

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



April 8, 2004

Advice Letter 2428-E

Ms Anita Smith, Rate Analyst  
Pacific Gas and Electric Company  
77 Beale Street, 10B Mail Code  
San Francisco, CA 94177

Subject: Advanced Metering Project – Demand Response Programs Demand Reserves  
Partnership (DRP) Program Implementation Plan in Compliance with  
Decision 03-06-032

Dear Ms Smith:

Advice Letter 2428-E is effective October 6, 2003. A copy of the advice letter is sent herewith for your records.

Sincerely,

A handwritten signature in cursive script that reads "Paul Clavin".

Director  
Energy Division



**Karen A. Tomcala**  
Vice President  
Regulatory Relations

77 Beale Street, Room 1065  
San Francisco, CA 94105

*Mailing Address*  
Mail Code B10A  
P.O. Box 770000  
San Francisco, CA 94177

415.972.5209  
Internal: 222.5209  
Fax: 415.972.5625  
Internet: KAT5@pge.com

October 6, 2003

**Advice 2428-E  
(Pacific Gas and Electric Company ID U39 E)**

Public Utilities Commission of the State of California (CPUC)

**Subject: Advanced Metering Project – Demand Response Programs  
Demand Reserves Partnership (DRP) Program -- Permanent  
Proposal for Resource Allocation and Progress Under  
Implementation Plan in Compliance with Decision 03-06-032**

Pacific Gas and Electric Company (PG&E),<sup>1</sup> hereby submits this advice filing with a joint utility proposal for a permanent allocation of the California Power Authority (CPA) Demand Reserves Partnership (DRP) resources among PG&E, Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) (collectively, the Utilities). This filing also provides a status report on PG&E's Implementation Plan filed with the CPUC on July 7, 2003, in Advice 2399-E.

**Purpose**

The purpose of this filing is to comply with Decision 03-06-032 (the "Decision"), Ordering Paragraph (OP) 8 and to report on progress under PG&E's Implementation Plan filed in the above-referenced advice letter. The attached joint proposal for the permanent allocation of DRP program resources among the three Utilities has been prepared in coordination with, and with the support of, the Utilities, CPA, and the California Department of Water Resources (DWR).

**Background**

In the Decision, the Utilities were ordered to develop Implementation Plans, such

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<sup>1</sup> PG&E reserves all legal rights to challenge the decisions or statutes under which it has been required to make this advice filing, and nothing in this advice filing constitutes a waiver of such rights. Also, PG&E reserves any additional legal rights to challenge the requirement to make this advice filing by reason of its status as a debtor under Chapter 11 of the Bankruptcy Code, and nothing in this advice filing constitutes a waiver of such rights.

as that submitted by PG&E as part of the above-referenced Advice Letter, detailing a phased approach for implementing the DRP. The Decision also ordered:

The IOUs shall immediately develop with the CPA and [DWR], as necessary, a mutually acceptable interim mechanism for allocating the CPA DRP resources that they schedule in 2003 with the CAISO. IOUs and CPA shall also develop a permanent proposal, based on the experience of Summer 2003, unless such an alternative mechanism is developed in the procurement proceeding. Within 120 days of the date of issuance of this decision, the IOUs shall file and serve a joint compliance filing containing this information. (O.P. 8.)

Regarding the first part of this Ordering Paragraph, the Utilities' respective Implementation Plans did indeed confirm an interim mechanism for the temporary allocation of DRP resources. The interim mechanism followed that described on page 85 of the Decision.

This Advice 2428-E addresses the second part of the Ordering Paragraph. That is, this Advice 2428-E provides the "permanent proposal" required by Ordering Paragraph 8, as well as providing an update on progress made under PG&E's Implementation Plan.

### **Joint Proposal for the Permanent Allocation of DRP Resources**

The proposal for the permanent allocation of DRP resources shall be the same methodology as the interim methodology described by the Decision. Specifically, this "geographic" test allocates – as a general rule – DRP resources to the utility in whose territory those resources are physically located or in whose territory the energy associated with those resources is delivered. There may be possible exceptions to this rule, including resources located in "fringe areas"<sup>2</sup> and either municipal areas or DWR resources.<sup>3</sup> The parties have further agreed that other variations from this general rule may be made as necessary, in future advice filings with the CPUC.

