphasizes its view that the utilities should be encouraged to offer cost-effective demand response programs that involve all types of customers and all types of demand response programs. SCE states its proposals for 2006-08 are geared to increase customer use of demand response options by making them more understandable and attractive which would in turn improve system reliability and reduce system prices. It would accomplish this by increasing awareness of existing programs, expanding successful programs, and creating a new program and several pilot programs. It plans to integrate its demand response marketing efforts with its energy efficiency marketing programs and more aggressively conduct other outreach efforts with customers.

[1] A portion of these additional MWs are attributable to funding approved via SCE's 2003 General Rate Case or D.05-01-056.

SCE's proposes to launch a new pilot to test the next generation of communicating thermostats and to continue the following existing programs:

I-6 (Interruptible Tariff)

Base Interruptible Program

Demand Bidding

Voluntary Critical Peak Pricing[2]

Demand Reserves Partnership (DRP) (and a successor program in 2007)

Air Conditioning Cycling Program

Agriculture and Pumping Interruptible Program

Energy Smart Thermostat Program

Statewide Pricing Pilot rate programs (through 2006)

Technical Assistance/Technical Incentive Program (TA/TI)

Various customer education and marketing programs –
e.g. *Flex Your Power Now*

SCE also proposes continue to fund promising demand response technologies. SCE will not renew its 20/20 program unless anticipated summer conditions, determined by October of the prior year, warrant a need for it. A table of SCE's proposed and adopted budget for each program element is included as an attachment to the amended settlement. A summary description of each program element is included as Attachment A.

[2] SCE's voluntary Critical Peak Pricing tariff would be replaced by a new voluntary CPP tariff if approved by the Commission in its default CPP proceeding (A.05-01-016, et. al.).

B. PG&E

PG&E proposes program budget of $158 million over three years and by the summer of 2008, PG&E estimates that it will have a total enrollment of 876 MWs in its demand response programs. Like SCE, PG&E plans to conduct marketing and outreach efforts that are integrated with energy efficiency programs to reduce customer confusion and increase the efficiency of marketing efforts. PG&E proposes to continue the following demand response programs:

Demand Bidding

Community Energy Management Program

Voluntary Critical Peak Pricing Program[3] (including Bill Protection)

TA/TI

DRP (and a successor program in 2007)

Various customer education and marketing programs – e.g. *Flex Your Power Now*

PG&E would substantially modify its Business Energy Partnership (or Business Energy Coalition) to include a new customer group and increase funding from about $2.5 million to $14.2 million. It also notes that the decision about whether to continue the Base Interruptible Program is under consideration in its 2003 general rate case.

[3] PG&E's voluntary CPP tariff would be replaced by a new voluntary CPP tariff if approved by the Commission in its default CPP proceeding (A.05-01-016, et. al.).

PG&E proposes two new programs. The PEAK program – which is already underway in SDG&E and SCE's territories -- would educate California students about energy use and would be supported with a budget over $3.24 million over three years and would provide service to 15,000 students during that period. PG&E proposes a Special Projects Group (SPG) to be funded at $1.3 million. The SPG would develop strategies for long term energy savings. PG&E would eliminate the 20/20 program at the end of 2005 because it is unlikely to be as effective as advanced metering and may penalize those who conserve more than 20% of energy in a single year by making them ineligible for awards in subsequent years.

PG&E would choose not to implement a residential air conditioning cycling program at this time, explaining that it may not be as cost-effective as advanced metering. It requests $1.54 million to administer and decommission the Statewide Pricing Pilot Program in addition to the $2.895 million authorized by the Commission statewide for 2005. Finally, PG&E proposes to eliminate its Scheduled Load Reduction Program (SLRP), which is required by Section 740.10 because it only has one customer subscribing.

A table of PG&E's proposed and adopted budget for each program element is attached to the amended settlement. A summary description of each program element is included as Attachment B.

C. SDG&E

SDG&E proposes a budget of about $56 million for 2006-08 demand response programs. It anticipates a total of 384 MW of demand response by the summer of 2008. SDG&E also emphasizes integrating its demand response programs with its energy efficiency efforts, good marketing and customer education. Its application emphasizes voluntary programs. It proposes to

continue the following existing programs in 2006-08, with minor modifications to some programs:

Voluntary Critical Peak Pricing[4]

Demand Bidding Program

DRP (with modifications in 2007)

Commercial-Industrial Peak Day 20/20

Emergency Demand Bidding Program

Base Interruptible Program

Emergency Critical Peak Pricing

Residential Smart Thermostat

Summer Saver, Clean Gen, Peak Gen (Rolling Blackout Reduction Program), Optional Binding Mandatory Curtailment, SLRP [5]

Various customer education and marketing programs – e.g. *Flex Your Power Now!*

[4] SDG&E's voluntary CPP tariff would be replaced by a new default CPP tariff if approved by the Commission in its default CPP proceeding (A.05-01-016, et. al.).

[5] These programs were listed in SDG&E's application for the purpose of showing the complete portfolio of programs, but funding for these programs have already been provided via other Commission proceedings.

Like PG&E and SCE, SDG&E will continue to offer TA/TI programs that provide consultation services to business customers about demand response and energy efficiency program options and technologies. It also describes various customer education and outreach programs that are part of its demand response efforts, and proposes an advice letter process whereby it may annually modify its budgeted programs to be more effective. A table of SDG&E's proposed and adopted budget for each program element is included as an attachment to the amended settlement. A summary description of each program element is included as Attachment C.

IV. The Settlements

The settling parties presented two documents, the original settlement filed December 2, 2005 and an amended settlement filed January 30, 2006. The amended settlement was filed in response to concerns raised by staff and the ALJ at the January 17 hearing. This order discusses the amended settlement only because it is the parties' final proposal to the Commission.

The amended settlement presents the usual recitations about how its terms represent a compromise of the parties' positions, how the parties do not intend for it to be precedential and that they will in good faith work to effectuate the terms of the settlement. Appendix A provides a copy of the amended settlement.

The following summarizes the elements of the amended settlement, first those that apply to all utilities and then those that are specific to each utility:

Cost Effectiveness Methods. The parties agree that a number of different methodologies could be used to evaluate the cost-effectiveness of demand response programs, that the adoption of demand response cost-benefit models should be deferred to another proceeding or another phase of this proceeding; that proposals for spending limits and incentives should be considered in a

subsequent review of demand response program cost-effectiveness methods in R.02-06-001, pursuant to D.05-11-009.

