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July 28, 2006

**Advice 2870-E**

(Pacific Gas and Electric Company ID U 39 E)

**Subject: Expedited Implementation of Revisions to PG&E's Schedule E-DBP – Demand Bidding Program**

Public Utilities Commission of the State of California

Pacific Gas and Electric Company (PG&E) submits for filing revisions to its electric tariffs. The affected tariff sheets are attached.

PG&E requests expedited approval of this advice letter. PG&E requests that the Commission provide for a shortened protest period of seven (7) days from the date of this advice letter, and that the changes requested herein become effective immediately upon the expiration of the shortened protest period if no protests are filed. Should any party file a protest to this advice letter, PG&E requests that the changes requested herein become effective as quickly as the Commission deems appropriate.

**Purpose**

In light of the unprecedented demand on the electric system due to the recent heat wave and low customer participation in its Demand Bidding Program (DBP), PG&E proposes to revise its incentive structure in Schedule E-DBP – Demand Bidding Program with the intent to increase the amount of demand response when it is most needed. PG&E proposes to remove the current limitations on the participation bonus of up to \$0.10/kwh that is added to the market price to determine the energy price for the DBP incentive. The proposed revision is intended to increase the amount of demand response available from DBP, particularly during heat waves or other conditions leading to high market prices for energy. PG&E's request is consistent with the Commission's goal of increasing customer participation in demand response programs as stated in draft Resolution E-4009 issued July 24, 2006.

**Background**

The current DBP incentive structure is shown below:

<u>Market Price</u>	<u>DBP Incentive</u>
Up to \$.25 per kwh	Market Price + \$.10 per kwh
\$.25 per kwh - \$.35 per kwh	\$.35 per kwh
> \$.35 per kwh	Market Price

As currently structured, the DBP actually provides a waning incentive for customer participation at high market prices. When the market price exceeds \$0.35/kwh, as it did during the recent heat wave, DBP participants receive a market price as an incentive for demand reduction, and are no longer eligible for a participation bonus. Thus, the incentive structure of the DBP dampens the incentive for customer participation when market price levels reach the levels that may be experienced during heat waves or other unusual events.

In order to attempt to increase customer participation, PG&E proposes to add the \$0.10/kwh participation bonus to every hour's market price, and not reduce or eliminate the bonus when market prices exceed \$0.25/kwh. Eliminating the limitations on applying the participation bonus will provide additional incentives to customers to reduce load and will simplify the incentive payment methodology

**Recovery of Additional Participation Bonus Costs**

PG&E created the Demand Response Expenditures Balancing Account (DREBA) consistent with D.06-03-024 in Advice Letter 2804-E, effective January 1, 2006. DREBA is used to track DR expenses, including the participation bonus. The DREBA records actual costs related to DR programs and tracks these costs against the DR revenue requirement on a monthly basis over the entire 2006 – 2008 program cycle. PG&E proposes to record any additional participation bonus amounts to the DREBA.

PG&E is not requesting any additional budget or funding in order to implement the proposed revision to the DBP. PG&E anticipates that the existing program and budget flexibility approved by the Commission in D.06-03-024 is sufficient to implement the change.

**Expedited Treatment Requested**

Due to the immediate benefits that could be derived from the prompt Commission approval of this advice letter, PG&E requests expedited treatment of this filing in order to implement the proposed changes this summer. PG&E requests that the protest period be shortened to August 4, 2006 and that the changes requested herein become effective if there are no protests. In the event that protests are

received, PG&E requests that the proposal requested herein become effective as quickly as the Commission deems appropriate

**Shortened Protest Period**

Anyone wishing to protest this filing may do so by sending a letter by **August 4, 2006**, which is **7 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:

Energy Division  
Attention: Tariff Unit, 4<sup>th</sup> Floor  
505 Van Ness Avenue  
San Francisco, California 94102  
Facsimile: (415) 703-2200  
E-mail: [jjr@cpuc.ca.gov](mailto:jjr@cpuc.ca.gov) and [jnj@cpuc.ca.gov](mailto:jnj@cpuc.ca.gov)

