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April 1, 2008

Advice 3240-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Proposed Amendments to Demand Response Aggregator Contracts

Purpose

PG&E requests approval of amendments of three demand response (DR) agreements. The amendments are with Energy Connect, Energy Curtailment Specialists and EnerNOC (the Sellers). The amendments are in Attachment 1. The amendments would only be effective during part of the 2008 delivery period.

The amendments will allow a trial of a temperature-sensitive baseline to be used for settlement purposes and to test the assumption that the proposed innovative baseline will allow temperature-sensitive customers, who would not otherwise actively participate in DR programs, to do so. The amendments require Sellers to deliver an additional 13 MW of demand response during the critical peak months of August and September of 2008.

Background

PG&E issued a Request for Proposal (RFP) for demand response products in the Fall of 2006. Five agreements resulting from PG&E's RFP were approved by the Commission on May 3, 2007 in D.07-05-029. PG&E proposes amending three of those agreements to revise the baseline methodology and increase the Commitment Levels applicable for July – October 2008.

One of the issues that will be addressed in the Demand Response Order Instituting Rulemaking (R.) 07-01-041 (DR OIR) is how to most accurately measure DR Load Impacts (LI). Moreover, issues related to improving the baseline for temperature-sensitive customers are addressed in the proposed decision (PD) issued on March 25, 2008. The PD notes that it will not decide on baselines for settlement (page 19). However it emphasizes that more research is needed on baselines (page 20 and 21).

Many of the utilities demand response programs use a “3 in 10 baselines” that use the loads from the highest three of the past ten similar day to set the baseline for settlements. Several studies support revising the 3-in-10 baseline for temperature-sensitive customers to better estimate the load impacts of these customers’ performance during DR events. Specifically, these studies recommend a “morning-of” the event adjustment to the baseline and conclude that a morning-of adjustment would yield benefits relative to the current baseline.^{1/} A morning-of adjustment to electric baseline is used to measure load impacts of DR events in other markets, including the NYISO, PJM and ISO-NE.

As a result of these studies, PG&E offered to all five of the DR aggregators the opportunity to test the morning-of adjusted baseline in 2008. Three of the Sellers agreed to proceed and have executed the draft amendments attached hereto as Attachment 1. The amendments are subject to Commission approval by June 6, 2008. (Section 2.2.)

The amendment makes the following changes to the existing baseline:

- A morning-of adjusted baseline option is added for settlements.
- Customers in the Seller’s portfolio must be in one of two groups (Part A or B). One group (Part A) continues to use the current baseline. The other group (Part B) uses the morning-of adjusted baseline.
- The morning-of adjusted baseline will adjust the current 3 in 10 baseline by using the ratio of electric consumption four hours before an event to the electric consumption predicted based on the current 3 in 10 baseline.
- The morning-of adjusted baseline will only be available for July to October 2008.
- The Sellers must increase their Commitment Levels for August and September by at least 15 percent. (This amendment condition is crucial to test if the revised baseline does, in fact, attract more customers into the DR programs and that whether the new customers do, indeed, perform)
- The Sellers will increase their posted collateral to match the increased Commitment Level

The key concern with a morning-of adjusted baseline is “gaming.” The amendments provide several features to mitigate potential gaming:

- A four-hour period is used for the adjustment. Accordingly, customers could not merely increase their electric usage for a short period prior to the DR event to increase their baseline. Increasing electric usage for four hours prior to the DR event would significantly increase customer bills and therefore discourage such gaming.

^{1/} Studies were conducted by DRMEC and LBNL. DRMEC studies were conducted by KEMA (2003), Quantum (2005) and the soon to be issued Christiansen study (2008). The LBNL commercial customer baseline study was completed in January 2008.

- The amendments prohibit the Seller from encouraging customers to increase demand the morning of a DR event for purposes of increasing the baseline.
- The morning-of adjustment is done to the entire portfolio and not on an individual customer basis. Thus, an individual customer may not directly benefit from increasing its load in the four hours before a DR event.
- Once a customer is put into one part of the portfolio (Part A or Part B), it may not be moved to the other part of the portfolio during this summer.
- Any adjustment to the baseline is limited to plus or minus 20 percent of the existing baseline.

The Amendments Will Result in Significant Benefits

- ***The amendments will allow PG&E to further study whether a morning-of adjusted baseline will increase DR load reductions and improve accuracy for temperature sensitive customers.*** The numerous studies mentioned above have demonstrated that a morning-of adjusted baseline will improve the baseline accuracy for settlements for a wide range of customers. However, the critical test is whether this improved baseline will actually increase customer enrollment in DR programs and if those customers will provide more firm load reductions. PG&E, consequently, requires each Seller to increase its Commitment Level by at least 15 percent for two of the most critical months of the year. If the Sellers are able to enroll sufficient customers to increase their Commitment Level, then a good demonstration of the value of this improved baseline line will be provided. PG&E plans to study the results of these amendments to see if they justify using this type of baseline in the future. This will include looking at accuracy, possible gaming, increased MW of DR, increased customer satisfaction, etc. This is consistent with the proposed decision in R.07-01-041 issued on March 25, 2008 that “encourages research” on improved baselines (page 21).
- ***The amendments advance the goals of the State Energy Acton Plan II.*** The amendments are consistent with the Energy Action Plan’s direction to increase cost-effective DR.^{2/}
- ***The amendments advance the Commission’s encouragement to increase innovative approaches to DR.*** The Commission in D.06-11-049 and D.07-05-029 urged the utilities to seek third-party DR contracts that would unleash innovative ways to increase customer participation in price responsive DR.^{3/} This

^{2/} See Energy Action Plan II, October 2005, p. 2.

^{3/} D.07-05-029 at p.12, and Finding of Fact 6.

Advice provides the opportunity for California to complete its first test of a baseline for temperature-sensitive loads. These types of load are a large and growing portion of the electric peak in California, and their increased participation may provide significant additional demand reduction during peak periods.

- ***The additional MWs are insurance for summer 2008.*** The amendments will provide 13 MW of additional firm DR to help PG&E meet the peak load in 2008.
- ***The amendments are cost effective.*** As shown in Confidential Attachment 2, the benefit/cost ratio for all three of these agreements, as amended, exceeds 1.0, including the Total Resource Cost Test, the Participant Test, the Rate Impact Measure Test, and the Program Administrator Cost Test. This analysis is based on the cost-effectiveness tests provided in the proposed Framework in R. 07-01-041. While this Framework has not yet been approved, the Commission stated in *Order Approving Four Southern California Edison Company Demand Response Contracts*, D.08-03-017 that “the Framework constitutes the most robust cost-effectiveness test in the record.”^{4/} These amendments do not modify the pricing or performance obligations in the agreements. They simply provide a potentially more accurate baseline line for payments.

Protest Period

Anyone wishing to protest this filing may do so by sending a letter by **April 21, 2008**, 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. Protests should be mailed to:

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jj@cpuc.ca.gov and 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

^{4/} D.08-03-017, mimeo p. 29.

(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:

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

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

Effective Date

PG&E requests that this advice filing become effective on regular notice **May 1, 2008** which is 30 calendar days after the date of filing. The amendments will terminate if not approved by June 6, 2008. Approval by June 6, 2008 is needed in order to effect the changes for July 2008 operations.

Notice

In accordance with General Order 96-B, Section IV 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 to the General Order 96-B service list 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>**.



Vice President - Regulatory Relations

cc: Service Lists – A.05-06-006

Attachments

Limited Access to Confidential Material:

The portions of this Advice Letter marked Confidential Protected Material are submitted under the confidentiality protection of Section 583 of the Public Utilities Code and General Order 66-C. This material is protected from public disclosure because it consists of, among other items, utility electric price forecasts that are confidential for three years and it contains pricing terms for contracts and power purchase agreements between utilities and non-affiliated third parties, both of which are protected pursuant to D.06-06-066. A separate Declaration Seeking Confidential Treatment regarding the confidential information is filed concurrently herewith.

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 (ID U39 M)**

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) #: 3240-E

Tier: 2

Subject of AL: Proposed Amendments to Demand Response Aggregator Contracts

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: N/A

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No
Confidential information will be made available to those who have executed a nondisclosure agreement: Yes No

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information:

Resolution Required? Yes No

Requested effective date: May 1, 2008

No. of tariff sheets: N/A

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: N/A

Service affected and changes proposed¹: N/A

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

Protests, dispositions, 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

Tariff Files, Room 4005

DMS Branch

505 Van Ness Avenue

San Francisco, CA 94102

E-mail: jjj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry

Vice President, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

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E-mail: PGETariffs@pge.com

Attachment 1

Advice 3240-E

COPY

THIRD AMENDMENT TO
DEMAND RESPONSE PURCHASE AGREEMENT
DATED: FEBRUARY 26, 2007 BETWEEN PACIFIC GAS AND ELECTRIC
COMPANY AND ENERGY CURTAILMENT SPECIALISTS, INC.

In accordance with the herein terms, Pacific Gas and Electric Company ("Buyer") and Energy Curtailment Specialists, Inc. ("Seller") agree to the following third Amendment ("Third Amendment") to the Demand Response Purchase Agreement dated February 26, 2007 ("Purchase Agreement"), as amended in writing by the Parties on June 8, 2007 and August 1, 2007 (collectively referred to as the "Agreement"):

GENERAL

Any and all changes made to the Agreement through this Third Amendment are effective only during the period of time that the Third Amendment is effective. Upon the earlier of the termination of the Third Amendment or December 31, 2008, all terms and conditions comprising the Agreement shall return to the form immediately prior to the Effective Date of this Third Amendment.