Goals and Counting Rules. The parties agree that counting rules for demand response programs should be addressed consistent with the tasks outlined in D.05-11-009 and that demand response goals should be revised in a later phase or this proceeding or in another proceeding.

Collaborative Process. The parties agree that the utilities should be required to meet with intervenors and stakeholders at least twice a year in San Francisco to discuss program issues, including future program design; that each utility should meet individually with intervenors and stakeholders annually; and that parties eligible to receive intervenor compensation awards should be eligible to seek compensation for work in the design and implementation of demand response program portfolios.

Program and Budget Flexibility. The parties agree that the utilities may reallocate up to 50% of funds between programs within a budget category without having to file an advice letter; that motions or advice letters are necessary for fund shifting that exceeds the 50% threshold or to propose new programs that implemented within the 2006-08 funding level; that unused funds would be carried over to the subsequent year and the utilities would file requests for incremental funding for new or existing programs by advice letter or application.

Lawfulness of Settlement Elements. The settlement provides that where the Commission finds an element of the settlement is unlawful, the parties agree that the unlawful element of the settlement would be removed from the settlement and all other settlement provisions would remain in effect.

Specific Programs Common to All Three Utilities.

1. **DRP:** The utilities would continue these programs until they expire in May 2007 and, no later than June 1, 2006, they would file advice letters or applications proposing new programs and budgets, following consultation with intervenors.

2. **TA/TI:** The utilities would require customers who take advantage of technology incentives to participate for one year in a demand response program within six months. Changes to the program would be made following consultation with intervenors.

3. **Water Agency Programs:** Parties agree that the utilities should convene meetings with interested parties to develop demand response programs for water agencies; that the utilities will file related program details and budgets by October 31, 2006.

4. **20/20 Programs:** PG&E and SCE do not include budget amounts for the 20/20 program for 2007 or 2008. They will evaluate SDG&E's Commercial and Industrial 20/20 program for 2006 and if successful may file advice letters or applications to fund their own 20/20 programs.

5. **SLRP:** The settlement would eliminate the SLRP.

6. **Loading Order:** The settlement parties agree that issues relating to the loading order are outside the scope of this proceeding.

PG&E Programs

1. **Air Conditioning Cycling Pilot:** The settlement would require PG&E to implement a residential air conditioning cycling pilot in 2007 for up to 2,000 residential customers; the program would use AMI technology, would operate as a critical peak pricing program and would be evaluated at the end of 2008.

2. **SF Power Small Customer Aggregation Pilot Program:** The settlement parties agree that PG&E should provide SF Power with up to $500,000 to market a DRP program to small and medium sized commercial customers in the Bay Area with a goal of shifting two MW by the end of 2008; PG&E would evaluate the program at the end of 2008.

3. **Adjustments to Budget and revenue requirements**. PG&E agrees to reduce its total demand response budget to $108.7 million over the three year program cycle. Table 1 of the attached settlement illustrates where the settlement would cut funding.

4. **Cost Recovery.** Demand response revenue requirements would be included in PG&E's rates using the annual electric true-up or other authorized proceeding, employing two one-way balancing accounts.

SCE Programs

1. **Adjustments to Programs, Budgets and Revenue Requirements.** SCE would terminate its Energy Smart Thermostat program; reduce its DRP budget from $26.7 million to $200,000 and to request a new budget when it proposes a new program; and to limit fund shifting authority for the TA/TI budget to 25%; SCE's total demand response budget would be reduced from $132.7 million to $101 million, as shown in more detail in Table 2 of the attached settlement.

2. **Cost Recovery**. SCE would be permitted to recover demand response costs in the first rate change proceeding to occur after the issuance of this order and to make subsequent rate changes in the annual Energy Resource Recovery Account filing; and to track costs in a one-way balancing account.

SDG&E Programs

1. **Information Technology (IT) System**. SDG&E agrees to including a showing in its 2008 cost of service proceeding describing IT costs and programs for the demand response program.
2. **Programs, Budgets and Revenue Requirements.** SDG&E will reduce its three year budget by $3 million to $52.6 million, as described in Table 3 of the attached settlement; SDG&E agrees that its TA/TI funds may not be shifted as the settlement permits for other categories of funds.
3. **Cost Recovery**. The settlement describes the accounting for SDG&E's demand response programs.

Discussion. The Commission evaluates proposed settlement agreements pursuant to the standards set forth in Rule 51.1(e) of the Commission's Rules of Practice and Procedure (Rules). Those standards require that the "settlement is reasonable in light of the whole record, consistent with law, and in the public interest." We review the settlement with this in mind.

Overall, we commend the parties for their work to resolve the issues in this proceeding cooperatively. The settlement would resolve most issues outstanding in the proceeding. Those that it does not resolve would be addressed in future advice letter filings, applications or proceedings. We address several related issues below.

Costs of education programs: The utilities propose and the settlement incorporates large budgets for customer education programs. Some of these programs are likely to be cost-effective, for example, in cases where simple information to customers motivates significant energy savings during key times of day or year. In the case of other programs, the utilities are unlikely to ever be able to demonstrate any benefit. We are especially concerned about generalized, non-targeted advertising, such as that provided by Flex Your Power, and programs designed to educate people who do not control a building's energy use such as students. PG&E's PEAK project, for example, would provide information to elementary and secondary school students at a cost of more than $200 per student, (which is nearly equivalent to the cost of eight full days of instruction paid to public schools by the State of California). It is a program for which there will be no measurable results and which appears to be more appropriately managed as an energy efficiency program. Such customer education programs – which are in addition to the customer education that must be undertaken for specific rate design and technology-based programs – comprise almost 16% of PG&E's total demand response budget, almost 16% of SCE's budget and more than 20% of SDG&E's total budget. We expect the utilities to carefully evaluate these programs for their cost-effectiveness and to terminate those that do not produce results after the 2008 funding cycle.

Overhead Costs: It is difficult to tell in some cases how the utilities will allocate administrative costs to programs. We expect the utilities to keep administrative overheads to a minimum and we will not authorize allocation of corporate overheads or other indirect costs to these programs, the costs of which are already included in utility rates.