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<sup>2</sup> A possible exception may be the allocation of potential CPA DRP resources located in the fringe areas of a utility's service territory where the functions of customer billing and physical service are not performed by the same utility. The Utilities have discussed ways to handle the allocation of such resources, either by allocating the scheduling responsibility of the DRP resource to the billing utility or to the electrically connected utility. However, it would be premature to choose a particular method for allocating fringe customers until the scheduling and settlement arrangements still at issue are resolved. At that time, the Utilities commit to choosing an approach acceptable to the Utilities, the CPA and DWR and reporting to the CPUC accordingly, by advice letter.

<sup>3</sup> Another exception is that CPA DRP resources may not be located in any of the three Utilities' service territories, such as DWR or municipal resources, or may be interconnected with more than one of the Utilities. The allocation of such resources would be handled on a case-by-case basis depending on the specific circumstances including the characteristics of that resource. All CPA DRP resources would be allocated to one of the three Utilities and DWR would be notified of such allocation.

In making this proposal, the Utilities understand and are relying on section 2.13 of the Amended and Restated Demand Reserves Purchase Agreement between the CPA and DWR, which states, "At such time as the aggregate of Monthly Nominated Capacity and Additional Hourly Capacity in any hour is equal to or greater than 200 MW approximately 50% of the Capacity shall be located in CAISO congestion zones north of path 15." Should the actual location of the Capacity vary from this assumption in any material respect, the Utilities reserve the right to revisit the above-described allocation methodology and submit a substitute methodology in an advice filing with the CPUC.

### **Progress Under PG&E's Implementation Plan**

#### *General Status*

Importantly, PG&E's implementation of key aspects of Phase I of its Implementation Plan (i.e., the Initial Implementation of the Day Ahead Call Option Program) was dependent on PG&E executing a limited agency agreement with DWR. This agreement would have allowed PG&E to assume certain administrative responsibilities for the Day Ahead Call Option program. This agreement, which had been once targeted for completion by July 18, 2003, has not yet been finalized. Progress has been good on the DWR/PG&E negotiations, although a few substantive issues remain on which advice has been sought from the CPUC.

Naturally, the delay in completion of the agency agreement has delayed the accomplishment of many objectives set forth in PG&E's Implementation Plan for Summer 2003. In this Advice Filing, PG&E had expected to report on such things as: (i) the success of the marketing campaign undertaken to date and possible recommendations for improvement and (ii) key changes required in the manner of implementation of the Day Ahead Call Option Program. (PG&E Implementation Plan, p. 14.)

For the sake of completeness, brief reports in these areas are set forth below.

#### *Marketing Campaign*

In early August, training on the DRP program was provided to PG&E's field account representatives. This training consisted of hands-on, interactive, face-to-face training. In addition to the training program, the CPA developed a fact sheet about the DRP program and provided it to the Utilities for distribution. PG&E then distributed the fact sheet to its field account representatives, who, in turn, provided the fact sheet to assigned end-use customers (i.e., commercial, industrial and direct access customers).

#### *Requisite Changes to the Call Option Subprogram*

During the summer of 2003, the DRP resources were scheduled and dispatched

twice by DWR. Due to the absence of an agency agreement, PG&E did not schedule or dispatch the program.

Thus, PG&E has no practical experience in the scheduling or dispatch of these resources that could provide a basis for recommended changes. Further evaluation of the Call Option Subprogram needs to await PG&E scheduling and dispatch of these resources.

#### *Next Steps*

The delays in implementation of the Call Option Subprogram caused by the lack of an agency agreement between PG&E and DWR this summer have affected the timeline set forth in PG&E's Implementation Plan. Until a limited agency agreement is executed with DWR, however, it would appear to be premature to revise the expected timeline for phased implementation of the DRP program. Accordingly, within 30 calendar days of the completion of an agency agreement, PG&E will update and submit a revised Implementation Plan to the CPUC.

#### **Protests**

In compliance with General Order 96-A, anyone wishing to protest this filing may do so by sending a letter by **October 27, 2003**, which is **20 days** from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

IMC Branch Chief – Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, California 94102  
Facsimile: (415) 703-2200  
E-mail: [jjr@cpuc.ca.gov](mailto:jjr@cpuc.ca.gov)

Protests also should be sent by e-mail and facsimile to Mr. Jerry Royer, Energy Division, as shown above, and by U.S. mail to Mr. Royer at the above address.

The protest should be sent via both e-mail and facsimile to the Utilities on the same date it is mailed or delivered to the Commission at the addresses shown below.