ARTICLE 1

A. Article 1 of the Purchase Agreement is amended by deleting Sections 1.3 and 1.9 and replacing with the following:

- 1.3 "Baseline": the amount of capacity and energy use from Part A and Part B of Seller's Portfolio from which demand reduction shall be measured as described in Section 3.6 and Appendix I.
- 1.9 "CPUC Approval": A final, non-appealable order issued by the CPUC approving this Third Amendment, without modification or condition unacceptable to either Party in its sole discretion, as reasonable and assuring the full recovery by Buyer of all of its costs hereunder, subject only to a review of the reasonableness of Buyer's administration of this Third Amendment.

B. Article 1 of the Purchase Agreement is amended by adding the following definitions:

- 1.32 "Adjusted CSEB": the Baseline as defined in Article 3.6.2 used for Part B of Seller's Portfolio.
- 1.33 "Breakdown": has the meaning set forth in Section 3.3.2.

- 1.34 "Commitment Level for Part A": that part of the Commitment Level that represents the amount of reduction in electric use by Customers in Part A of Seller's Portfolio that Seller is obligated to provide in each hour relative to Baseline as further defined in Articles 3.6.1.
- 1.35 "Commitment Level for Part B": that part of the Commitment Level that represents the amount of reduction in electric use by Customers in Part B of Seller's Portfolio that Seller is obligated to provide in each hour relative to Baseline as further defined in Articles 3.6.2.
- 1.36 "Director Approval": A written, non-appealable approval of this Third Amendment by the Director of the CPUC Energy Division, without modification or condition unacceptable to either Party in its sole discretion, as reasonable and assuring the full recovery by Buyer of all of its costs hereunder, subject only to a review of the reasonableness of Buyer's administration of this Third Amendment.
- 1.37 "Part A": the portion of Seller's Portfolio that will continue to use the CSEB for the Baseline calculation for settlements (used for non-Temperature Sensitive Customers, or those deemed to be non-Temperature Sensitive Customers pursuant to this Third Amendment).
- 1.38 "Part B": the portion of Seller's Portfolio that will use the Adjusted CSEB for the Baseline calculation for settlements (used for Temperature Sensitive Customers).
- 1.39 Temperature Sensitive Customers: Customers whose electric load varies significantly with the outside air temperature.

ARTICLE 2

Article 2 of the Purchase Agreement is amended by deleting Section 2.2 in its entirety and replacing it with the following:

2.2 Approval; Effective Date and Delivery Term

This Third Amendment shall become effective on the date executed by both Parties ("Effective Date") and is subject to Director Approval or CPUC Approval. Buyer and Seller will work to obtain either Director Approval or CPUC Approval in a timely manner, and, if either form is received by June 6, 2008, this Third Amendment shall be operative during the Delivery Months of July 2008 through October 2008 and shall terminate on December 31, 2008. If neither Director Approval nor CPUC approval is received by June 6, 2008, this Third Amendment will terminate by its terms on June 14, 2008.

ARTICLE 3

A. Article 3 of the Purchase Agreement is amended by adding the following:

3.2.1 For July, August and September of 2008, Seller's Commitment Level shall be modified as follows:

July 2008 20.4 MW
August 2008 28 MW
September 2008 28 MW

3.3.1 For July, August, September and October 2008 only, Seller shall, in addition to the requirements on Article 3.3, submit its Seller's Portfolio divided into two parts, one for Part A and one for Part B.

3.3.2 Seller shall provide the breakdown (by megawatt) of what portion of the Commitment Level is comprised of Part A and what portion of the Commitment Level is comprised of Part B (collectively the "Breakdown") at the time Seller submits the Service Agreements for Seller's Portfolio in accordance with Article 3.3. Seller shall also specify, at that same time, what Service Agreements are in Part A and what Service Agreements are in Part B. A Service Agreement cannot be in both Part A and Part B. Once an SA has been submitted for Part A or Part B, it may not be later moved between Part A and Part B during the summer of 2008. The Breakdown must be submitted to PG&E no later than 30 days before the start of the Delivery Month. The aggregate megawatt total MW for Parts A and Part B shall equal the Commitment Level in Article 3.2.1. If the Breakdown is not submitted, the entire Commitment Level shall be deemed to be fully comprised of Part A and treated accordingly.

3.3.3 If this Third Amendment terminates by its terms because it has not been approved by the CPUC by June 6, 2008, Seller shall notify Buyer by June 13, 2008 of any Service Agreement to be deleted from Seller's Portfolio for the July Delivery Month. Otherwise, all Service Agreements submitted for Part A or Part B will be considered by Buyer for inclusion in Seller's Portfolio.

B. Article 3 is amended by deleting 3.6 in its entirety and replacing it with the following:

3.6 PG&E shall settle Seller's Portfolio using separate Baseline methodologies for Part A and Part B (as illustrated in Appendix A to this Third Amendment):

3.6.1 Part A Baseline Calculation:

The Baseline for Part A shall be the Customer Specific Baseline ("CSEB") for Part A ("Part A CSEB") calculated as follows:

No later than the fifth (5th) calendar day of the month following a Delivery Month in which there was a DR Event, Seller shall provide to Buyer a valid CSEB accounting for Part A Customers during the preceding month, in a form of Appendix A to this Third Amendment. The Part A CSEB accounting shall be valid if there are at least ten (10) similar days of interval data available. The Part A CSEB shall be the hourly average electric use for all Customers in Part A of Seller's Portfolio based on the three (3) highest energy use days out of the ten (10) similar days prior to a DR Event for Customers in Part A of Seller's Portfolio. The three (3) highest energy use days are those days with the highest total kilowatt hour use for Part A of Seller's Portfolio during DR Hours. The hourly load profile for Part A of Seller's Portfolio on any given day during the DR Program shall be determined by summing the hour-by-hour interval data for each of the Service Agreements in Part A of Seller's Portfolio. The past ten (10) similar days shall include Monday through Friday, excluding NERC Holidays and days when the Customer was paid to reduce load under an interruptible or other curtailment program or days when rotating outages were called.

3.6.2 Part B Baseline Calculation:

The Baseline for Part B shall be the CSEB for Part B ("Part B CSEB") as adjusted by the ratio of the actual load to the predicted load in the four hours prior to the DR Event ("Adjusted CSEB"), calculated in two steps as follows:

Step 1 – Determine the Part B CSEB.

No later than the fifth (5th) calendar day of the month following a Delivery Month in which there was a DR Event, Seller shall provide to Buyer a valid CSEB accounting for Part B Customers during the preceding month, in a form of Appendix A to this Third Amendment. The CSEB accounting shall be valid if there are at least ten (10) similar days of interval data available. The Part B CSEB shall be the hourly average electric use for all Customers in Part B of Seller's Portfolio based on the three (3) highest energy use days out of the ten (10) similar days prior to a DR Event for Customers in Part B of Seller's Portfolio. The three (3) highest energy use days are those days with the highest total kilowatt hour use for Part B of Seller's Portfolio during DR Hours. The hourly load profile for Part B of Seller's Portfolio on any given day during the DR Program shall be determined by summing the hour-by-hour interval data for each of the Service Agreements in Part B of Seller's Portfolio. The

past ten (10) similar days shall include Monday through Friday, excluding NERC Holidays and days when the Customer was paid to reduce load under an interruptible or other curtailment program or days when rotating outages were called.

Step 2 – Determine the Adjusted CSEB.

Adjust the Part B CSEB by the ratio of the actual load to the predicted load in the four hours prior to the DR Event, where:

the actual load in those four hours is the sum of the total kilowatt hour usage for the Part B of Seller's Portfolio during those four hours prior to the event hours; and

the Predicted load is the sum of the average kilowatt hour usage for Part B of Seller's Portfolio during those four hours prior to the event hours for the same three days as used to establish the Part B CSEB.

The adjustment ratio is limited to a change in the hourly Adjusted CSEB of no more than a 20% increase or decrease from the Part B CSEB.

C. Article 3 of the Purchase Agreement is amended by adding the following Section as follows:

3.6.A Seller shall not encourage Customers to increase electric demand prior to a DR Event solely for the purpose of increasing the Adjusted CSEB. Seller may, however, encourage Customers to use demand response strategies such as pre-cooling a building prior to a DR Event in order to meet their load reduction commitments during a DR Event. PG&E reserves the right to evaluate actions taken by Seller's Customers prior to and during the DR Event.

ARTICLE 4 OF THE AGREEMENT IS REVISED AS FOLLOWS:

A. Article 4 of the Purchase Agreement is amended by deleting Section 4.1 and replacing with the following:

4.1 Payments

Monthly payments shall be the sum of: (a) the Monthly Option Premium Payment for Part A, added to the Monthly Option Premium Payment for Part B; and (b) the Monthly Energy Payment for Part A added to the Monthly Energy Payment for Part B.

4.1.1 Monthly Option Premium Payment for Part A Calculation

If Buyer calls a DR Event during a Delivery Month, the Option Premium Payment for Part A for such month shall be the sum of the Adjusted Hourly Option Premium Payments for Part A for such month as adjusted pursuant to Chart 4.1.1, below, and as further illustrated in Appendix IV (“Adjusted Hourly Option Premium Reduction”). If Buyer does not call a DR Event during a month, the Option Premium Payment for Part A for such month shall be equal to the product of the Commitment Level for Part A and Option Premium Price for such month.

Chart 4.1.1

Hourly Delivered Capacity Ratio for Part A	Adjusted Hourly Option Premium Payment Reduction for Part A Calculation
≥ 0.90 and ≤ 1.00	Adjusted Hourly Option Premium Payment for Part A = [Unadjusted Hourly Option Premium Payment for Part A] x [Hourly Delivered Capacity Ratio for Part A]
≥ 0.75 and < 0.90	Adjusted Hourly Option Premium Payment for Part A = [Unadjusted Hourly Option Premium Payment for Part A] x [0.50]
≥ 0.50 and < 0.75	Adjusted Hourly Option Premium Payment for Part A = 0
≥ 0 and < 0.50	Adjusted Hourly Option Premium Reduction for Part A = [Unadjusted Hourly Option Premium Payment for Part A] x [(0.50 – Hourly Delivered Capacity Ratio for Part A)]. Reduction Payment shall be paid by Seller to Buyer.