SLRPs: The amended settlement proposes that SLRP should be eliminated because so few customers have subscribed and other programs are better suited to related customer needs. The SLRP was created in compliance with Section 740.10, which provides that "Each public utility electrical corporation shall develop and offer its customers…(a program that) shall identify specific periods coincident with morning or evening system peak conditions…. "The statute identifies the program as the SLRP. It does not provide for any exemptions from its provisions or sunset dates. We find that it would be unlawful to permit the utilities to eliminate the SLRP. We therefore decline to adopt this portion of the settlement. Consistent with the settlement provisions, this part of the settlement is therefore eliminated from the settlement leaving all other provisions of the settlement as filed.

Cost of AC cycling program/PG&E: In the early 1990s, PG&E conducted a residential AC cycling program, which it abandoned because it was not cost-effective. The settlement would reinstate such a program, although at a cost of $500 per customer. Considering that AMI metering costs will likely not be included in this program budget – and that the payment to the customer is only $30 per year, we are concerned about how the parties arrived at a budget that is so high. We are also concerned about the program's cost-effectiveness since a single residential customer's energy reductions are very unlikely affect offsetting savings in the near term. We consider this a pilot program that we will terminate after this funding cycle unless PG&E can demonstrate cost-effectiveness. In addition to the ex post evaluation proposed for the PG&E AC Cycling pilot, an evaluation plan shall be developed prior to deployment that sets up specific evaluation criteria and targets that define program success. The pilot shall be implemented in phases designed to allow incremental, statistically valid estimation of cost-effectiveness and off-ramps for the pilot

should those estimates indicate lack of cost-effectiveness. We expect PG&E to work with CEC and Commission staff on this effort.

Intervenor compensation: Several sections of the settlement provide that intervenors will be eligible for funding of certain activities relating to ongoing development and management of demand response programs. While we appreciate the need to have intervenors involved in a collaborative process, we must reserve the right to assess whether requires for eligibility and compensation are consistent with statutory requirements and our rules. We have some concerns about making commitments regarding intervenor compensation in this proceeding in advance of pleadings that demonstrate contributions to Commission decisions. The Commission has interpreted its authority to award compensation to intervenors liberally and we will continue to provide compensation where intervenors can demonstrate that their work has contributed to the outcome of a formal Commission decision. Our policy with regard to intervenor compensation is outside the scope of this proceeding. To the extent the settlement anticipates intervenor compensation that is consistent with existing policy and law, we support it.

Cost-benefit issues: The assigned ALJ to this proceeding required the utilities to evaluate the potential costs and benefits of their proposed programs as part of their showings. The utilities filed responsive testimony. The settlement defers analysis of each program's possible cost-benefit ratio to the procedure for such review set up in D.05-011-009 in R.02-06-001. We agree that this is an appropriate way to handle this issue under the circumstances.

Measurement and Evaluation (M&E). D.05-11-009 establishes a process for developing M&E protocols and cost-effectiveness methodologies that will affect the M&E activities set forth in the amended settlement and adopted herein. CEC and Commission staff should coordinate these efforts and recommend to

the Commission's Executive Director a process to assure effective and efficient evaluation of demand response programs. We anticipate that this work be coordinated with energy efficiency M&E work as demand response and energy efficiency efforts become more integrated. The current oversight of M&E by the Working Group 2 Measurement and Evaluation subcommittee shall continue for the programs and budgets approved in this order until the process described herein is in place.

Collaborative Process. The amended settlement anticipates the utilities will meet with interested parties at various intervals and we encourage cooperative work on these demand response programs. We also expect the utilities to be responsive to the CEC and Commission staff's requests for information and to report to them of program progress, worthwhile ideas for program modifications and budget changes. We anticipate that our advisory staff will be conducting meetings and workshops from time to time in order to stay informed about the progress of demand response programs and opportunities for improvements.

We herein find the amended settlement filed in this proceeding to be in the public interest and consistent with the record of the proceeding. We find it to be lawful except for that provision that would eliminate the SLRP. We therefore eliminate the related settlement provision. Because all issues have been resolved in this proceeding, we close the proceeding. Each utility shall file applications to determine demand response budgets and programs for 2009-2012 no later than June 1, 2008 or as otherwise required by this Commission.

V. Category and Need for Hearing

In Resolution ALJ 176-3154, dated June 16, 2005 the Commission preliminarily categorized this proceeding as ratesetting, and preliminarily determined that hearings were necessary. Based on the record, we affirm that these are ratesetting proceedings, and that hearings were ultimately necessary.

VI. Assignment of Proceeding

Michael R. Peevey is the Assigned Commissioner and Kim Malcolm is the assigned ALJ in these proceedings.

VII. Comments on the Proposed Decision

The proposed decision of the ALJ in this matter is mailed to the parties in accordance with Section 311(d) of the Public Utilities Code and Rule 77.1 of the Rules of Practice and Procedure, but with a shortened comment time as stipulated by all parties. Comments are due on March 6, 2006 and reply comments are due on March 10, 2006.

Findings of Fact

1. The active parties to this proceeding filed a settlement and then amendments to it following an evidentiary hearing. Neither document was contested in any way by any party.

2. D.05-11-009 established a process that could be used to consider utility goals and cost-benefit models for demand response programs.

3. Customer education programs may provide few if any measurable energy savings and are therefore less likely than other programs to be cost-effective.

4. The utilities should not be permitted to allocate costs for which they are already reimbursed in rates, corporate overheads and other indirect costs to demand response programs.

5. The settlement would commit the Commission to finding eligible those parties who work on development and management of demand response programs.

Conclusions of Law

1. The Commission should consider cost-benefit models and utility goals for demand response programs according to the process established in D.05-11-009.

2. Pub. Util. Code § 740.10 requires the utilities to offer to customers a demand response program it terms SLRP and for which it defines program elements. The Commission cannot lawfully require or permit a utility to eliminate such a program.

3. The issue of intervenor compensation policies and practices is outside the scope of this proceeding. It would therefore be unlawful for the Commission to modify existing intervenor compensation policies or practices. To the extent the settlement provisions regarding intervenor compensation are consistent with existing law, policy and practice, they are appropriate for inclusion in the settlement.

