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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

I.D. # 11405

ENERGY DIVISION **RESOLUTION E-4511**

July 12, 2012

R E S O L U T I O N

Resolution E-4511: San Diego Gas and Electric Company (SDG&E) Advice Letter 2370-E

PROPOSED OUTCOME: This Resolution approves SDG&E's proposed new Schedule DBP - Demand Bidding Program for the summer 2012 and SDG&E's request to shift funds from its 2012-2014 Base Interruptible Program (BIP) budget, consistent with fund shifting rules adopted in D.12-04-045.

ESTIMATED COST: No new funding. Approximately $1.8 million to be shifted from SDG&E's existing Base Interruptible Program (BIP) to fund SDG&E's proposed DBP.

By SDG&E Advice Letter 2370-E, filed on June 1, 2012

SUMMARY

This Resolution addresses SDG&E's Advice Letter 2370-E, which requests to establish a new Demand Bidding Program (DBP) for the summer of 2012 and through December 31, 2012.

This Resolution approves SDG&E's proposed new Schedule DBP, Demand Bidding Program, starting this summer and through the end of 2012, to help reduce summer and post-summer demand for electricity in SDG&E's service territory. This Resolution also approves SDG&E's request to shift funds from its 2012-2014 Base Interruptible Program (BIP) budget, consistent with fund shifting rules set forth in D.12-04-045.

BACKGROUND

On April 30, 2012, the Commission issued D.12-04-045, which adopted 2012--2014 budgets for the Demand Response (DR) programs of SDG&E, Southern California Edison (SCE) and Pacific Gas and Electric Company (PG&E). These programs were adopted to promote shifts in electricity consumption in response to either price signals or financial incentives, primarily during times when reliability is compromised or the electricity system is vulnerable to extremely high prices.

On January 9, 2012, San Onofre Nuclear Generating Station (SONGS) Unit 2 was taken out of service for a planned outage, and on January 31, 2012, Unit 3 was taken offline after station operators detected a leak in one of the unit's steam generator tubes. SONGS provides substantial capacity to the Southern California region in SCE's and SDG&E's service territories. These units will not be brought back into service until the cause of this leak is determined.

The California Independent System Operator (CAISO) has determined that there is sufficient capacity to meet electricity requirements in Southern California this summer under most scenarios, but that an unexpected generation outage in the region or loss of transmission capacity could strain the electrical system if SONGS is not brought back into service. The CAISO, the Commission, SCE and SDG&E are working on a number of contingencies to address reliability during the summer peak period.

In an effort to make the most of existing opportunities using demand side resources to protect the state's electrical system reliability, Energy Division Director, Edward Randolph, sent a letter to SCE and SDG&E on April 25, 2012, directing both utilities to file Tier 3 Advice Letters proposing augmentations and improvements to their existing DR programs. Specifically, the Energy Division letter proposed the consideration of targeted incentive energy conservation programs (e.g., a 20/20 program or similar variation) and/or the expansion of existing PTR programs to additional customer classes. Furthermore, Energy Division requested that SCE and SDG&E focus their efforts on areas potentially affected by the SONGS outage (e.g., south Orange County and the San Diego region). The Energy Division also requested that SCE and SDG&E provide estimates of the costs of these programs and propose existing funding mechanisms that could be used for these programs on an emergency basis.

In response to the Energy Division request, SCE submitted Advice Letter 2721-E on April 27, 2012, proposing a new program outlined in its Schedule 10/10 to help reduce summer demand for electricity in the Orange County area. SDG&E submitted Advice Letter 2351-E on April 30, 2012, proposing modifications to its Schedule PTR, Peak Time Rebate program and the establishment of a new program, called SummerGen 2012. The Commission has approved SCE's proposed 10/10 program and SDG&E's PTR program in Resolution E-4502 issued on May 29, 2012. SDG&E's subsequently withdrew its proposal on the SummerGen 2012 program on June 8, 2012.

