

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



October 29, 2007

Advice Letter 2997-E-A

Brian K. Cherry  
Vice President, Regulatory Relations  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, CA 94177

Subject: Supplemental Filing Containing Submission of Proposals  
for Permanent Load Shifting Program for 2007 and Beyond  
in Compliance with Decision 06-11-049

Dear Mr. Cherry:

Advice Letter 2997-E-A is effective July 26, 2007.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director  
Energy Division

February 28, 2007

**Advice 2997-E**

(Pacific Gas and Electric Company ID U 39 E)

**Subject: Advice Letter for Permanent Load Shifting Proposals in Compliance with Decision 06-11-049**

Public Utilities Commission of the State of California (CPUC)

Pacific Gas and Electric Company (PG&E) submits this advice letter in compliance with Decision (D.) 06-11-049 Ordering Paragraph 8 (OP 8), which ordered PG&E to pursue demand response (DR) in the form of permanent load shifting (PLS) via a Request for Proposal (RFP) process, and to file an advice letter with its selected proposals by February 28, 2007.<sup>1</sup> Due to the tight timeframe from the November 30, 2006 decision to the February 28, 2007 filing deadline, PG&E has not yet reached final contractual agreement with any vendor at the time of this filing, but PG&E is finalizing its review of the proposals received in response to its RFP and hopes to engage in fruitful contract negotiations with several PLS bidders.

PG&E expects that in 2007 and beyond PLS will become an integral part of PG&E's overall efforts to reduce on-peak demand, and to avoid the need to utilize relatively less efficient generation resources during the on-peak period. In general, on-peak generation resources cost more and have a larger environmental impact than partial-peak and off-peak generation resources.

**Purpose**

D.06-11-049 directed to PG&E to issue an RFP for PLS, and instructed PG&E to file an advice letter with its selected proposals by February 28, 2007.<sup>2</sup> This filing responds to D.06-11-049 and describes the status of PG&E's RFP effort. PG&E

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<sup>1</sup> D.06-11-049, OP 8 states: PG&E and SCE shall pursue RFPs and bilateral arrangements for permanent load shifting for the summer of 2007. Each investor-owned utility (IOU) is directed to file an advice letter with its selected proposals by February 28, 2007. PG&E, SDG&E, and SCE are authorized to shift up to \$10 million, \$4 million, and \$10 million, respectively, of their existing demand response budgets.

<sup>2</sup> Decision 06-11-049, OP 8.

intends to complete negotiations, update this filing with a supplemental filing containing final contractual details, and seek the CPUC's approval of such contracts at such time.

### **Terms of PG&E's Request for Proposals**

PG&E issued an RFP in January 2007 to solicit proposals from 42 potential vendors for permanent load shifting proposals that would fit within PG&E's resource mix.<sup>3</sup> Proposals were received on February 16, 2007, and currently, based on initial screening of responses, PG&E is initiating negotiations with several of the most promising bidders. PG&E anticipates it will complete its negotiation process in April 2007.

The RFP was crafted to solicit proposals for program options that can be available starting in 2007 and will meet PG&E's requirements for reliable performance. The RFP was limited to thermal energy storage and water storage because these technologies are market ready. PG&E's RFP solicited proposals that will provide permanent load shifting services for up to five years.

PG&E's RFP had the following objectives:

- Promote incorporation of PLS technology and strategies in both new construction and retrofit applications;
- Potential participants are either bundled, direct access, or community choice aggregation and either residential, commercial, industrial, or agricultural;
- Ensure PLS projects are energy neutral or better with respect to net energy use;
- Ensure PLS project performance is measurable, repeatable, reliable, and sustainable;
- Achieve high customer satisfaction to increase customer participation, continued and consistent load shift, and technology market penetration; and
- Cap the total RFP amount at \$10,000,000. Each proposal was limited to a value between \$1,000,000 and \$3,000,000.

To ensure the programs selected in the RFP process will be able to shift the amount of load off peak as specified by the vendor, PG&E included specifications in its RFP that require the bidders to act as program administrators. PG&E intends to enter into contracts with the program administrators who, in turn, enter into agreements with the customers. Using this mechanism, PG&E will pay the program administrators -- not the customer -- for the load shift. As a result,

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<sup>3</sup> PG&E issued a Contract Opportunity Announcement (COA) on December 14, 2006. PG&E sent the COA to approximately 170 parties and posted it on PG&E's internet site. Potential bidders were required to pre-register by December 21, 2006. Forty-two potential bidders pre-registered.

program administrators are involved with the entire process, including, but not limited to: marketing, design, installation, and maintenance.

The RFP contained terms specifying the bidder's responsibility for measuring and reporting the actual load shift associated with the program to ensure that the appropriate load shift is provided. The program administrators are required to submit each proposed site to a design review by a qualified independent engineering firm. To motivate the program administrators to deliver load shift, payments to the program administrators will be adjusted if the load shift is not consistently delivered over the term.