4. With the exceptions set forth herein, the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

O R D E R

IT IS ORDERED that:

1. The amended settlement, filed January 30, 2006, by Southern California Edison Company, Pacific Gas and Electric Company, San Diego Gas & Electric Company, the Division of Ratepayer Advocates (then known as the Office of Ratepayer Advocates), The Utility Reform Network, Aglet Consumer Alliance, San Francisco Community Power, and the Association of California Water

Agencies (Settling Parties) and attached as Appendix A is adopted with the exceptions set forth herein.

2. Southern California Edison Company, Pacific Gas and Electric Company and San Diego Gas & Electric Company shall file by advice letter all tariff changes resulting from the amended settlement within 10 days of the effective date of the decision. The protest period for these advice letters shall be shortened to 10 days, and the tariffs will be effective within 20 days of their filing, unless suspended by the Energy Division.

3. Application (A.) 05-06-006, A.05-06-008, and A.05-06-017 are closed.

This order is effective today.

Dated _____, at San Francisco, California.

APPENDIX A
AMENDED SETTLEMENT OF 2006-2008
DEMAND RESPONSE PROGRAM

ATTACHMENT A
Southern California Edison Company
Demand Response 2006-2008 Program Descriptions

SCE Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
Day-Ahead Notification Programs	
Demand Bidding Program	Incentive program triggered when system peak demand forecast exceeds 43,000 MW, or CAISO issues an Alert. Incentive is the day-ahead price, once that price equals or exceeds 35 cents/kWh. Open to DA customers.
Critical Peak Pricing	CPP event period is from noon to 6:00p.m. on summer weekdays only with an energy rate of about three times the normal rate from noon to 3:00 p.m. and five times the normal on-peak rates for the normal on-peak rate from 3:00 p.m. to 6:00 pm. Mid-peak and off peak rates for the remainder of the year are reduced. The 12 summer CPP events may be triggered by forecasted high market prices, system constraints or high temperatures. CPP-VCD available to all customers with demand greater than 200 kW. CPP-GCCD available to customers with demand greater than 500 kW.
CPA Demand Reserves Partnership	For 2006, the program is unchanged. Working directly with third-party aggregators, DWR procures demand reduction by paying for a firm commitment of DR capacity plus load reduction delivered. In 2007 SCE will fill the roles that the CPA and DWR play in the current program.
Reliability Day-Of Programs	
Expanded AC Cycling	The Air Conditioner Cycling Program (ACCP) is available for individually-metered residential and C&I customers with central air conditioning, where the air conditioner's electrical load is subject to temporary disconnection through automatic load control devices. There are two ACCP options in which customers may enroll. The Base program is limited to 15 events during the summer months only, with a maximum duration of six hours, for a total of 90 hours of interruption. The incentive payment to a participant is based on the installed tonnage and the customers elected cycling strategy. The Enhanced ACCP is identical in structure to the Base program, except that the number of events is unlimited resulting in potential interruptions of up to 720 hours during the summer. SCE proposes to attempt to enroll as many as 60, 000 new customers into the Enhanced ACCP annually through 2008.

ATTACHMENT A
Southern California Edison Company
Demand Response 2006-2008 Program Descriptions

SCE Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
Base Interruptible Program (BIP)	The BIP is a voluntary program that offers participants a monthly "capacity" bill credit in exchange for committing to reduce power to a minimum predetermined level on hour notice during emergency situations. BIP imposes a significant penalty for non-performance. Customers who can reduce demand by 15% or a minimum of 100 kW, whichever is higher, have and IDR meter, and have telecommunications are eligible to participate. The program is designed for either DA or bundled customers who have a firm load reduction plan in place and can reduce load with certainty when requested. The penalty for non-performance is far greater than the incentive.
AP-I	The Agriculture and Pumping Interruptible Program (AP-I) offers qualifying customers a bill credit on energy usage for allowing SCE to temporarily shut off pumping equipment without advance notice. Under the terms of the tariff, participants may be shut off during a CAISO Stage 2 emergency, up to 25 times or 150 hours annually. Events are limited to 6 hours a day. SCE proposes to increase marketing efforts to significantly increase enrollment. Additionally, SCE proposes to eliminate the up-front fee customers are now required to pay.
I-6	I-6 is a rate discount program open to bundled and Direct Access Customers able to provide a minimum demand reduction of 500 kW with 30 minutes notice during an CAISO Stage 2 emergency or a localized system emergency.
Energy Smart Thermostat-Small C&I	The SCE Energy Smart Thermostat Program currently provides small commercial and industrial customers with the ability to participate in an air conditioner-based demand response program using a communicating two-way paging digital programmable thermostat that is installed at the customer site and then remotely controlled via radio signals by SCE to raise the cooling set point of the air conditioner. The customer has the ability to override the thermostat curtailment, but is subject to financial penalty for doing so. SCE proposes to maintain the program as an ongoing reliability program, with some modifications to improve cost effectiveness and the demand response impacts of the program. SCE does not propose to increase enrollments in the current program, and expects the program enrollment of 9000 thermostats to decrease by 3-5% annually. Note: ***The amended settlement terminates this program***.

ATTACHMENT A
Southern California Edison Company
Demand Response 2006-2008 Program Descriptions

SCE Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
Other DR Programs and Pilots	
Technical Assistance/Incentives	The Technical Assistance/Incentives program was designed as an enhanced version of the demand response Technical Assistance incentive that was available to customers in 2003-2004. The program is based on a three step process: 1. Specific SCE customer representative training for identifying demand response opportunities and recommendations. 2. Establishing analytical tools and procedures to both deliver and track recommendations for the customer, and establish a continuous improvement process for upgrading the tools. 3. Developing SCE-provided engineering and consulting assistance for customers for more complex and technical sites where the cursory audit may require subject matter experts.
Emerging Markets & Technologies	Emerging Markets and Technologies Program facilitates the development of new demand response programs and technology. SCE plans to focus on three areas: 1. demand response technologies; 2. demand response codes and standards and ; 3. innovative technologies.
Statewide Pricing Pilot	SPP research activities include the Advance Demand Response System (ADRS) pilot, analysis of the CPP-V Track A small C&I customers, and the Information Display Pilot (IDP). For 2006, SCE is requesting funding for the on-going administrative, billing, notification, maintenance, customer support, meter maintenance, and deferred decommissioning costs of the SPP Program.