On June 1, 2012, SDG&E submitted Advice Letter 2370-E proposing a new Schedule DBP, Demand Bidding 2012 Program, to further supplement its 2012 DR portfolio and provide additional demand reduction.

On June 4, 2012, Energy Division Director Edward Randolph approved a shortened protest period for SDG&E Advice Letter 2370-E, consistent with General Order 96-B, General Rule 1.3.

NOTICE

SDG&E states that a copy of this Advice Letter 2370-E was served on its General Order 96-B Advice Letter mailing list and on parties in A.11-03-002.

PROTESTS AND COMMENTS

No parties filed a protest to SDG&E's Advice Letter 2370-E. On June 6, 2012, the Department of Navy (Navy) submitted comments on SDG&E's Advice Letter. On June 7, 2012, SDG&E responded to the Department of Navy's comments.

DISCUSSION

SDG&E's Proposed Schedule DBP, Demand Bidding 2012 Program

In Advice Letter 2370-E, SDG&E proposes a new DBP that:

1. Offers an incentive of $0.50/kWh to non-residential customers (with capability of reducing at least 5 MW of load reduction for each event hour) for the reduced energy consumption during a Demand Bidding Event.
2. Operates during the months from July 1, 2012 (or first date of this Resolution) through December 31, 2012.
3. With event(s) triggered upon notice from the CAISO of a stage 1, 2, 3 emergency or a transmission or imminent system emergency, or as conditions warrant by SDG&E, or CAISO's request when it issues an Alert or Warning.

Specifically, SDG&E proposes:

1. Day Ahead Demand Bidding Event notices and solicitation of Demand Bids from customers in MW per each hour of an Event.
2. Daily bid submission by customers by 2 p.m. for a Demand Bidding Event in the next day.
3. Bid acceptance/rejection notification to customers by email and by 4 p.m. on the day before a Demand Bidding Event.
4. Customer specific baseline based on the similar weekday or weekend prior to the Event with a Day-of Adjustment based on the energy consumption two hours prior to the Event and subject to a ± 40% cap.[1]
5. Calculation of the customer incentive by multiplying the DBP incentive of $0.50/kWh by the customer's Actual Demand Reduction if it is greater than the minimum bid or 50% of the customer's demand bid and less than 150% of the customer's demand bid for the event hour(s).

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[1] For example, if a Demand Bidding Event is on Monday (non-Holiday), the customer specific baseline would be based on the customer's energy consumption for that event hour on the prior Friday assuming it's not a holiday. If an Event is on Tuesday (also non-Holiday), the baseline would be based on the energy consumption for the same hour on Monday.

6. The customer will not receive an incentive payment for reductions less than the minimum bid (5 MWh) nor will the customer receive an incentive payment for reductions less than 50% of their bid.

In addition, SDG&E includes other provisions for its proposed DBP in Schedule DBP.

SDG&E states that its proposed DBP is to leverage as many DR resources as possible for this summer in accordance with Energy Division Director's letter dated April 25, 2012.

SDG&E estimated costs for this program is $1.8 million with approximately 25 MW of load reduction. SDG&E proposes to shift funds from the 2012-2014 Base Interruptible Program (BIP) budget for the DBP program costs. SDG&E indicates that it may request for additional funding for the BIP in future years during the 2012-2014 DR program cycle.

In its comments, the Navy proposes certain changes to the SDG&E's proposed Schedule DBP. It believes that these changes "may allow the Navy to participate in the program to a greater extent and potentially will result in greater reductions in energy consumption…"[2]

In summary, the Navy proposes:

1. Allow a customer to aggregate more than 5 billable meters.
2. Clarify whether the Demand Bidding Event (Event) hours will be predetermined or specify that the Event hours will be identified the previous day in the utility's declaration.
3. Lower the minimum bid requirement from 5 MWh to 1 MWh
4. The two hour window for the calculation of the Day-of Adjustment factor commence at least four hours prior to the first Event hour, not the two hours immediately before the first Event hour.
5. Eliminate or raise the 150% cap for the energy reduction eligible for the DBP incentive payment.