Where:

1. The Hourly Delivered Capacity Ratio for Part A for the DR Hour is equal to the Part A CSEB for the DR Hour minus the average demand for Part A during the DR Hour divided by the Commitment Level for Part A. The average demand is defined as the energy (in kilowatt hours) consumed during the DR Hour converted to demand measured in kilowatts. The Hourly Delivered Capacity for Part A cannot be greater than the Commitment Level for Part A or less than zero (0).
2. The Unadjusted Hourly Option Premium Payment for Part A is equal to the product of the Commitment Level for Part A and the Option Premium Price for the month, divided by the number of scheduled DR Hours in the Delivery Month.

4.1.2 Monthly Option Premium Payment for Part B Calculation

If Buyer calls a DR Event during a Delivery Month, the Option Premium Payment for Part B for such month shall be the sum of the Adjusted Hourly Option Premium

Payments for Part B for such month as adjusted pursuant to Chart 4.1.2, below, and as further illustrated in Appendix IV (“Adjusted Hourly Option Premium Reduction”). If Buyer does not call a DR Event during a month, the Option Premium Payment for Part B for such month shall be equal to the product of the Commitment Level for Part B and Option Premium Price for such month.

Chart 4.1.2

Hourly Delivered Capacity Ratio for Part B	Adjusted Hourly Option Premium Payment Reduction for Part B Calculation
≥ 0.90 and ≤ 1.00	Adjusted Hourly Option Premium Payment for Part B = [Unadjusted Hourly Option Premium Payment for Part B] x [Hourly Delivered Capacity Ratio for Part B]
≥ 0.75 and < 0.90	Adjusted Hourly Option Premium Payment for Part B = [Unadjusted Hourly Option Premium Payment for Part B] x [0.50]
≥ 0.50 and < 0.75	Adjusted Hourly Option Premium Payment for Part B = 0
≥ 0 and < 0.50	Adjusted Hourly Option Premium Reduction for Part B = [Unadjusted Hourly Option Premium Payment for Part B] x [(0.50 – Hourly Delivered Capacity Ratio for Part B)]. Reduction Payment shall be paid by Seller to Buyer.

Where:

1. The Hourly Delivered Capacity Ratio for Part B for the DR Hour is equal to the Adjusted CSEB for Part B for the DR Hour minus the average demand for Part B during the DR Hour divided by the Commitment Level for Part B. The average demand is defined as the energy (in kilowatt hours) consumed during the DR Hour converted to demand measured in kilowatts. The Hourly Delivered Capacity for Part B cannot be greater than the Commitment Level for Part B or less than zero (0).

2. The Unadjusted Hourly Option Premium Payment for Part B is equal to the product of the Commitment Level for Part B and the Option Premium Price for the month, divided by the number of scheduled DR Hours in the Delivery Month.

4.1.3 Energy Payment for Part A Calculation

If a DR Event is called by Buyer, Seller shall be paid a DR Energy Price, as specified in the table in Article 4.4 of the Agreement, for delivered DR for Part A. Seller shall not be paid unless a DR Event is called by Buyer and meter data

received by Buyer verifies and demonstrates that Seller's Portfolio for Part A has reduced energy consumption associated with the DR as described below.

If no DR Events were called during the Delivery Month, then the monthly Energy Payment is zero (0).

If one or more DR Events were called during the Delivery Month, the monthly Energy Payment for Part A shall be the sum of the Hourly Energy Payments for Part A. For all DR Events other than a Day-of exercise for a CCA or Direct Access Customer where an SC-to-SC trade was not performed due to insufficient notification time, the Hourly Energy Payment for Part A will be determined as follows:

- i. If Delivered Energy for Part A $A_{HR} \geq$ Commitment Level for Part A

Hourly Energy Payment for Part A $A_{HR} = [Delivered Energy for Part A_{HR}] \times [Energy Price_{HR}]$

- ii. If Delivered Energy for Part A $A_{HR} <$ Commitment Level for Part A

Hourly Energy Payment for Part A $A_{HR} = [Delivered Energy for Part A_{HR} \times Energy Price_{HR}] - [(Commitment Level for Part A - Delivered Energy for Part A_{HR}) \times [(the greater of the CAISO's ex-post energy price for the event hour or the Energy Price_{HR}) - the Energy Price_{HR}]]$

Where:

Energy Price $_{HR} =$ Energy Price from the table in Article 4.4 of the Agreement

Delivered Energy for Part A $_{HR} =$ Part A CSEB – the metered energy for that hour for Part A

Buyer shall not, without having given its prior consent, be obligated to pay Seller for Delivered Energy for Part A $_{HR}$ that exceeds 150 percent of Seller's Commitment Level for Part A in any hour.

Should, during a DR Event, an SC-to-SC trade (due to a Day-of exercise being supplied from a portion of Seller's Portfolio supplied from CCA or Direct Access Customers) not be performed due to insufficient notification time, the Hourly Energy Payments for Part A to Seller shall be based on the above formula and reduced to reflect the CAISO credit that would be expected to be paid to Seller's SC for generation equal to the portion of Seller's Commitment Level for Part A that is from CCA or Direct Access Customers' DR reduction. Seller shall be responsible for the Distribution Loss Factor for each Service Agreement to account for delivery at the CAISO interface. Appendix V contains an example of how the energy payment is calculated for DR Event for CCA or Direct Access transactions where an SC-to-SC trade was not performed.

4.1.3 Energy Payment for Part B Calculation

If a DR Event is called by Buyer, Seller shall be paid a DR Energy Price, as specified in Article 4.4 of the Agreement, for delivered DR for Part B. Seller shall not be paid unless a DR Event is called by Buyer and meter data received by Buyer verifies and demonstrates that Seller's Portfolio for Part B has reduced energy consumption associated with the DR as described below.

If no DR Events were called during the Delivery Month, then the monthly Energy Payment is zero (0).

If one or more DR Events were called during the Delivery Month, the monthly Energy Payment for Part B shall be the sum of the Hourly Energy Payments for Part B. For all DR Events other than a Day-of exercise for a CCA or Direct Access Customer where an SC-to-SC trade was not performed due to insufficient notification time, the Hourly Energy Payment for Part B will be determined as follows:

- i. If Delivered Energy for Part B $B_{HR} \geq$ Commitment Level for Part B

$$\text{Hourly Energy Payment for Part B}_{HR} = [\text{Delivered Energy for Part B}_{HR}] \times [\text{Energy Price}_{HR}]$$

- ii. If Delivered Energy for Part B $B_{HR} <$ Commitment Level for Part B

$$\text{Hourly Energy Payment for Part B}_{HR} = [\text{Delivered Energy for Part B}_{HR} \times \text{Energy Price}_{HR}] - [(\text{Commitment Level for Part B} - \text{Delivered Energy for Part B}_{HR}) \times [(\text{the greater of the CAISO's ex-post energy price for the event hour or the Energy Price}_{HR}) - \text{the Energy Price}_{HR}]]$$

Where:

Energy Price $_{HR}$ = Energy Price from the table in Article 4.4 of the Agreement

Delivered Energy for Part B $_{HR}$ = Adjusted CSEB – the metered energy for that hour for Part B

Buyer shall not, without having given its prior consent, be obligated to pay Seller for Delivered Energy for Part B $_{HR}$ that exceeds 150 percent of Seller's Commitment Level for Part B in any hour.

Should, during a DR Event, an SC-to-SC trade (due to a Day-of exercise being supplied from a portion of Seller's Portfolio supplied from CCA or Direct Access Customers) not be performed due to insufficient notification time, the Hourly Energy Payments for Part B to Seller shall be based on the above formula and

reduced to reflect the CAISO credit that would be expected to be paid to Seller's SC for generation equal to the portion of Seller's Commitment Level for Part B that is from CCA or Direct Access Customers' DR reduction. Seller shall be responsible for the Distribution Loss Factor for each SA to account for delivery at the CAISO interface. Agreement, Appendix V contains an example of how the energy payment is calculated for DR Event for CCA or Direct Access transactions where an SC-to-SC trade was not performed.

ARTICLE 7 OF THE AGREEMENT IS BE REVISED AS FOLLOWS:

7.2.1 Seller will increase any Performance Assurance required by Article 7 above to reflect the higher new total Commitment Level stated in Article 3.2.1 above. The Collateral increase will be in place not later than 1 day before the July Delivery Month

OTHER TERMS AND CONDITIONS.

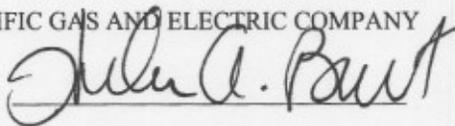
Capitalized terms used but not defined herein will have the meaning ascribed to them elsewhere in the Agreement.

Except as specifically modified and amended herein, all other terms, conditions, and provisions of the Agreement are and shall remain in full force and effect.

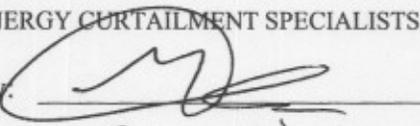
PACIFIC GAS AND ELECTRIC COMPANY

ENERGY CURTAILMENT SPECIALISTS, INC.

By:



By:



Name: Helen A. Burt

Name: Glenn Smith

Title: SVP and c.c.c.o.