ATTACHMENT A
Southern California Edison Company
Demand Response 2006-2008 Program Descriptions

SCE Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
Small Business Communicating Thermostat Pilot	The new generation of communicating thermostats is now more cost effective that the technologies employed for previous pricing pilots. SCE proposes to develop a pilot program to assess the next-generation of low-cost communicating thermostats for the residential and small non-residential sectors. SCE expects to enroll over 10,000 customers into the program
Customer Education, Awareness & Outreach	
Flex Your Power Now	The primary goal of "Flex Your Power Now" (FYPN) is to reduce peak period usage during targeted summer days when the State has heightened supply/demand balance concerns. FYPN is targeted at all customers, including residential and small business customers, and relies heavily upon mass media announcements during those targeted summer days. SCE is requesting approval to continue collaboration with its statewide partners by extending FYPN through 2008.
Community EE/DR Partnership Demo	The intent of the program is to educate and facilitate small and medium business customers including city, school government and military participation in SCE's demand response load reduction programs, while leveraging the existing delivery channels provided by energy efficiency.
Peak Plus+ Pilot Partnership	The Peak Plus+ Pilot Partnership Program a demonstration project that that builds upon the research in Critical Peak Pricing. The program is intended to demonstrate the value of students as demand responders in California, building on these students' skills as household energy managers. The program will engage 500 families for three years. The participating homes will be provided smart, interval meters to collect and record time of usage and families' power usage patterns, and to determine each families' Critical Peak Power rate.

ATTACHMENT A
Southern California Edison Company
Demand Response 2006-2008 Program Descriptions

SCE Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
EE/DR Integrated Outreach Programs	
Integrated EE/DR Marketing	Marketing and communication of demand response programs to business customers through an integrated Demand Side Management (IDSM) approach that raises customer awareness of programs and how to participate. This includes analyzing a customer's operations to identify various DSM opportunities and offering a customer-specific portfolio of recommendations or solutions.
Circuit Savers	The Circuit Savers Program is designed to inform and educate customers receiving service on highly loaded electric distribution circuits about reliability and price responsive programs available to help reduce load on these circuits during summer peak periods. SCE will identify highly loaded circuits and customers whose load profiles and business operations are suitable for this program. Customers will be offered a full range of support such as TI/TA, demand response program education, awareness, and community outreach activities.
Ag & Water Outreach	The intent of this agricultural and water program is to outreach specifically to the agricultural communities and water agencies in a three county area, to educate them on the need and purpose of demand response, identify strategies for load shedding and shifting, enroll them in appropriate demand response programs, develop new strategies for irrigation and storage, and shift activities to off peak hours on a dispatchable basis. SCE proposes to start this program in 2006 and continue through 2007 and 2008.
Federal Power Reserves Partnership Program	SCE intends to outreach specifically to government and military customers, so that this customer sector can take advantage of educational efforts on the need and purpose of demand response, identify strategies for load shedding and shifting, enroll in appropriate demand response programs, develop new strategies for demand side management and deployment and shift non-mission critical activities to off peak hours on a dispatchable basis. SCE proposes this program for 2006 through 2008.

ATTACHMENT A
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Demand Response 2006-2008 Program Descriptions

SCE Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
Demand Response Portfolio Systems Development	
EE/DR Integrated Program Tracking System	SCE is researching the development of a comprehensive integrated tracking technology that can be utilized by all energy efficiency programs during the 2006-08 program cycle. Currently, SCE utilizes multiple application to track and monitor program information. SCE now sees and opportunity to combine these applications into one system to improve operational efficiency.
Demand Response Systems Integration	SCE has a portfolio of demand response and load management programs with administrative applications and operational systems that are independent of one another and are maintained as stand alone systems. SCE proposes to that the integration and consolidation of many of these systems will increase efficiency and reliability in administration, operations, and reporting.
DR forecasting Tool	SCE proposes develop and enhanced demand response forecasting model to enable it to reliably and accurately estimate the potential results achievable through the use of demand response programs and to optimize the design of those programs.

(END OF ATTACHMENT A)

ATTACHMENT B
Pacific Gas and Electric Company
Demand Response 2006-2008 Program Description

PG&E Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
Day-Ahead Notification Programs	
Demand Bidding Program (DBP)	The DBP is a voluntary program eligible to bundled or DA customers who have a minimum demand of 200 kW, and IDR meter and communications, whereby participants earn bill credits by reducing a minimum of 10% of their power consumption when contacted. The program is designed for customers who prefer a voluntary program that does not penalize them should they choose not to respond to a particular event and have the ability to modify their operations with one day's notice. Participants currently receive an incentive based on the market price +$0.10.
Voluntary Critical Peak Pricing (CPP)	Voluntary CPP is a rate option whereby commodity prices are discounted throughout the year during all non-critical peak hours. Non-residential bundled utility customers who have a minimum demand of 200 kW or higher, an IDR meter, and are served on a time-of-use (TOU) rate are eligible. This program is designed for customers who have the ability to modify their business operations and reduce load with one day's notice.
CPA Demand Reserves Partnership	For 2006, the program is unchanged. Working directly with third-party aggregators, DWR procures demand reduction by paying for a firm commitment of DR capacity plus load reduction delivered. In 2007 PG&E intends to develop a similar program that maintains the key elements of the CPA DRP, such as the use of aggregators, allowance of Direct Access participation, a flexible bid process and both energy and capacity payments.
Reliability Day-Of Programs	
Base Interruptible Program (E-BIP)	The E-BIP is a voluntary program that offers participants a monthly "capacity" bill credit in exchange for committing to reduce power to a minimum predetermined level on short notice during emergency situations. E-BIP imposes a significant penalty for non-performance. Customers who can reduce demand by 15% or a minimum of 100 kW, whichever is higher, have and IDR meter, and have telecommunications are eligible to participate. The program is designed for either DA or bundled customers who have a firm load reduction plan in place and can reduce load with certainty when requested. The penalty for non-performance is far greater than the incentive.
OBMC/POBMC	OBMC/POBMC is a mandatory circuit reduction program available to bundled and Direct Access customers with

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Demand Response 2006-2008 Program Descriptions