[2] The Department of Navy's comments on SDG&E's A.L. 2370-E at p.1.

Navy Proposal 1: Allow a customer to aggregate more than 5 billable meters: The Navy states that it has more than 5 billable meters that could participate in SDG&E's program. In its response to the Navy's comments, SDG&E explains that the automation necessary to aggregate more than 5 meters is simply not available within the timeframe to implement the program this summer. In fact, SDG&E notes that in order to aggregate 5 meters per customer, SDG&E will utilize manual systems and spreadsheets.

We note though that SDG&E's proposed Schedule DBP does not prohibit a customer to have multiple enrollments with up to five aggregated billable meters for each enrollment. Bids under each enrollment would be independent from each other, while all are managed by a single customer such as the Navy. We believe that this is a good option for the customers that have multiple billable meters to help them to achieve maximum load reduction.

Navy Proposal 2: Demand Bidding Event Hours
The Navy states that the Demand Bidding Program tariff should clarify if the Demand Bidding Event (Event) hours will be predetermined. If not, the Navy requests that the tariff should specify that the Event hours will be identified the previous day in the utility's declaration. SDG&E noted that it will provide the specific hours for a program event when the call for bids is made. SDG&E's proposed tariff language states, "The utility will declare a Demand Bidding Event for the following day and the Utility will request bids from the customer that <u>will cover the period of the event</u>." This proposed text indicates that SDG&E will specify the hours that are needed for each event that is called.

Navy Proposal 3: Lower the minimum bid requirement from 5 MWh to 1 MWh
The Navy states the minimum bid requirement, coupled with the incentive structure for the program[3], requires the Navy to bid at least 5 MWh. The Navy expressed the concern that it may not be able to produce 5 MWh at a single geographic location, even with the ability to aggregate meters. SDG&E noted that the Demand Bidding Program was designed to produce large load reductions that would be of sufficient size to produce immediate and significant

[3] Special Condition 8 of the proposed tariff states that if the participant's actual load reduction is less than the minimum bid (5 MWh), no incentive will be paid.

results. We agree with SDG&E that this program is designed to achieve significant load impact for this summer and that it also important that SDG&E has an accurate sense of the amount of MWs that this program can provide for planning purposes. In light of those objectives, we find that the 5 MWh minimum bid is appropriate along with SDG&E's proposed incentive structure. For customers who do not qualify for the minimum 5 MWh bid requirement, there are a number of other SDG&E DR programs for these customers to participate in: e.g., Peak Time Rebate (PTR), Capacity Bidding Program (CBP), Critical Peak Pricing (CPP).

Navy Proposal 4: Day-Of Adjustment Factor
The Navy states that the two hour window for the calculation of the Day-of Adjustment factor should commence at least four hours prior to the first Event hour, not the two hours immediately before the Event because the Navy may already be reducing load in hours immediately prior to the Event. SDG&E agrees with the Navy and goes on to suggest that the two hour window could commence even more than four hours prior to the event. For the purpose of this program, we find that the two-hour adjustment window should commence no earlier than fours prior to the event.

Navy Proposal 5: 150% Cap for the Incentive Payment
The Navy states that SDG&E's proposed 150% cap on the customer's incentive payment is a disincentive for the customer to reduce more than 150% of its bid. SDG&E contends that the 150% cap is to encourage accurate bids and this cap is consistent with the other demand response programs. While we seek to encourage customers to reduce their usage, we agree with SDG&E that having accurate load reduction bid information is very important for planning purposes for SDG&E as well as for the CAISO. There are reliability and economic consequences when demand response resources are either under- or over-performing relative to what customers bid or commit to. We find that SDG&E's proposal is a reasonable approach and consistent with other DR programs.

Therefore, for the reasons above, we will approve SDG&E's Schedule DBP.