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Pacific Gas and Electric Company  
Attention: Brian Cherry  
Vice President, Regulatory Relations  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, California 94177  
Facsimile: (415) 973-7226  
E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

**Notice**

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this Advice Letter is being sent electronically or via U.S. mail to parties shown on the attached list and to the service lists for **A.05-06-006**. Address changes should be directed to Rose De La Torre at (415) 973-4716. Advice Letter filings can also be accessed electronically at:

**<http://www.pge.com/tariffs>**

*Brian K. Cheng*

Vice President - Regulatory Relations

Attachments

cc: Service Lists – A.05-06-006

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. Pacific Gas and Electric Company U39M

Utility type:

ELC       GAS  
 PLC       HEAT       WATER

Contact Person: Shilpa Ramaiya

Phone #: (415) 973-3186

E-mail: srrd@pge.com

### EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas  
PLC = Pipeline      HEAT = Heat      WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **2870-E**

Subject of AL: Expedited Implementation of Revisions to PG&E's Schedule E-DBP – Demand Bidding Program

Keywords (choose from CPUC listing): Demand Response

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution: N/A

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL \_\_\_\_\_

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: \_\_\_\_\_

Resolution Required?  Yes  No

Requested effective date: **8-4-2006**

No. of tariff sheets: 3

Estimated system annual revenue effect: (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Schedule E-DBP – Demand Bidding Program

Service affected and changes proposed<sup>1</sup>: See Advice Letter

Pending advice letters that revise the same tariff sheets: N/A

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:**

**CPUC, Energy Division**

**Attention: Tariff Unit**

**505 Van Ness Ave.,**

**San Francisco, CA 94102**

**[jjr@cpuc.ca.gov](mailto:jjr@cpuc.ca.gov) and [jnj@cpuc.ca.gov](mailto:jnj@cpuc.ca.gov)**

**Utility Info (including e-mail)**

**Attn: Brian K. Cherry**

**Director, Regulatory Relations**

**77 Beale Street, Mail Code B10C**

**P.O. Box 770000**

**San Francisco, CA 94177**

**E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)**

<sup>1</sup> Discuss in AL if more space is needed.

**ATTACHMENT 1  
Advice 2870-E**

<b>Cal P.U.C. Sheet No.</b>	<b>Title of Sheet</b>	<b>Cancelling Cal P.U.C. Sheet No.</b>
25082-E	Schedule E-DBP--Demand Bidding Program	22857-E
25083-E	Table of Contents -- Rate Schedules	24754-E
25084-E	Table of Contents -- Rate Schedules	24755-E



SCHEDULE E-DBP—DEMAND BIDDING PROGRAM  
(Continued)

**PROGRAM TESTING:**

PG&E may activate an E-DBP Event with a simulated emergency event test trigger twice per year. Each emergency test event shall be no longer than four (4) hours. During such a test, the customer shall be responsible for curtailing load consistent with the terms of this schedule. Participants will receive incentive payment of \$0.35/kW for qualifying load reduction during each hour of a E-DBP test event.

**INCENTIVE PAYMENTS:**

PG&E will evaluate and pay for the customer's hourly load reductions realized under the Program within ninety (90) days after each E-DBP Event, depending on where the E-DBP Event falls within the participant's actual billing cycle. The incentive payments will be reflected in the customer's regular monthly bill as an adjustment.

Energy reduction for a given Market Price E-DBP Event hour will be determined as the difference between the customer specific energy baseline (CSEB) for that hour and the customer's actual energy usage during that hour. Participants will only be paid for a maximum of 150 percent (150%) of their accepted bid (kW) load drop measured on an hourly basis. Participants must drop at least 50 percent (50%) of their bid load to qualify for any payment in any hour. In no case will a customer receive a credit payment for a given hour if it does not meet, in that hour of the event, the minimum energy reduction of 50 kW.