PG&E Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
	circuit level metering able to reduce 15% of a circuit baseline load within 15 minutes of a CAISO called Stage 3 emergency.
Non-Firm	Non-Firm is a rate discount program open to bundled and Direct Access Customers able to provide a minimum demand reduction of 500 kW with 30 minutes notice during an CAISO Stage 2 emergency or a localized system emergency.
Air Conditioning Cycling Pilot	An AC cycling pilot consisting of up to 2,000 residential customers will be created for implementation in 2007. Cycling will occur through the installation of a direct load control switch installed on the customer's AC compressor (at no cost to the customer). The switch will be operated on critical peak days consistent with residential CPP rate schedule. The AC unit will be cycled up to 4 hours (2pm-6pm) at a 50% cycling rate. The switch can also be operated by PG&E during a Stage 2 event on a "day-of" basis for system reliability purposes using the same cycling scheme. PG&E, through its AMI system, will collect interval data to verify the load reduction assumptions and identify any patterns in customers overriding the switch. Participating customers will be given a single payment of $30, as bill credit, at the end of each summer. This will be in addition to any bill savings achieved by the customer during the CPP events. The pilot will be marketed in late 2006, actually begin operation in summer of 2007 and continue through 2008, at which point it will be evaluated.
Additional Programs	
Peak Program	The PEAK program is an educational program which promotes energy awareness through classroom lessons, hands-on activities, homework assignments, and household, school, and community action. The Energy Coalition will be responsible for the program's implementation as it does in the service territories of both Southern California Edison (SCE) and San Diego Gas and Electric (SDG&E). PG&E's PEAK program will make PEAK a statewide program.
Special Projects Group	The Special Project Group will guide the development of strategy through which PG&E supports a new form of

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PG&E Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
(SPG)	partnership with its major customers. During the 2006–2008 funding cycle, the SPG will analyze the efficacy of a long-term process that has the potential to make San Francisco business and civic facilities permanent DR partners with PG&E. PG&E's SPG will serve as a forum for a bold new exploration of a new business model that has the potential to greatly increase the efficiency of PG&E's power system. The objective is to assess the benefit in terms of energy, capacity, and therms that can be achieved through innovative approaches during 2006-2008.
Community Energy Management Program (CEMP)	Program design consists of an integrated Demand Side Management (DSM) education effort among smaller commercial customers in the 50 kilowatt (kW) up to 200 kW range, strategically focusing on high-growth communities. Key community governmental and business organizations are being identified to help promote and deliver the education campaign with their stakeholders. Local PG&E Account Services organizations will support and leverage the community effort with a knock, walk and talk campaign in key commercial sectors of the community to deliver the program.
Optional Binding Mandatory Curtailment (OBMC)	The Optional Binding Mandatory Curtailment (OBMC) is a voluntary program whereby participates are exempted from rolling blackouts/rotating outages in exchange for reducing power on their circuit upon 15-minute notice from SDG&E during an electricity shortage. Customers who can comment to reducing up to 15% of the total circuit load during an OBMC even are eligible to participate.
Scheduled Load Reduction Program (SLRP)	Customers electing to participate in the SLRP are required to reduce their electric load during specific time periods of their choosing, and are paid an incentive for that reduction, which must be a minimum reduction of 100 kW or 15% of total load. Due to lack of interest, PG&E is requesting that the program be eliminated.
Technical Assistance	

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Demand Response 2006-2008 Program Descriptions

PG&E Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
and Technology Incentives	
Technical Assistance	The Technical Assistance Program (TA) is an energy audit service designed to help customers identify methods for reducing energy costs and to encourage greater participation in demand response and energy efficiency programs. The TA program currently includes two types of services, a cursory energy audit to identify the potential areas of opportunity, and an in-dept assessment where a CEC-accredited auditor or qualified engineer will make specific recommendations, both low-cost and no-cost, and calculations of kW and kWh savings.
Technical Incentive	The Technology Incentive (TI) program is a financial incentive program intended to encourage customer adoption and installation of demand response measures. The financial incentive is associated with the level of energy reduction (kW) the technology can provide. Eligible technologies include, but are not limited to, smart thermostats, energy management systems, remote switches, dual-level lighting, software upgrades and the addition of control points.
Statewide Pricing Pilot (SPP)	SPP research activities include the Advance Demand Response System (ADRS) pilot, analysis of the CPP-V Track A small C&I customers, and the Information Display Pilot (IDP). For 2006, PG&E is requesting funding for the on-going administrative, billing, notification, maintenance, customer support, meter maintenance, and deferred decommissioning costs of the SPP Program.
Business Energy Coalition (BEC)	The BEC is a demonstration project intended to engage major accounts in an effective DR program. A customized engineering assessment of the facility is complete and customers receive near real-time usage information for their facilities to assist in the daily monitoring of their usage.
Customer Education,	

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PG&E Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
Awareness & Outreach	
General Education, Awareness and Outreach	The General Education, Awareness and Outreach Program aims to educate customers on the concept and benefits of demand response, as well as how demand response fits into the customer's overall energy management mix. This will be accomplished through the use of mass media channels, e.g. print and broadcast advertising together with targeted communications, e.g. direct mail, Account Executive contact and educational resources, e.g. online tools, audits, seminars, workshops and community events.
Flex Your Power Now	The primary goal of "Flex Your Power Now" (FYPN) is to reduce peak period usage during targeted summer days when the State has heightened supply/demand balance concerns. FYPN is targeted at all customers, including residential and small business customers, and relies heavily upon mass media announcements during those targeted summer days. PG&E is requesting approval to continue collaboration with its statewide partners by extending FYPN through 2008.
Emerging Technologies	The Emerging Technologies Program is aimed at bringing novel technologies to market by partnering with inventors, manufacturers and distributors, of products that have strong potential to reduce demand during periods of higher energy prices or tight energy supplies. Through collaborations with trade associations and research organizations, new products and technologies will be identified for evaluation. Emphasis during 2006-2008 will be on integrated projects that use demand response and energy efficiency together in the same project. PG&E anticipates funding several emerging technologies projects annually.
InterAct and Data Retrieval	InterAct is PG&E's internet-based service that provides customers with interval energy use information and education as well as tools to assist in the development of more effective demand management strategies and demand response and reliability program event notification services.