Title: President/CEO

Date: March 31, 2008

Date: 3/26/08

Appendix A
Examples of Baseline Calculations for Part A and Part B

Event Day 16, HE 15 to HE 18 HE= Hour Ending

1. Determine 10 past similar days

	Day of week	HE11	HE12	HE13	HE14	HE15	HE16	HE17	HE18	HE19
Day 1	Wednesday	83751	85450	80008	78808	77940	76260	76776	75540	76976
Day 2	Thursday	77026	78600	74600	72932	71636	72028	72012	68376	68248
Day 3	Friday	68256	67608	67172	66488	65880	63976	61168	59340	64632
Day 4	Saturday	73394	74892	71916	71716	72198	71740	71258	68916	71112
Day 5	Sunday	78478	80080	73648	73600	72120	74880	73096	71760	74212
Day 6	Monday	79831	81460	77178	77544	75172	74004	73880	71700	73392
Day 7	Tuesday	76660	78224	75340	75240	74700	71096	70536	70684	74916
Day 8	Wednesday	79976	81608	76272	74540	70188	70076	69716	68768	71876
Day 9	Thursday	72163	73636	72924	69952	65188	66288	67012	67424	66936
Day 10	Friday	54790	55908	56672	57008	56688	56064	55932	54868	54448
Day 11	Saturday	78349	79948	74476	72940	72072	70964	70020	67760	71312
Day 12	Sunday	78126	79720	74088	73576	71588	69564	68528	67548	69476
Day 13	Monday	68208	69692	64356	61888	62448	61952	59760	62964	67840
Day 14	Tuesday	80019	81652	74424	72416	72020	72052	70556	69072	72764
Day 15	Wednesday	75397	76936	72176	70676	68440	68036	68008	67764	72072
Day 16	Thursday	78110	81896	81253	81680	48658	46500	46853	47013	58248

2. Determine 3 highest days - The three (3) highest energy usage days are those days with the highest total kilowatt hour usages for the aggregated group between during the program hours

	Day of Wk	HE12	HE13	HE14	HE15	HE16	HE17	HE18	HE19	Total
Day 2	Thursday	78600	74600	72932	71636	72028	72012	68376	68248	578432
Day 3	Friday	67608	67172	66488	65880	63976	61168	59340	64632	516264
Day 6	Monday	81460	77178	77544	75172	74004	73880	71700	73392	604328
Day 7	Tuesday	78224	75340	75240	74700	71096	70536	70684	74916	590736
Day 8	Wednesday	81608	76272	74540	70188	70076	69716	68768	71876	583044
Day 9	Thursday	73636	72924	69952	65188	66288	67012	67424	66936	546360
Day 10	Friday	55908	56672	57008	56688	56064	55932	54868	54448	447588
Day 13	Monday	69692	64356	61888	62448	61952	59760	62964	67840	510900
Day 14	Tuesday	81652	74424	72416	72020	72052	70556	69072	72764	584956
Day 15	Wednesday	76936	72176	70676	68440	68036	68008	67764	72072	564108

3. Determine hourly baseline of three highest days - The CSEB for the aggregated group is the hourly average based on the three (3) highest energy usage days

	Day of Wk	HE11	HE12	HE13	HE14	HE15	HE16	HE17	HE18	HE19	Total
Day 6	Monday	79831	81460	77178	77544	75172	74004	73880	71700	73392	604328
Day 7	Tuesday	76660	78224	75340	75240	74700	71096	70536	70684	74916	590736
Day 14	Tuesday	80019	81652	74424	72416	72020	72052	70556	69072	72764	584956
Hourly Baseline		78836	80445	75647	75067	73964	72384	71657	70485	73691	593340

4. Calculate total load 4 hours prior to event

	Day of Wk	4 hours prior				Event Hours			
		HE11	HE12	HE13	HE14	HE15	HE16	HE17	HE18
Day 16	Thursday	78110	81896	81253	81680	48658	46500	46853	47013
Sum 4 hours Prior		322939							

5. Calculate total baseline usage using the 4 hours prior to the event.

	HE11	HE12	HE13	HE14	HE15	HE16	HE17	HE18	HE19
Hourly Baseline	78836	80445	75647	75067	73964	72384	71657	70485	73691
Sum of baseline 4 hours prior to event	309995								

6. Determine day-of morning adjustment factor and apply to hourly baseline
 (Sum 4 hours prior event / Sum 4 hours prior baseline) x hourly baseline

Sum 4 hours kW Prior to event	322939
+ Sum of baseline 4 hours prior to event	309995
Weather adjustment factor	1.04

7. Apply day-of morning adjustment factor to hourly baseline
 (Morning Adj. factor x hourly baseline) = Morning Adjusted Baseline

	Event Hours			
	HE15	HE16	HE17	HE18
Hourly Baseline	73964	72384	71657	70485
Ajd Factor	1.04	1.04	1.04	1.04
Temp Adj Baseline	77052	75406	74649	73428

8. Determine Hourly Compliance: Hourly Baseline - Hourly Usage

Note: This is an example for both Part A and Part B. However for actual billing, the SAs can only be in one or the other - not both.

Part A CSEB

	Event Hours			
	HE15	HE16	HE17	HE18
Non Adj. Baseline	73964	72384	71657	70485
Event Hourly Usage	48658	46500	46853	47013
Load Reduction	25306	25884	24804	23472
kWh Reduction	99467			

Part B: Adjusted CSEB

	Event Hours			
	HE15	HE16	HE17	HE18
Adjusted baseline	77052	75406	74649	73428
Event Hourly Usage	48658	46500	46853	47013
Load Reduction	28394	28906	27796	26415
kWh Reduction	111513			

COPY

THIRD AMENDMENT TO
DEMAND RESPONSE PURCHASE AGREEMENT
DATED: FEBRUARY 26, 2007 BETWEEN PACIFIC GAS AND ELECTRIC
COMPANY AND ENERGYCONNECT INC.

In accordance with the herein terms, Pacific Gas and Electric Company ("Buyer") and EnergyConnect Inc. ("Seller") agree to the following third Amendment ("Third Amendment") to the Demand Response Purchase Agreement dated February 26, 2007 ("Purchase Agreement"), as amended in writing by the Parties on October 24, 2007 and December 20, 2007 (collectively referred to as the "Agreement"):

GENERAL

Any and all changes made to the Agreement through this Third Amendment are effective only during the period of time that the Third Amendment is effective. Upon the earlier of the termination of the Third Amendment or December 31, 2008, all terms and conditions comprising the Agreement shall return to the form immediately prior to the Effective Date of this Third Amendment.

ARTICLE 1

A. Article 1 of the Purchase Agreement is amended by deleting Sections 1.3 and 1.9 and replacing with the following:

- 1.3 "Baseline": the amount of capacity and energy use from Part A and Part B of Seller's Portfolio from which demand reduction shall be measured as described in Section 3.6 and Appendix I.
- 1.9 "CPUC Approval": A final, non-appealable order issued by the CPUC approving this Third Amendment, without modification or condition unacceptable to either Party in its sole discretion, as reasonable and assuring the full recovery by Buyer of all of its costs hereunder, subject only to a review of the reasonableness of Buyer's administration of this Third Amendment.

B. Article 1 of the Purchase Agreement is amended by adding the following definitions:

- 1.32 "Adjusted CSEB": the Baseline as defined in Article 3.6.2 used for Part B of Seller's Portfolio.
- 1.33 "Breakdown": has the meaning set forth in Section 3.3.2.

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3/27/08

- 1.34 "Commitment Level for Part A": that part of the Commitment Level that represents the amount of reduction in electric use by Customers in Part A of Seller's Portfolio that Seller is obligated to provide in each hour relative to Baseline as further defined in Articles 3.6.1.
- 1.35 "Commitment Level for Part B": that part of the Commitment Level that represents the amount of reduction in electric use by Customers in Part B of Seller's Portfolio that Seller is obligated to provide in each hour relative to Baseline as further defined in Articles 3.6.2.
- 1.36 "Director Approval": A written, non-appealable approval of this Third Amendment by the Director of the CPUC Energy Division, without modification or condition unacceptable to either Party in its sole discretion, as reasonable and assuring the full recovery by Buyer of all of its costs hereunder, subject only to a review of the reasonableness of Buyer's administration of this Third Amendment.
- 1.37 "Part A": the portion of Seller's Portfolio that will continue to use the CSEB for the Baseline calculation for settlements (used for non-Temperature Sensitive Customers, or those deemed to be non-Temperature Sensitive Customers pursuant to this Third Amendment).
- 1.38 "Part B": the portion of Seller's Portfolio that will use the Adjusted CSEB for the Baseline calculation for settlements (used for Temperature Sensitive Customers).
- 1.39 Temperature Sensitive Customers: Customers whose electric load varies significantly with the outside air temperature.

ARTICLE 2

Article 2 of the Purchase Agreement is amended by deleting Section 2.2 in its entirety and replacing it with the following:

2.2 Approval; Effective Date and Delivery Term

This Third Amendment shall become effective on the date executed by both Parties ("Effective Date") and is subject to Director Approval or CPUC Approval. Buyer and Seller will work to obtain either Director Approval or CPUC Approval in a timely manner, and, if either form is received by June 6, 2008, this Third Amendment shall be operative during the Delivery Months of July 2008 through October 2008 and shall terminate on December 31, 2008. If neither Director Approval nor CPUC approval is received by June 6, 2008, this Third Amendment will terminate by its terms on June 14, 2008.

ARTICLE 3

A. Article 3 of the Purchase Agreement is amended by adding the following:

3.2.1 For July, August and September of 2008, Seller's Commitment Level shall be modified as follows:

July 2008 20 MW
August 2008 23 MW
September 2008 23 MW

3.3.1 For July, August, September and October 2008 only, Seller shall, in addition to the requirements on Article 3.3, submit its Seller's Portfolio divided into two parts, one for Part A and one for Part B.

3.3.2 Seller shall provide the breakdown (by megawatt) of what portion of the Commitment Level is comprised of Part A and what portion of the Commitment Level is comprised of Part B (collectively the "Breakdown") at the time Seller submits the Service Agreements for Seller's Portfolio in accordance with Article 3.3. Seller shall also specify, at that same time, what Service Agreements are in Part A and what Service Agreements are in Part B. A Service Agreement cannot be in both Part A and Part B. Once an SA has been submitted for Part A or Part B, it may not be later moved between Part A and Part B during the summer of 2008. The Breakdown must be submitted to PG&E no later than 30 days before the start of the Delivery Month. The aggregate megawatt total MW for Parts A and Part B shall equal the Commitment Level in Article 3.2.1. If the Breakdown is not submitted, the entire Commitment Level shall be deemed to be fully comprised of Part A and treated accordingly.