The E-DBP event incentives will be calculated on an hourly basis, and will be equal to the product of the qualified kW energy reduction for each hour a bid was accepted and the sum of the forecasted hourly market price of the E-DBP Event plus a participation bonus. (T)

Incentives = kW reduction x (market price + participation bonus) (T)

Participation Bonus – The E-DBP Event participation bonus will be equal to \$0.10/kW for each hour of the event. (T)  
(T)

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

ABAG Power Pool	DGS Natural Gas Services	PG&E National Energy Group
Accent Energy	Douglass & Liddell	Pinnacle CNG Company
Aglet Consumer Alliance	Downey, Brand, Seymour & Rohwer	PITCO
Agnews Developmental Center	Duke Energy	Plurimi, Inc.
Ahmed, Ali	Duke Energy North America	PPL EnergyPlus, LLC
Alcantar & Elsesser	Duncan, Virgil E.	Praxair, Inc.
Ancillary Services Coalition	Dutcher, John	Price, Roy
Anderson Donovan & Poole P.C.	Dynegy Inc.	Product Development Dept
Applied Power Technologies	Ellison Schneider	R. M. Hairston & Company
APS Energy Services Co Inc	Energy Law Group LLP	R. W. Beck & Associates
Arter & Hadden LLP	Energy Management Services, LLC	Recon Research
Avista Corp	Exelon Energy Ohio, Inc	Regional Cogeneration Service
Barkovich & Yap, Inc.	Exeter Associates	RMC Lonestar
BART	Foster Farms	Sacramento Municipal Utility District
Bartle Wells Associates	Foster, Wheeler, Martinez	SCD Energy Solutions
Blue Ridge Gas	Franciscan Mobilehome	Seattle City Light
Bohannon Development Co	Future Resources Associates, Inc	Sempra
BP Energy Company	G. A. Krause & Assoc	Sempra Energy
Braun & Associates	Gas Transmission Northwest Corporation	Sequoia Union HS Dist
C & H Sugar Co.	GLJ Energy Publications	SESCO
CA Bldg Industry Association	Goodin, MacBride, Squeri, Schlotz &	Sierra Pacific Power Company
CA Cotton Ginners & Growers Assoc.	Hanna & Morton	Silicon Valley Power
CA League of Food Processors	Heeg, Peggy A.	Smurfit Stone Container Corp
CA Water Service Group	Hitachi Global Storage Technologies	Southern California Edison
California Energy Commission	Hogan Manufacturing, Inc	SPURR
California Farm Bureau Federation	House, Lon	St. Paul Assoc
California Gas Acquisition Svcs	Imperial Irrigation District	Stanford University
California ISO	Integrated Utility Consulting Group	Sutherland, Asbill & Brennan
Calpine	International Power Technology	Tabors Caramanis & Associates
Calpine Corp	Interstate Gas Services, Inc.	Tecogen, Inc
Calpine Gilroy Cogen	IUCG/Sunshine Design LLC	TFS Energy
Cambridge Energy Research Assoc	J. R. Wood, Inc	Transcanada
Cameron McKenna	JTM, Inc	Turlock Irrigation District
Cardinal Cogen	Luce, Forward, Hamilton & Scripps	U S Borax, Inc
Cellnet Data Systems	Manatt, Phelps & Phillips	United Cogen Inc.
Chevron Texaco	Marcus, David	URM Groups
Chevron USA Production Co.	Matthew V. Brady & Associates	Utility Cost Management LLC
Childress, David A.	Maynor, Donald H.	Utility Resource Network
City of Glendale	McKenzie & Assoc	Wellhead Electric Company
City of Healdsburg	McKenzie & Associates	Western Hub Properties, LLC
City of Palo Alto	Meek, Daniel W.	White & Case
City of Redding	Mirant California, LLC	WMA
CLECA Law Office	Modesto Irrigation Dist	
Commerce Energy	Morrison & Foerster	
Constellation New Energy	Morse Richard Weisenmiller & Assoc.	
CPUC	Navigant Consulting	
Cross Border Inc	New United Motor Mfg, Inc	
Crossborder Inc	Norris & Wong Associates	
CSC Energy Services	North Coast Solar Resources	
Davis, Wright, Tremaine LLP	Northern California Power Agency	
Defense Fuel Support Center	Office of Energy Assessments	
Department of the Army	OnGrid Solar	
Department of Water & Power City	Palo Alto Muni Utilities	