(END OF ATTACHMENT B)

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San Diego Gas & Electric Company
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SDG&E Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
Day-Ahead Notification Programs	
Demand Bidding Program	The DBP is a voluntary program eligible to bundled or DA customers who have a minimum demand of 20 kW, and IDR meter and communications, whereby participants earn bill credits by reducing a minimum of 10% of their power consumption when contacted. The program is designed for customers who prefer a voluntary program that does not penalize them should they choose not to respond to a particular event and have the ability to modify their operations with one day's notice. Participants currently receive an incentive based on the market price +$0.10.
Voluntary Critical Peak Pricing (CPP)	Voluntary CPP is a rate option whereby commodity prices are discounted throughout the year during all non-critical peak hours. Non-residential bundled utility customers who have a minimum demand of 20 kW or higher, an IDR meter, and are served on a time-of-use (TOU) rate are eligible. This program is designed for customers who have the ability to modify their business operations and reduce load with one day's notice. SDG&E proposes the following modifications to it's voluntary CPP program: 1. allow adjustments to voluntary CPP trigger as warranted; 2. Discontinue bill protection in 2007
CPA Demand Reserves Partnership	For 2006, the program is unchanged. Working directly with third-party aggregators, DWR procures demand reduction by paying for a firm commitment of DR capacity plus load reduction delivered. In 2007 SDG&E recommends transitioning to a new similar program that maintains the key elements of the CPA DRP, such as the use of aggregators, allowance of Direct Access participation, a flexible bid process and both energy and capacity payments.

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SDG&E Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
Commercial/Industrial (C&I) Peak Day 20/20	C&I Peak Day 20/20 is a voluntary program that provides participants with the ability to earn a bill credit of 20% by reducing their power consumption by a minimum of 20% on critical peak days. Participants are notified one day in advance of a peak day event. Bundled utility or direct access customer who have a minimum demand of 20 kW or higher, are on a TOU rate, and have an IDR meter are eligible to participate. SDG&E proposes the following modifications: 1. extend Peak Day 20/20 through 2008; 2. Extend Peak Day 20/20 to customers with AMI technology.
Reliability Day-Of Programs	
Emergency Demand Bidding Program (DBP-E)	The DBP-E is a voluntary program enabling participants to earn bill credits by reducing a minimum of 10% of their power consumption. This program is targets customers who have the ability to modify their operations with as little as 60 minutes notice. Customers who have a minimum demand of 20 kW, an IDR meter and communications are eligible to participate. Participants are paid an incentive for load reduced of $0.50/kWh, or the day-of market price whatever is higher. Requirements: 1. customer must achieve their accepted bid load reduction at a minimum to earn an incentive; 2. participation in two tests is required; 3. participants must respond to at least half of the DBP-E events, or will be removed from the program.
Base Interruptible Program (BIP)	The BIP is a voluntary program that offers participants a monthly "capacity" bill credit in exchange for committing to reduce power to a minimum predetermined level on hour notice during emergency situations. BIP imposes a significant penalty for non-performance. Customers who can reduce demand by 15% or a minimum of 100 kW, whichever is higher, have and IDR meter, and have telecommunications are eligible to participate. The program is designed for either DA or bundled customers who have a firm load reduction plan in place and can reduce load with certainty when requested. The penalty for non-performance is far greater than the incentive. SDG&E proposes to allow aggregators to participate in the program.

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SDG&E Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
Emergency Critical Peak Pricing (CPP-E)	CPP-E is a rate option offering customers discounted commodity prices throughout the year in exchange for reducing load when needed during critical peak periods. Energy that is consumed during the critical peak periods is priced higher to reflect the peak period cost of supply. The program is targeted to customers who have the ability to modify their business operations with as little as 30 minutes notice, typically through automated methods. For 2006-2008 SDG&E proposes to waive the maximum demand charge during non-CPP periods on a CPP event day for the first year of enrollment.
Residential Smart Thermostat	The Residential Smart Thermostat is a voluntary pilot program originally intended to test the viability of and interactive approach to residential load control and demand response using smart thermostats and the internet to affect air conditioning use. Beginning in 2007, smart thermostats will be offered through the Technology Incentives Program.
Additional Programs	
Summer Saver	The Summer Saver Program is a direct load control program available to residential, small business customers (<100kK) and agricultural customers (<200kW) with central air conditioners, water heaters, pool pumps or irrigation pumps. Managed through a third-party, participant's equipment is automatically controlled during times of need.
Clean Gen	The Clean Gen Program is a voluntary program utilizing a customer's back-up generation system. Customers allow SDG&E to access this generation remotely during times of critical need, providing relief on the system within ten minutes. In exchange, customers' systems are upgraded to operate more efficiently.
Peak Gen	The Peak Gen program (formerly known as the Rolling Blackout Reduction Program) is designed for customers who have an on-site back-up generator and have the ability to reduce their load by at least 15% (minimum of 50kW). Participants receive a bill credit of $0.35/kWh. Peak Gen is initiated when the CAISO requests firms lead curtailments (Stage 3 emergency) or when firm load curtailment is imminent.
Optional Binding	The Optional Binding Mandatory Curtailment (OBMC) is a voluntary program whereby participates are exempted

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SDG&E Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
Mandatory Curtailment (OBMC)	from rolling blackouts/rotating outages in exchange for reducing power on their circuit upon 15-minute notice from SDG&E during an electricity shortage. Customers who can comment to reducing up to 15% of the total circuit load during an OBMC even are eligible to participate.
Scheduled Load Reduction Program (SLRP)	Customers electing to participate in the SLRP are required to reduce their electric load during specific time periods of their choosing, and are paid an incentive for that reduction, which must be a minimum reduction of 100 kW or 15% of total load.
Technical Assistance and Technology Incentives	
Technical Assistance	The Technical Assistance Program (TA) is an energy audit service designed to help customers identify methods for reducing energy costs and to encourage greater participation in demand response and energy efficiency programs. The TA program currently includes two types of services, a cursory energy audit to identify the potential areas of opportunity, and an in-dept assessment where a CEC-accredited auditor or qualified engineer will make specific recommendations, both low-cost and no-cost, and calculations of kW and kWh savings. |
Technical Incentive	The Technology Incentive (TI) program is a financial incentive program intended to encourage customer adoption and installation of demand response measures. The financial incentive is associated with the level of energy reduction (kW) the technology can provide. Eligible technologies include, but are not limited to, smart thermostats, energy management systems, remote switches, dual-level lighting, software upgrades and the addition of control points. SDG&E proposes and incentive structure that decreases each year.
Emerging Markets &	Emerging Markets and Technologies Program facilitates the development of new demand response programs and