3.3.3 If this Third Amendment terminates by its terms because it has not been approved by the CPUC by June 6, 2008, Seller shall notify Buyer by June 13, 2008 of any Service Agreement to be deleted from Seller's Portfolio for the July Delivery Month. Otherwise, all Service Agreements submitted for Part A or Part B will be considered by Buyer for inclusion in Seller's Portfolio.

B. Article 3 is amended by deleting 3.6 in its entirety and replacing it with the following:

3.6 PG&E shall settle Seller's Portfolio using separate Baseline methodologies for Part A and Part B (as illustrated in Appendix A to this Third Amendment):

3.6.1 Part A Baseline Calculation:

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The Baseline for Part A shall be the Customer Specific Baseline ("CSEB") for Part A ("Part A CSEB") calculated as follows:

No later than the fifth (5th) calendar day of the month following a Delivery Month in which there was a DR Event, Seller shall provide to Buyer a valid CSEB accounting for Part A Customers during the preceding month, in a form of Appendix A to this Third Amendment. The Part A CSEB accounting shall be valid if there are at least ten (10) similar days of interval data available for the month being calculated. The Part A CSEB shall be the hourly average electric use for all Customers in Part A of Seller's Portfolio based on the three (3) highest energy use days out of the ten (10) similar days prior to a DR Event for Customers in Part A of Seller's Portfolio. The three (3) highest energy use days are those days with the highest total kilowatt hour use for Part A of Seller's Portfolio during DR Hours. The hourly load profile for Part A of Seller's Portfolio on any given day during the DR Program shall be determined by summing the hour-by-hour interval data for each of the Service Agreements in Part A of Seller's Portfolio. The past ten (10) similar days shall include Monday through Friday, excluding NERC Holidays and days when the Customer was paid to reduce load under an interruptible or other curtailment program or days when rotating outages were called.

3.6.2 Part B Baseline Calculation:

The Baseline for Part B shall be the CSEB for Part B ("Part B CSEB") as adjusted by the ratio of the actual load to the predicted load in the four hours prior to the DR Event ("Adjusted CSEB"), calculated in two steps as follows:

Step 1 – Determine the Part B CSEB.

No later than the fifth (5th) calendar day of the month following a Delivery Month in which there was a DR Event, Seller shall provide to Buyer a valid CSEB accounting for Part B Customers during the preceding month, in a form of Appendix A to this Third Amendment. The CSEB accounting shall be valid if there are at least ten (10) similar days of interval data available for the month being calculated. The Part B CSEB shall be the hourly average electric use for all Customers in Part B of Seller's Portfolio based on the three (3) highest energy use days out of the ten (10) similar days prior to a DR Event for Customers in Part B of Seller's Portfolio. The three (3) highest energy use days are those days with the highest total kilowatt hour use for Part B of Seller's Portfolio during DR Hours. The hourly load profile for Part B of Seller's Portfolio on any given day during the DR Program shall be determined by summing the hour-by-hour interval data for each of the Service Agreements in Part

B of Seller's Portfolio. The past ten (10) similar days shall include Monday through Friday, excluding NERC Holidays and days when the Customer was paid to reduce load under an interruptible or other curtailment program or days when rotating outages were called.

Step 2 – Determine the Adjusted CSEB.

Adjust the Part B CSEB by the ratio of the actual load to the predicted load in the four hours prior to the DR Event, where:

the actual load in those four hours is the sum of the total kilowatt hour usage for the Part B of Seller's Portfolio during those four hours prior to the event hours; and

the Predicted load is the sum of the average kilowatt hour usage for Part B of Seller's Portfolio during those four hours prior to the event hours for the same three days as used to establish the Part B CSEB.

The adjustment ratio is limited to a change in the hourly Adjusted CSEB of no more than a 20% increase or decrease from the Part B CSEB.

C. Article 3 of the Purchase Agreement is amended by adding the following Section as follows:

3.6.A Seller shall not encourage Customers to increase electric demand prior to a DR Event solely for the purpose of increasing the Adjusted CSEB. Seller may, however, encourage Customers to use demand response strategies such as pre-cooling a building prior to a DR Event in order to meet their load reduction commitments during a DR Event. PG&E reserves the right to evaluate actions taken by Seller's Customers prior to and during the DR Event.

ARTICLE 4 OF THE AGREEMENT IS REVISED AS FOLLOWS:

A. Article 4 of the Purchase Agreement is amended by deleting Section 4.1 and replacing with the following:

4.1 Payments

Monthly payments shall be the sum of: (a) the Monthly Option Premium Payment for Part A, added to the Monthly Option Premium Payment for Part B; and (b) the Monthly Energy Payment for Part A added to the Monthly Energy Payment for Part B.

4.1.1 Monthly Option Premium Payment for Part A Calculation

If Buyer calls a DR Event during a Delivery Month, the Option Premium Payment for Part A for such month shall be the sum of the Adjusted Hourly Option Premium Payments for Part A for such month as adjusted pursuant to Chart 4.1.1, below, and as further illustrated in Appendix IV ("Adjusted Hourly Option Premium Reduction"). If Buyer does not call a DR Event during a month, the Option Premium Payment for Part A for such month shall be equal to the product of the Commitment Level for Part A and Option Premium Price for such month.

Chart 4.1.1

Hourly Delivered Capacity Ratio for Part A	Adjusted Hourly Option Premium Payment Reduction for Part A Calculation
≥ 0.90 and ≤ 1.00	Adjusted Hourly Option Premium Payment for Part A = [Unadjusted Hourly Option Premium Payment for Part A] x [Hourly Delivered Capacity Ratio for Part A]
≥ 0.75 and < 0.90	Adjusted Hourly Option Premium Payment for Part A = [Unadjusted Hourly Option Premium Payment for Part A] x [0.50]
≥ 0.50 and < 0.75	Adjusted Hourly Option Premium Payment for Part A = 0
≥ 0 and < 0.50	Adjusted Hourly Option Premium Reduction for Part A = [Unadjusted Hourly Option Premium Payment for Part A] x [(0.50 - Hourly Delivered Capacity Ratio for Part A)]. Reduction Payment shall be paid by Seller to Buyer.

Where:

1. The Hourly Delivered Capacity Ratio for Part A for the DR Hour is equal to the Part A CSEB for the DR Hour minus the average demand for Part A during the DR Hour divided by the Commitment Level for Part A. The average demand is defined as the energy (in kilowatt hours) consumed during the DR Hour converted to demand measured in kilowatts. The Hourly Delivered Capacity for Part A cannot be greater than the Commitment Level for Part A or less than zero (0).

2. The Unadjusted Hourly Option Premium Payment for Part A is equal to the product of the Commitment Level for Part A and the Option Premium Price for the month, divided by the number of scheduled DR Hours in the Delivery Month.

4.1.2 Monthly Option Premium Payment for Part B Calculation

If Buyer calls a DR Event during a Delivery Month, the Option Premium Payment for Part B for such month shall be the sum of the Adjusted Hourly Option Premium

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Payments for Part B for such month as adjusted pursuant to Chart 4.1.2, below, and as further illustrated in Appendix IV ("Adjusted Hourly Option Premium Reduction"). If Buyer does not call a DR Event during a month, the Option Premium Payment for Part B for such month shall be equal to the product of the Commitment Level for Part B and Option Premium Price for such month.

Chart 4.1.2

Hourly Delivered Capacity Ratio for Part B	Adjusted Hourly Option Premium Payment Reduction for Part B Calculation
≥ 0.90 and ≤ 1.00	Adjusted Hourly Option Premium Payment for Part B = [Unadjusted Hourly Option Premium Payment for Part B] x [Hourly Delivered Capacity Ratio for Part B]
≥ 0.75 and < 0.90	Adjusted Hourly Option Premium Payment for Part B = [Unadjusted Hourly Option Premium Payment for Part B] x [0.50]
≥ 0.50 and < 0.75	Adjusted Hourly Option Premium Payment for Part B = 0
≥ 0 and < 0.50	Adjusted Hourly Option Premium Reduction for Part B = [Unadjusted Hourly Option Premium Payment for Part B] x [(0.50 - Hourly Delivered Capacity Ratio for Part B)]. Reduction Payment shall be paid by Seller to Buyer.

Where:

1. The Hourly Delivered Capacity Ratio for Part B for the DR Hour is equal to the Adjusted CSEB for Part B for the DR Hour minus the average demand for Part B during the DR Hour divided by the Commitment Level for Part B. The average demand is defined as the energy (in kilowatt hours) consumed during the DR Hour converted to demand measured in kilowatts. The Hourly Delivered Capacity for Part B cannot be greater than the Commitment Level for Part B or less than zero (0).

2. The Unadjusted Hourly Option Premium Payment for Part B is equal to the product of the Commitment Level for Part B and the Option Premium Price for the month, divided by the number of scheduled DR Hours in the Delivery Month.

4.1.3 Energy Payment for Part A Calculation

If a DR Event is called by Buyer, Seller shall be paid a DR Energy Price, as specified in the table in Article 4.4 of the Agreement, for delivered DR for Part A. Seller shall not be paid unless a DR Event is called by Buyer and meter data

received by Buyer verifies and demonstrates that Seller's Portfolio for Part A has reduced energy consumption associated with the DR as described below.

If no DR Events were called during the Delivery Month, then the monthly Energy Payment is zero (0).