COMMENTS TO DRAFT RESOLUTION

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 and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS AND CONCLUSIONS

1. On April 30, 2012, the Commission issued D.12-04-045, which adopted 2012--2014 budgets for Demand Response (DR) programs of Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E) and Pacific Gas and Electric Company (PG&E), including directions regarding how funds may be shifted between applicable DR programs.
2. On January 9, 2012, San Onofre Nuclear Generating Station (SONGS) Unit 2 was taken out of service for a planned outage and on January 31, 2012, Unit 3 was taken off line after station operators detected a leak in one of the unit's steam generator tubes.
3. SONGS provides substantial capacity to the Southern California region and these units will not be brought back into service until the cause of this leak is determined.
4. The California System Operator (CAISO) has determined that there is sufficient capacity to meet electricity requirements in Southern California this summer in most circumstances, but that an unexpected outage or loss of transmission capacity could strain the electrical system if SONGS is not brought back into service.
5. The Energy Division sent a letter to SCE and SDG&E on April 25, 2012, requesting that they submit Tier 3 Advice Letters proposing augmentations and improvements to their existing DR programs.
6. SDG&E submitted Advice Letter 2370-E on June 1, 2012, proposing a new Schedule DBP, Demand Bidding Program. SDG&E estimates that the cost of

the program would be approximately $1.8 million for summer 2012 and proposes to fund this by shifting funds from its existing Base Interruptible Program (BIP).

7. On June 4, 2012, Energy Division Director, Edward Randolph, approved a shortened protest and response period for SDG&E Advice Letter 2370-E, consistent with General Order 96-B, General Rule 1.3.
8. On June 6, 2012, the Department of Navy submitted comments to SDG&E's A.L. 2370-E.
9. On June 7, 2012, SDG&E responded to the Department of Navy's comments.
10. SDG&E's proposed Schedule DBP does not prohibit a customer to have multiple enrollments with up to five aggregated billable meters for each enrollment.
11. SDG&E will specify the hours that are needed for each event that is called.
12. SDG&E's proposed 5 MWh minimum bid for the program is appropriate along with SDG&E's proposed incentive structure.
13. SDG&E's two-hour day-of-adjustment window for the Demand Bidding Program should commence no earlier than fours prior to the event.
14. SDG&E's proposed 150% cap on the customer's incentive payment is reasonable.
15. SDG&E's proposed DBP reasonable and it will be supplemental to its 2012-2014 demand response portfolio, which is needed in light of the SONGS outages during summer 2012.
16. SDG&E's proposal to shift funds to its Demand Bidding Program from its Base Interruptible Program is in compliance with the fund shifting rules in D.12-04-045.

THEREFORE IT IS ORDERED THAT:

1. SDG&E is authorized to create Schedule DBP, Demand Bidding 2012 Program for its non-residential customers.
2. SDG&E is authorized to shift $1.8 million in funds from its Base Interruptible Program, consistent with fund shifting rules established in D.12-04-045.
3. SDG&E shall include the Demand Bidding 2012 Program in its daily DR reporting to the California Independent System Operator (CAISO).
4. SDG&E shall include the Demand Bidding 2012 Program in its monthly demand response program reports to the Energy Division.

5. SDG&E shall consult with the Energy Division prior to the initiation of its measurement and evaluation of this program.
6. SDG&E shall provide the Energy Division with the Measurement and Evaluation results of this program as a part of its Annual Load Impact Report filed on April 1, 2013. Consistent with D.12-04-045, Ordering Paragraph 11, SDG&E shall compare the baseline settlement results with the Measurement and Evaluation results and include its comparison analysis in the April 1, 2013 filing.
7. SDG&E shall provide the Energy Division with the final costs of the program, including a breakdown of the implementation, customer outreach, measurement and evaluation and incentives in its monthly report for December 2012.
8. SDG&E shall file a Tier 1 Advice Letter within 3 days of the effective date of this Resolution implementing Schedule DBP, Demand Bidding 2012 Program that complies with all changes ordered in this resolution.

This Resolution is effective today.

I certify that 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 12, 2012; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director