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SDG&E Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
Technologies	technology. SCE plans to focus on three areas: 1. demand response technologies; 2. demand response codes and standards and ; 3. innovative technologies.
Statewide Pricing Pilot	SPP research activities include the Advance Demand Response System (ADRS) pilot, analysis of the CPP-V Track A small C&I customers, and the Information Display Pilot (IDP). For 2006, SDG&E is requesting funding for the on-going administrative, billing, notification, maintenance, customer support, meter maintenance, and deferred decommissioning costs of the SPP Program.
Customer Education, Awareness & Outreach	
Customer Education, Awareness and Outreach Umbrella	The Customer Education, Awareness and Outreach Umbrella aims to educate customers on the concept and benefits of demand response, as well as how demand response fits into the customer's overall energy management mix. This will be accomplished through the use of mass media channels, e.g. print and broadcast advertising together with targeted communications, e.g. direct mail, Account Executive contact and educational resources, e.g. online tools, audits, seminars, workshops and community events.
Flex Your Power Now	The primary goal of "Flex Your Power Now" (FYPN) is to reduce peak period usage during targeted summer days when the State has heightened supply/demand balance concerns. FYPN is targeted at all customers, including residential and small business customers, and relies heavily upon mass media announcements during those targeted summer days. SDG&E is requesting approval to continue collaboration with its statewide partners by extending FYPN through 2008.
Emerging Markets	The Emerging Markets Program is aimed at bringing novel technologies to market by partnering with inventors,

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SDG&E Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
Program (EMP)	manufacturers and distributors, of products that have strong potential to reduce demand during periods of higher energy prices or tight energy supplies. Through collaborations with trade associations and research organizations, new products and technologies will be identified for evaluation. If deemed an appropriate vehicle to bring new product to market, this program may incent manufacturers via a "Golden Carrot" opportunity where a set amount of funds are made available to motivate technological progress for a certain end use. After successful demonstrations, market consultants, manufacturers and distributors or trade groups will be used to develop the target market or niche.
Community Outreach Program	The Community Outreach Program will provide direct interaction and communications to local municipalities and business communities within SDG&E's service territory to broaden awareness of demand response. The messaging to small and medium commercial customers will incorporate ways for businesses to help manage energy costs through various SDG&E tools and programs. SDG&E will specifically target small to medium size business customers via business associations and trade organizations.
Circuit Saver Program	The Circuit Saver Program is a focused education program aim to increase demand response participation from customers in the high growth areas. Customers who are served from electric distribution circuits in SDG&E's highest growth areas receive additional information regarding load reduction tactics and reliability programs that are available to them. Residential and small commercial customers have had very little exposure to demand response programs. Circuit Savers will use a variety of community outreach efforts such as booth displays at local community events (Earth Day Events; Fiesta del Barrio Fair, Carlsbad; various Cinco de Mayo Festivals; Senior Expos & Health Fairs; community newspapers and direct mail. Circuit Savers will work in conjunction with the AMI rollout, targeting those customers receiving the AMI technology and located in the high growth areas.
kWickview	kWickview is a Web-based energy management tool SDG&E provided free of charge to customers with IDR meters

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SDG&E Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
	installed. kWickview furnishes 15-minute interval data on a daily or monthly basis to help customers better understand and manage their electric consumption and costs. By identify energy use patterns; customers have the information necessary to explore ways to reduce their energy costs.
Nonprofit Outreach Program	There are more than 7,000 nonprofit organizations in San Diego County with more than 61,000 employees. Nonprofits have inroads to employees, volunteers, board members, and the populations they serve to spread the demand response message. This program will leverage their electronic community network to optimize the number of people who hear and understand demand response, understand the benefits of demand response, and decide to take action when necessary. It will tap into the nonprofit infrastructure organizations that have the capability for large electronic distribution. SDG&E will partner with nonprofit organizations to help the community in capacity building and ensure efficient use of resources.
Information Display Pilot	The Information Display Pilot (IDP) is a pilot information program that worked in conjunction with the Statewide Pilot Program (SPP). Customers are provided with an information treatment that includes an electronic newsletter, e-grams and communication devices. These information treatments provide a signal to customer that it is time to take action.
PEAK Student Energy Actions Program	The PEAK Student Energy Actions Program is a comprehensive student learning experience intended to teach elementary school children the value of smart energy management. Managed by the Energy Coalition, the overall goal of the PEAK program is to instill an efficiency ethic in students through standards-based lessons, hands-on activities, and real-world application in their homes, schools, and communities. Engage elementary school students could serve as advocates of smart energy management in their homes, schools, and communities.
Water District	Decision 05-01-056 authorized $75,000 in funding for SDG&E to perform a "Water District Partnership Study"

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SDG&E Demand Response 2006-2008 Program Descriptions	
PROGRAM TYPE	**PROGRAM DESCRIPTION**
Partnership	(Study) in 2005. The Study evaluate whether to encourage (through financial incentives) water districts to install efficient natural gas powered engine systems for water pumping in return for allowing SDG&E to operate those engines during critical peak periods. The study found that at the three sample pumping stations studied, "…none of the gas equipment installation scenarios would result in a payback period of less than 20 years… However, payback periods of less than 20 years could be achieved by subsidizing part or all of the upfront capital costs." (Study, pg 2) The study finds that although peak energy demands could indeed be reduced by utilizing the gas-fired equipment during on-peak or semi-peak hours, it was not economic to operate the equipment during off-peak hours. And, significantly, the study notes that for the three sample sites studied, "potential economic feasibility could only be achieved by utilizing gas equipment during a large percentage of peak hours, and (L)imiting the use of the equipment to the 12 CPP operational days during the year is not feasible from an economic standpoint." (Study, pg 2) Given that a study exploring these mid-term technologies have been identified, SDG&E will continue to evaluate these alternatives within its existing funding authorizations, and may, at a later date, develop further specific program proposal to present to the Commission.
Other Programs	
Automated Demand Response Program (ADRS)	ADRS is a program for residential customers who are currently participating in the SPP. ADRS enables web-based control of the thermostat
Competitive Bid	The DR Competitive Bid Program will allow third parties with demand response solutions to propose effective DR programs to the utility for integration into the utility's DR portfolio. Proposals will be evaluated against criteria to be established by a Demand Response Project Team.

(END OF ATTACHMENT C)

ATTACHMENT D
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