If one or more DR Events were called during the Delivery Month, the monthly Energy Payment for Part A shall be the sum of the Hourly Energy Payments for Part A. For all DR Events other than a Day-of exercise for a CCA or Direct Access Customer where an SC-to-SC trade was not performed due to insufficient notification time, the Hourly Energy Payment for Part A will be determined as follows:

- i. If Delivered Energy for Part A $A_{HR} \geq$ Commitment Level for Part A

Hourly Energy Payment for Part A $A_{HR} =$ [Delivered Energy for Part A_{HR}] x [Energy Price $_{HR}$]

- ii. If Delivered Energy for Part A $A_{HR} <$ Commitment Level for Part A

Hourly Energy Payment for Part A $A_{HR} =$ [Delivered Energy for Part A_{HR} x Energy Price $_{HR}$] - [(Commitment Level for Part A - Delivered Energy for Part A_{HR}) x [(the greater of the CAISO's ex-post energy price for the event hour or the Energy Price $_{HR}$) - the Energy Price $_{HR}$]]

Where:

Energy Price $_{HR} =$ Energy Price from the table in Article 4.4 of the Agreement

Delivered Energy for Part A $A_{HR} =$ Part A CSEB - the metered energy for that hour for Part A

Buyer shall not, without having given its prior consent, be obligated to pay Seller for Delivered Energy for Part A A_{HR} that exceeds 150 percent of Seller's Commitment Level for Part A in any hour.

Should, during a DR Event, an SC-to-SC trade (due to a Day-of exercise being supplied from a portion of Seller's Portfolio supplied from CCA or Direct Access Customers) not be performed due to insufficient notification time, the Hourly Energy Payments for Part A to Seller shall be based on the above formula and reduced to reflect the CAISO credit that would be expected to be paid to Seller's SC for generation equal to the portion of Seller's Commitment Level for Part A that is from CCA or Direct Access Customers' DR reduction. Seller shall be responsible for the Distribution Loss Factor for each Service Agreement to account for delivery at the CAISO interface. Appendix V contains an example of how the energy payment is calculated for DR Event for CCA or Direct Access transactions where an SC-to-SC trade was not performed.

4.1.3 Energy Payment for Part B Calculation

If a DR Event is called by Buyer, Seller shall be paid a DR Energy Price, as specified in Article 4.4 of the Agreement, for delivered DR for Part B. Seller shall not be paid unless a DR Event is called by Buyer and meter data received by Buyer verifies and demonstrates that Seller's Portfolio for Part B has reduced energy consumption associated with the DR as described below.

If no DR Events were called during the Delivery Month, then the monthly Energy Payment is zero (0).

If one or more DR Events were called during the Delivery Month, the monthly Energy Payment for Part B shall be the sum of the Hourly Energy Payments for Part B. For all DR Events other than a Day-of exercise for a CCA or Direct Access Customer where an SC-to-SC trade was not performed due to insufficient notification time, the Hourly Energy Payment for Part B will be determined as follows:

- i. If Delivered Energy for Part B $B_{HR} \geq$ Commitment Level for Part B

$$\text{Hourly Energy Payment for Part B}_{HR} = [\text{Delivered Energy for Part B}_{HR}] \times [\text{Energy Price}_{HR}]$$

- ii. If Delivered Energy for Part B $B_{HR} <$ Commitment Level for Part B

$$\text{Hourly Energy Payment for Part B}_{HR} = [\text{Delivered Energy for Part B}_{HR} \times \text{Energy Price}_{HR}] - [(\text{Commitment Level for Part B} - \text{Delivered Energy for Part B}_{HR}) \times [(\text{the greater of the CAISO's ex-post energy price for the event hour or the Energy Price}_{HR}) - \text{the Energy Price}_{HR}]]$$

Where:

Energy Price $_{HR}$ = Energy Price from the table in Article 4.4 of the Agreement

Delivered Energy for Part B $_{HR}$ = Adjusted CSEB – the metered energy for that hour for Part B

Buyer shall not, without having given its prior consent, be obligated to pay Seller for Delivered Energy for Part B B_{HR} that exceeds 150 percent of Seller's Commitment Level for Part B in any hour.

Should, during a DR Event, an SC-to-SC trade (due to a Day-of exercise being supplied from a portion of Seller's Portfolio supplied from CCA or Direct Access Customers) not be performed due to insufficient notification time, the Hourly Energy Payments for Part B to Seller shall be based on the above formula and

reduced to reflect the CAISO credit that would be expected to be paid to Seller's SC for generation equal to the portion of Seller's Commitment Level for Part B that is from CCA or Direct Access Customers' DR reduction. Seller shall be responsible for the Distribution Loss Factor for each SA to account for delivery at the CAISO interface. Agreement, Appendix V contains an example of how the energy payment is calculated for DR Event for CCA or Direct Access transactions where an SC-to-SC trade was not performed.

ARTICLE 7 OF THE AGREEMENT IS BE REVISED AS FOLLOWS:

7.2.1 Seller will increase any Performance Assurance required by Article 7 above to reflect the higher new total Commitment Level stated in Article 3.2.1 above. The Collateral increase will be in place not later than 1 day before the July Delivery Month

OTHER TERMS AND CONDITIONS.

Capitalized terms used but not defined herein will have the meaning ascribed to them elsewhere in the Agreement.

Except as specifically modified and amended herein, all other terms, conditions, and provisions of the Agreement are and shall remain in full force and effect.

PACIFIC GAS AND ELECTRIC COMPANY

ENERGYCONNECT, INC.

By: *Helen A. Burt*

By: *Gene Amadori*

Name: Helen A. Burt

Name: Gene Amadori

Title: SVP and CCO

Title: President

Date: March 31, 2008

Date: March 27, 2008

Appendix A
 Examples of Baseline Calculations for Part A and Part B
 Event Day 16, HE 15 to HE 18 HE= Hour Ending

d. Determine 10 past similar days

Day	Day of week	HE11	HE12	HE13	HE14	HE15	HE16	HE17	HE18	HE19
Day 1	Wednesday	83751	85460	80008	79808	77940	76260	76776	75540	78976
Day 2	Thursday	77028	78600	74600	72932	71636	72028	72012	68376	68248
Day 3	Friday	66256	67608	67172	66488	65880	63976	61168	59340	64632
Day 4	Saturday	73394	74892	71916	71716	72196	71740	71256	68916	71112
Day 5	Sunday	78478	80080	73648	73600	72120	74880	73096	71760	74212
Day 6	Monday	79831	81460	77176	77544	75172	74004	73880	71700	73392
Day 7	Tuesday	76660	78224	75340	75240	74700	71096	70536	70684	74916
Day 8	Wednesday	79976	81608	78272	74540	70188	70076	69716	68768	71876
Day 9	Thursday	72163	73636	72924	66952	65188	66288	67012	67424	66936
Day 10	Friday	54790	55908	56672	57008	56688	56064	55932	54868	54448
Day 11	Saturday	78349	79948	74476	72940	72072	70964	70020	67760	71312
Day 12	Sunday	78126	79720	74088	73576	71588	69664	68528	67548	69476
Day 13	Monday	68298	69692	64356	61888	62448	61952	59760	62964	67840
Day 14	Tuesday	80019	81652	74424	72416	72020	72052	70556	69072	72764
Day 15	Wednesday	75397	76936	72176	70676	68440	68036	68008	67764	72072
Event Day 16	Thursday	78110	81896	81253	81680	48658	46500	46853	47013	68248

e. Determine 3 highest days - The three (3) highest energy usage days are those days with the highest total kilowatt hour usages for the aggregated group between during the program hours

Day	Day of Wk	HE12	HE13	HE14	HE15	HE16	HE17	HE18	HE19	Total
Day 2	Thursday	78600	74600	72932	71636	72028	72012	68376	68248	578432
Day 3	Friday	67608	67172	66488	65880	63976	61168	59340	64632	516264
Day 6	Monday	81460	77176	77544	75172	74004	73880	71700	73392	604328
Day 7	Tuesday	78224	75340	75240	74700	71096	70536	70684	74916	590736
Day 8	Wednesday	81608	78272	74540	70188	70076	69716	68768	71876	583044
Day 9	Thursday	73636	72924	66952	65188	66288	67012	67424	66936	546360
Day 10	Friday	55908	56672	57008	56688	56064	55932	54868	54448	447588
Day 13	Monday	69692	64356	61888	62448	61952	59760	62964	67840	510900
Day 14	Tuesday	81652	74424	72416	72020	72052	70556	69072	72764	584956
Day 15	Wednesday	76936	72176	70676	68440	68036	68008	67764	72072	564108

f. Determine hourly baseline of three highest days - The CSEB for the aggregated group is the hourly average based on the three (3) highest energy usage days

Day of Wk	HE11	HE12	HE13	HE14	HE15	HE16	HE17	HE18	HE19	Total	
Day 6	Monday	79831	81460	77176	77544	75172	74004	73880	71700	73392	604328
Day 7	Tuesday	76660	78224	75340	75240	74700	71096	70536	70684	74916	590736
Day 14	Tuesday	80019	81652	74424	72416	72020	72052	70556	69072	72764	584956
Hourly Baseline	78836	80445	75647	75067	73964	72384	71657	70485	73691	593340	

g. Calculate total load 4 hours prior to event

Day of Wk	4 hours prior				Event Hours				
	HE11	HE12	HE13	HE14	HE15	HE16	HE17	HE18	
Day 16	Thursday	78110	81896	81253	81680	48658	46500	46853	47013
Sum 4 hours Prior			322939						

h. Calculate total baseline usage using the 4 hours prior to the event.