Pacific Gas and Electric Company  
Attention: Brian Cherry  
Director, Regulatory Relations  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, California 94177

October 6, 2003

Facsimile: (415) 973-7226  
E-mail: RxDd@pge.com

**Effective Date**

PG&E respectfully requests that the Commission rule expeditiously on this advice filing so that PG&E may move forward to implement the DRP Implementation Plan as directed by the Commission in Decision 03-06-032. As such, and in compliance with Decision 03-06-032, PG&E requests that once approved, the effective date of this advice filing is October 6, 2003, which is the date of this filing.

**Notice**

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list, and the service list parties for Rulemaking (R.) 02-06-001. Address changes should be directed to Sandra Ciach at (415) 973-7572. Advice letter filings can also be accessed electronically at:

[http://www.pge.com/customer\\_services/business/tariffs/](http://www.pge.com/customer_services/business/tariffs/)

Vice President - Regulatory Relations

*Karen Tomcala / JCH*

Attachments

cc: Service List R. 02-06-001

**PG&E Electric Advice Filing List  
General Order 96-A, Section III(G)**

ABAG Power Pool	Duke Energy	Sacramento Municipal Utility District
ACN Energy, Inc.	Duke Energy North America	SCD Energy Solutions
Aglet Consumer Alliance	Duncan, Virgil E.	Seattle City Light
Agnews Developmental Center	Dutcher, John	Sempra
Ahmed, Ali	Dynegy Inc.	Sempra Energy
Alcantar & Elsesser	Ellison Schneider	Sequoia Union HS Dist
Anderson Donovan & Poole P.C.	Energy Law Group LLP	SESCO
Applied Power Technologies	Enron Energy Services	Sierra Pacific Power Company
APS Energy Services Co Inc	Exeter Associates	Silicon Valley Power
Arter & Hadden LLP	Foster, Wheeler, Martinez	Simpson Paper Company
Avista Corp	Franciscan Mobilehome	Smurfit Stone Container Corp
Barkovich & Yap, Inc.	Future Resources Associates, Inc	Southern California Edison
BART	GLJ Energy Publications	SPURR
Bartle Wells Associates	Goodin, MacBride, Squeri, Schlotz &	St. Paul Assoc
Blue Ridge Gas	Grueneich Resource Advocates	Stanford University
Bohannon Development Co	Hanna & Morton	Sutherland, Asbill & Brennan
BP Energy Company	Heeg, Peggy A.	Tabors Caramanis & Associates
Braun & Associates	Hogan Manufacturing, Inc	Tansev and Associates
C & H Sugar Co.	House, Lon	Tecogen, Inc
CA Bldg Industry Association	Imperial Irrigation District	TFS Energy
CA Cotton Ginners & Growers Assoc.	Integrated Utility Consulting Group	TJ Cross Engineers
CA League of Food Processors	International Power Technology	Transwestern Pipeline Co
CA Water Service Group	J. R. Wood, Inc	Turlock Irrigation District
California Energy Commission	JTM, Inc	United Cogen Inc.
California Farm Bureau Federation	Kaiser Cement Corp	URM Groups
California ISO	Korea Elec Power Corp	Utility Cost Management LLC
Calpine	Marcus, David	Utility Resource Network
Calpine Corp	Masonite Corporation	Wellhead Electric Company
Calpine Gilroy Cogen	Matthew V. Brady & Associates	Western Hub Properties, LLC
Cambridge Energy Research Assoc	Maynor, Donald H.	White & Case
Cameron McKenna	McKenzie & Assoc	WMA
CanAm Energy	McKenzie & Associates	
Cardinal Cogen	Meek, Daniel W.	
Cellnet Data Systems	Meyer, Joseph	
Childress, David A.	Mirant California, LLC	
City of Glendale	Modesto Irrigation Dist	
City of Healdsburg	Morrison & Foerster	
City of Palo Alto	Morse Richard Weisenmiller & Assoc.	
City of Redding	New United Motor Mfg, Inc	
CLECA Law Office	Norris & Wong Associates	
Constellation New Energy	North Coast Solar Resources	
CPUC	Northern California Power Agency	
Creative Technology	Occidental Energy Marketing	
Crossborder Inc	PG&E National Energy Group	
CSC Energy Services	Pinnacle CNG Company	
Davis, Wright Tremaine LLP	PPL EnergyPlus, LLC	
Davis, Wright, Tremaine, LLP	Price, Roy	
Defense Fuel Support Center	Product Development Dept	
Department of the Army	Provost Pritchard	
Department of Water & Power City	R. M. Hairston & Company	
Dept of the Air Force	R. W. Beck & Associates	
DGS Natural Gas Services	Recon Research	
DMM Customer Services	Regional Cogeneration Service	
Downey, Brand, Seymour & Rohwer	RMC Lonestar	