### **PG&E's Process to Evaluate and Rank the Proposals**

PG&E is using a comprehensive bid evaluation process to rank the bids and select promising proposals for further negotiation. Proposals are being evaluated based on the following criteria:

- The PG&E-calculated benefit /cost ratio;
- The bidder's proven experience (track record) and performance in load shifting programs;
- The quality of the methodology used for producing energy and demand savings, and energy neutrality; portfolio of potential projects; rigor of proposed project identification process; project management; commissioning; and probability of the bidder's plan meeting the objectives of the RFP;
- The qualifications of program personnel (i.e., relevance of experience with proposed tasks and depth of subject knowledge); and
- The bidder's status as a Women, Minority, or Disabled Veteran Owned Business Enterprise (WMDVBE) and/or the bidder's plan to use WMDVBE sub-contractors.

### **PG&E's Cost-Effectiveness Methodology**

The methodology PG&E is using to evaluate the relative cost effectiveness of each of the offers received in response to this permanent load shift RFP is similar to the one PG&E uses to evaluate other supply-side and demand response resources.<sup>4</sup> That methodology is based on the Total Resource Cost (TRC) test, as defined in

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<sup>4</sup> After adjusting for the differences between the nature of those other resources, including the fact that some of those resources are call options, and the ones offered in response to this permanent load shift RFP.

the CPUC adopted Standard Practice Manual of Economic Analysis of Demand Side Programs (SPM).<sup>5</sup>

The TRC test evaluates the cost-effectiveness of each offer, from the viewpoint of society as a whole, by comparing the present value of the expected economic benefits from that offer, to the present value of the expected costs of that offer, over the term of that offer, as well as in the subsequent years over which the permanent load shifts due to that offer are expected to decline. The B/C (Benefit/Cost) ratio for each offer is the ratio of the present value of the expected economic benefits from that offer, to the present value of the costs that are expected to be incurred under that offer.

The economic benefits these permanent load shifts are expected to provide include lower energy costs (due to the differences between the wholesale market prices of peak period and off peak period power), and reductions in generation capacity costs (due to reductions in peak period demand levels).

Permanent load shifts also should achieve net reductions in CO<sub>2</sub> emissions (due to the differences between the CO<sub>2</sub> emission rates of the generation resources used during peak as opposed to off-peak periods). Therefore, consistent with D.04-12-048,<sup>6</sup> PG&E is also performing a sensitivity test of the cost effectiveness of each offer that takes into account the value of the net reduction in CO<sub>2</sub> emissions associated with the permanent load shifts that offer is expected to provide.

In its forthcoming update to this advice filing, PG&E will provide a detailed cost effectiveness analysis for each of the permanent load shift contracts that PG&E ultimately asks the CPUC to approve.

### **PLS Contract Costs to be Included in Overall DR Portfolio**

D.06-11-049 approved up to \$10 million in fund shifting from other approved demand response funding. Once final budgets for the PLS contracts are

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<sup>5</sup> PG&E is using a Standard Practice Manual (SPM) test to evaluate each of the Agreements, because the Commission has not yet adopted a methodology for evaluating the cost effectiveness of DR programs and products.

On January 25, 2007, the Commission issued D. 07-01-041, establishing a proceeding which will evaluate, among other things, methodologies for determining the cost effectiveness of DR programs and products. The cost effectiveness methodology that is ultimately adopted by the Commission may affect PG&E's estimates of the cost effectiveness of the permanent load shifts that would be achieved by the offers received in response to this RFP.

<sup>6</sup> In Decision 04-12-048, pp.152-153, the California Public Utilities Commission (CPUC or Commission) directed utilities to use a value for CO<sub>2</sub> emissions as an "analytic tool" in a sensitivity analysis, rather than "as an amount to be paid to the generator or charged to ratepayers. *Also see generally*, pp. 136-140; 195-196.

determined and the CPUC authorizes PG&E to go forward, this amount will effect the "burn rate" for the overall three-year budget authorized in D.06-03-024. This will be taken into consideration when PG&E files an application for additional budget to maintain the DR programs through 2008.

PG&E intends to include costs associated with contracts for PLS in the Demand Response Expense Balancing Account (DREBA). Pending approval of the revisions requested in Advice 2913-E, filed October 12, 2006, no additional modifications to the DREBA preliminary statement will be necessary.

### **Protest Period**

Anyone wishing to protest this filing may do so by sending a letter by **March 20, 2007**, 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:

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

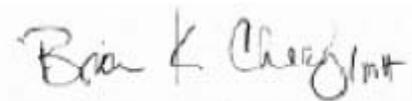
### **Effective Date**

PG&E requests that this advice letter become effective upon Commission approval.

**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>**

A handwritten signature in black ink that reads "Brian K. Cheung". The signature is written in a cursive style and is positioned above the printed name.

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: Megan Hughes

Phone #: (415) 973-1877

E-mail: MEHr@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) #: **2997-E**

Subject of AL: Advice Letter for Permanent Load Shifting Proposals in Compliance with Decision 06-11-049

Keywords (choose from CPUC listing): compliance, contracts.

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

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

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: Upon Commission approval      No. of tariff sheets: 0

Estimated system annual revenue effect: (%)

Estimated system average rate effect (%)

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:

Service affected and changes proposed<sup>1</sup>:

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

[inj@cpuc.ca.gov](mailto:inj@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)

Utility Info (including e-mail)

Attn: Brian K. Cherry

Vice President, 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.

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

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