	HE11	HE12	HE13	HE14	HE15	HE16	HE17	HE18	HE19
Hourly Baseline	78836	80445	75647	75067	73964	72384	71657	70485	73691
Sum of baseline 4 hours prior to event			309995						

i. Determine day-of morning adjustment factor and apply to hourly baseline
 (Sum 4 hours prior event / Sum 4 hours prior baseline) x hourly baseline

Sum 4 hours kW Prior to event	322939
+ Sum of baseline 4 hours prior to event	309995
Weather adjustment factor	1.04

j. Apply day-of morning adjustment factor to hourly baseline
 (Morning Adj. factor x hourly baseline) = Morning Adjusted Baseline

	Event Hours			
	HE15	HE16	HE17	HE18
Hourly Baseline	73964	72384	71657	70485
Ajd Factor	1.04	1.04	1.04	1.04
Temp Adj Baseline	77052	75406	74649	73428

k. Determine Hourly Compliance: Hourly Baseline - Hourly Usage

Note: This is an example for both Part A and Part B. However for actual billing, the SAs can only be in one or the other - not both.

Part A CSEB

	Event Hours			
	HE15	HE16	HE17	HE18
Non Adj. Baseline	73964	72384	71657	70485
Event Hourly Usage	48658	46500	46853	47013
Load Reduction	25306	25884	24804	23472
		kWh Reduction		99467

Part B: Adjusted CSEB

	Event Hours			
	HE15	HE16	HE17	HE18
Adjusted baseline	77052	75406	74649	73428
Event Hourly Usage	48658	46500	46853	47013
Load Reduction	28394	28906	27796	26415
		kWh Reduction		111513

D/A
 3/27/08

SECOND AMENDMENT TO
DEMAND RESPONSE PURCHASE AGREEMENT
DATED: FEBRUARY 23, 2007 BETWEEN PACIFIC GAS AND ELECTRIC
COMPANY AND ENERNOC INC.

In accordance with the herein terms, Pacific Gas and Electric Company ("Buyer") and EnerNOC Inc. ("Seller") agree to the following second Amendment ("Second Amendment") to the Demand Response Purchase Agreement dated February 23, 2007 ("Purchase Agreement"), as amended in writing by the Parties on September 1, 2007 (collectively referred to as the "Agreement"):

GENERAL

Any and all changes made to the Agreement through this Second Amendment are effective only during the period of time that the Second Amendment is effective. Upon the earlier of the termination of the Second Amendment or December 31, 2008, all terms and conditions comprising the Agreement shall return to the form immediately prior to the Effective Date of this Second Amendment.

ARTICLE 1

A. Article 1 of the Purchase Agreement is amended by deleting Sections 1.3 and 1.9 and replacing with the following:

- 1.3 "Baseline": the amount of capacity and energy use from Part A and Part B of Seller's Portfolio from which demand reduction shall be measured as described in Section 3.6 and Appendix I.
- 1.9 "CPUC Approval": A final, non-appealable order issued by the CPUC approving this Second Amendment, without modification or condition unacceptable to either Party in its sole discretion, as reasonable and assuring the full recovery by Buyer of all of its costs hereunder, subject only to a review of the reasonableness of Buyer's administration of this Second Amendment.

B. Article 1 of the Purchase Agreement is amended by adding the following definitions:

- 1.32 "Adjusted CSEB": the Baseline as defined in Article 3.6.2 used for Part B of Seller's Portfolio.
- 1.33 "Breakdown": has the meaning set forth in Section 3.3.2.

- 1.34 “Commitment Level for Part A”: that part of the Commitment Level that represents the amount of reduction in electric use by Customers in Part A of Seller’s Portfolio that Seller is obligated to provide in each hour relative to Baseline as further defined in Articles 3.6.1.
- 1.35 “Commitment Level for Part B”: that part of the Commitment Level that represents the amount of reduction in electric use by Customers in Part B of Seller’s Portfolio that Seller is obligated to provide in each hour relative to Baseline as further defined in Articles 3.6.2.
- 1.36 “Director Approval”: A written, non-appealable approval of this Second Amendment by the Director of the CPUC Energy Division, without modification or condition unacceptable to either Party in its sole discretion, as reasonable and assuring the full recovery by Buyer of all of its costs hereunder, subject only to a review of the reasonableness of Buyer’s administration of this Second Amendment.
- 1.37 “Part A”: the portion of Seller’s Portfolio that will continue to use the CSEB for the Baseline calculation for settlements (used for non-Temperature Sensitive Customers, or those deemed to be non-Temperature Sensitive Customers pursuant to this Second Amendment).
- 1.38 “Part B”: the portion of Seller’s Portfolio that will use the Adjusted CSEB for the Baseline calculation for settlements (used for Temperature Sensitive Customers).
- 1.39 Temperature Sensitive Customers: Customers whose electric load varies significantly with the outside air temperature.

ARTICLE 2

Article 2 of the Purchase Agreement is amended by deleting Section 2.2 in its entirety and replacing it with the following:

2.2 Approval; Effective Date and Delivery Term

This Second Amendment shall become effective on the date executed by both Parties (“Effective Date”) and is subject to Director Approval or CPUC Approval. Buyer and Seller will work to obtain either Director Approval or CPUC Approval in a timely manner, and, if either form is received by June 6, 2008, this Second Amendment shall be operative during the Delivery Months of July 2008 through October 2008 and shall terminate on December 31, 2008. If neither Director Approval nor CPUC approval is received by June 6, 2008, this Second Amendment will terminate by its terms on June 14, 2008.

ARTICLE 3

A. Article 3 of the Purchase Agreement is amended by adding the following:

3.2.1 For July, August and September of 2008, Seller's Commitment Level shall be modified as follows:

July 2008	34	MW
August 2008	40	MW
September 2008	40	MW

3.3.1 For July, August, September and October 2008 only, Seller shall, in addition to the requirements on Article 3.3, submit its Seller's Portfolio divided into two parts, one for Part A and one for Part B.

3.3.2 Seller shall provide the breakdown (by megawatt) of what portion of the Commitment Level is comprised of Part A and what portion of the Commitment Level is comprised of Part B (collectively the "Breakdown") at the time Seller submits the Service Agreements for Seller's Portfolio in accordance with Article 3.3. Seller shall also specify, at that same time, what Service Agreements are in Part A and what Service Agreements are in Part B. A Service Agreement cannot be in both Part A and Part B. Once an SA has been submitted for Part A or Part B, it may not be later moved between Part A and Part B during the summer of 2008. The Breakdown must be submitted to PG&E no later than 30 days before the start of the Delivery Month. The aggregate megawatt total MW for Parts A and Part B shall equal the Commitment Level in Article 3.2.1. If the Breakdown is not submitted, the entire Commitment Level shall be deemed to be fully comprised of Part A and treated accordingly.

3.3.3 If this Second Amendment terminates by its terms because it has not been approved by the CPUC by June 6, 2008, Seller shall notify Buyer by June 13, 2008 of any Service Agreement to be deleted from Seller's Portfolio for the July Delivery Month. Otherwise, all Service Agreements submitted for Part A or Part B will be considered by Buyer for inclusion in Seller's Portfolio.

B. Article 3 is amended by deleting 3.6 in its entirety and replacing it with the following:

3.6 PG&E shall settle Seller's Portfolio using separate Baseline methodologies for Part A and Part B (as illustrated in Appendix A to this Second Amendment):

3.6.1 Part A Baseline Calculation:

The Baseline for Part A shall be the Customer Specific Baseline ("CSEB") for Part A ("Part A CSEB") calculated as follows:

No later than the fifth (5th) calendar day of the month following a Delivery Month in which there was a DR Event, Seller shall provide to Buyer a valid CSEB accounting for Part A Customers during the preceding month, in a form of Appendix A to this Second Amendment. The Part A CSEB accounting shall be valid if there are at least ten (10) similar days of interval data available for the month being calculated. The Part A CSEB shall be the hourly average electric use for all Customers in Part A of Seller's Portfolio based on the three (3) highest energy use days out of the ten (10) similar days prior to a DR Event for Customers in Part A of Seller's Portfolio. The three (3) highest energy use days are those days with the highest total kilowatt hour use for Part A of Seller's Portfolio during DR Hours. The hourly load profile for Part A of Seller's Portfolio on any given day during the DR Program shall be determined by summing the hour-by-hour interval data for each of the Service Agreements in Part A of Seller's Portfolio. The past ten (10) similar days shall include Monday through Friday, excluding NERC Holidays and days when the Customer was paid to reduce load under an interruptible or other curtailment program or days when rotating outages were called.

3.6.2 Part B Baseline Calculation:

The Baseline for Part B shall be the CSEB for Part B ("Part B CSEB") as adjusted by the ratio of the actual load to the predicted load in the four hours prior to the DR Event ("Adjusted CSEB"), calculated in two steps as follows:

Step 1 – Determine the Part B CSEB.

No later than the fifth (5th) calendar day of the month following a Delivery Month in which there was a DR Event, Seller shall provide to Buyer a valid CSEB accounting for Part B Customers during the preceding month, in a form of Appendix A to this Second Amendment. The CSEB accounting shall be valid if there are at least ten (10) similar days of interval data available for the month being calculated. The Part B CSEB shall be the hourly average electric use for all Customers in Part B of Seller's Portfolio based on the three (3) highest energy use days out of the ten (10) similar days prior to a DR Event for Customers in Part B of Seller's Portfolio. The three (3) highest energy use days are those days with the highest total kilowatt hour use for Part B of Seller's Portfolio during DR Hours. The hourly load profile for Part B of Seller's Portfolio on any given day during the DR Program shall be determined by summing the hour-by-hour interval data for each of the Service Agreements in Part

B of Seller's Portfolio. The past ten (10) similar days shall include Monday through Friday, excluding NERC Holidays and days when the Customer was paid to reduce load under an interruptible or other curtailment program or days when rotating outages were called.

Step 2 – Determine the Adjusted CSEB.

Adjust the Part B CSEB by the ratio of the actual load to the predicted load in the four hours prior to the DR Event, where:

the actual load in those four hours is the sum of the total kilowatt hour usage for the Part B of Seller's Portfolio during those four hours prior to the event hours; and

the Predicted load is the sum of the average kilowatt hour usage for Part B of Seller's Portfolio during those four hours prior to the event hours for the same three days as used to establish the Part B CSEB.

The adjustment ratio is limited to a change in the hourly Adjusted CSEB of no more than a 20% increase or decrease from the Part B CSEB.

C. Article 3 of the Purchase Agreement is amended by adding the following Section as follows:

3.6.A Seller shall not encourage Customers to increase electric demand prior to a DR Event solely for the purpose of increasing the Adjusted CSEB. Seller may, however, encourage Customers to use demand response strategies such as pre-cooling a building prior to a DR Event in order to meet their load reduction commitments during a DR Event. PG&E reserves the right to evaluate actions taken by Seller's Customers prior to and during the DR Event.

ARTICLE 4 OF THE AGREEMENT IS REVISED AS FOLLOWS:

A. Article 4 of the Purchase Agreement is amended by deleting Section 4.1 and replacing with the following:

4.1 Payments

Monthly payments shall be the sum of: (a) the Monthly Option Premium Payment for Part A, added to the Monthly Option Premium Payment for Part B; and (b) the Monthly Energy Payment for Part A added to the Monthly Energy Payment for Part B.

4.1.1 Monthly Option Premium Payment for Part A Calculation

If Buyer calls a DR Event during a Delivery Month, the Option Premium Payment for Part A for such month shall be the sum of the Adjusted Hourly Option Premium Payments for Part A for such month as adjusted pursuant to Chart 4.1.1, below, and as further illustrated in Appendix IV (“Adjusted Hourly Option Premium Reduction”). If Buyer does not call a DR Event during a month, the Option Premium Payment for Part A for such month shall be equal to the product of the Commitment Level for Part A and Option Premium Price for such month.

Chart 4.1.1

Hourly Delivered Capacity Ratio for Part A	Adjusted Hourly Option Premium Payment Reduction for Part A Calculation
≥ 0.90 and ≤ 1.00	Adjusted Hourly Option Premium Payment for Part A = [Unadjusted Hourly Option Premium Payment for Part A] x [Hourly Delivered Capacity Ratio for Part A]
≥ 0.75 and < 0.90	Adjusted Hourly Option Premium Payment for Part A = [Unadjusted Hourly Option Premium Payment for Part A] x [0.50]
≥ 0.50 and < 0.75	Adjusted Hourly Option Premium Payment for Part A = 0
≥ 0 and < 0.50	Adjusted Hourly Option Premium Reduction for Part A = [Unadjusted Hourly Option Premium Payment for Part A] x [(0.50 - Hourly Delivered Capacity Ratio for Part A)]. Reduction Payment shall be paid by Seller to Buyer.

Where:

1. The Hourly Delivered Capacity Ratio for Part A for the DR Hour is equal to the Part A CSEB for the DR Hour minus the average demand for Part A during the DR Hour divided by the Commitment Level for Part A. The average demand is defined as the energy (in kilowatt hours) consumed during the DR Hour converted to demand measured in kilowatts. The Hourly Delivered Capacity for Part A cannot be greater than the Commitment Level for Part A or less than zero (0).
2. The Unadjusted Hourly Option Premium Payment for Part A is equal to the product of the Commitment Level for Part A and the Option Premium Price for the month, divided by the number of scheduled DR Hours in the Delivery Month.

4.1.2 Monthly Option Premium Payment for Part B Calculation

If Buyer calls a DR Event during a Delivery Month, the Option Premium Payment for Part B for such month shall be the sum of the Adjusted Hourly Option Premium

Payments for Part B for such month as adjusted pursuant to Chart 4.1.2, below, and as further illustrated in Appendix IV (“Adjusted Hourly Option Premium Reduction”). If Buyer does not call a DR Event during a month, the Option Premium Payment for Part B for such month shall be equal to the product of the Commitment Level for Part B and Option Premium Price for such month.

Chart 4.1.2

Hourly Delivered Capacity Ratio for Part B	Adjusted Hourly Option Premium Payment Reduction for Part B Calculation
≥ 0.90 and ≤ 1.00	Adjusted Hourly Option Premium Payment for Part B = [Unadjusted Hourly Option Premium Payment for Part B] x [Hourly Delivered Capacity Ratio for Part B]
≥ 0.75 and <0.90	Adjusted Hourly Option Premium Payment for Part B = [Unadjusted Hourly Option Premium Payment for Part B] x [0.50]
≥ 0.50 and < 0.75	Adjusted Hourly Option Premium Payment for Part B = 0
≥ 0 and < 0.50	Adjusted Hourly Option Premium Reduction for Part B = [Unadjusted Hourly Option Premium Payment for Part B] x [(0.50 – Hourly Delivered Capacity Ratio for Part B)]. Reduction Payment shall be paid by Seller to Buyer.

Where:

1. The Hourly Delivered Capacity Ratio for Part B for the DR Hour is equal to the Adjusted CSEB for Part B for the DR Hour minus the average demand for Part B during the DR Hour divided by the Commitment Level for Part B. The average demand is defined as the energy (in kilowatt hours) consumed during the DR Hour converted to demand measured in kilowatts. The Hourly Delivered Capacity for Part B cannot be greater than the Commitment Level for Part B or less than zero (0).

2. The Unadjusted Hourly Option Premium Payment for Part B is equal to the product of the Commitment Level for Part B and the Option Premium Price for the month, divided by the number of scheduled DR Hours in the Delivery Month.

4.1.3 Energy Payment for Part A Calculation

If a DR Event is called by Buyer, Seller shall be paid a DR Energy Price, as specified in the table in Article 4.4 of the Agreement, for delivered DR for Part A. Seller shall not be paid unless a DR Event is called by Buyer and meter data

received by Buyer verifies and demonstrates that Seller's Portfolio for Part A has reduced energy consumption associated with the DR as described below.

If no DR Events were called during the Delivery Month, then the monthly Energy Payment is zero (0).

If one or more DR Events were called during the Delivery Month, the monthly Energy Payment for Part A shall be the sum of the Hourly Energy Payments for Part A. For all DR Events other than a Day-of exercise for a CCA or Direct Access Customer where an SC-to-SC trade was not performed due to insufficient notification time, the Hourly Energy Payment for Part A will be determined as follows:

- i. If Delivered Energy for Part A_{HR} ≥ Commitment Level for Part A

Hourly Energy Payment for Part A_{HR} = [Delivered Energy for Part A_{HR}] x [Energy Price_{HR}]

- ii. If Delivered Energy for Part A_{HR} < Commitment Level for Part A

Hourly Energy Payment for Part A_{HR} = [Delivered Energy for Part A_{HR} x Energy Price_{HR}] - [(Commitment Level for Part A - Delivered Energy for Part A_{HR}) x [(the greater of the CAISO's ex-post energy price for the event hour or the Energy Price_{HR}) - the Energy Price_{HR}]]

Where:

Energy Price_{HR} = Energy Price from the table in Article 4.4 of the Agreement

Delivered Energy for Part A_{HR} = Part A CSEB - the metered energy for that hour for Part A

Buyer shall not, without having given its prior consent, be obligated to pay Seller for Delivered Energy for Part A_{HR} that exceeds 150 percent of Seller's Commitment Level for Part A in any hour.

Should, during a DR Event, an SC-to-SC trade (due to a Day-of exercise being supplied from a portion of Seller's Portfolio supplied from CCA or Direct Access Customers) not be performed due to insufficient notification time, the Hourly Energy Payments for Part A to Seller shall be based on the above formula and reduced to reflect the CAISO credit that would be expected to be paid to Seller's SC for generation equal to the portion of Seller's Commitment Level for Part A that is from CCA or Direct Access Customers' DR reduction. Seller shall be responsible for the Distribution Loss Factor for each Service Agreement to account for delivery at the CAISO interface. Appendix V contains an example of how the energy payment is calculated for DR Event for CCA or Direct Access transactions where an SC-to-SC trade was not performed.

4.1.3 Energy Payment for Part B Calculation

If a DR Event is called by Buyer, Seller shall be paid a DR Energy Price, as specified in Article 4.4 of the Agreement, for delivered DR for Part B. Seller shall not be paid unless a DR Event is called by Buyer and meter data received by Buyer verifies and demonstrates that Seller's Portfolio for Part B has reduced energy consumption associated with the DR as described below.

If no DR Events were called during the Delivery Month, then the monthly Energy Payment is zero (0).

If one or more DR Events were called during the Delivery Month, the monthly Energy Payment for Part B shall be the sum of the Hourly Energy Payments for Part B. For all DR Events other than a Day-of exercise for a CCA or Direct Access Customer where an SC-to-SC trade was not performed due to insufficient notification time, the Hourly Energy Payment for Part B will be determined as follows:

- i. If Delivered Energy for Part B $B_{HR} \geq$ Commitment Level for Part B

$$\text{Hourly Energy Payment for Part B}_{HR} = [\text{Delivered Energy for Part B}_{HR}] \times [\text{Energy Price}_{HR}]$$

- ii. If Delivered Energy for Part B $B_{HR} <$ Commitment Level for Part B

$$\text{Hourly Energy Payment for Part B}_{HR} = [\text{Delivered Energy for Part B}_{HR} \times \text{Energy Price}_{HR}] - [(\text{Commitment Level for Part B} - \text{Delivered Energy for Part B}_{HR}) \times [(\text{the greater of the CAISO's ex-post energy price for the event hour or the Energy Price}_{HR}) - \text{the Energy Price}_{HR}]]$$

Where:

Energy Price $_{HR}$ = Energy Price from the table in Article 4.4 of the Agreement

Delivered Energy for Part B $_{HR}$ = Adjusted CSEB – the metered energy for that hour for Part B

Buyer shall not, without having given its prior consent, be obligated to pay Seller for Delivered Energy for Part B $_{HR}$ that exceeds 150 percent of Seller's Commitment Level for Part B in any hour.

Should, during a DR Event, an SC-to-SC trade (due to a Day-of exercise being supplied from a portion of Seller's Portfolio supplied from CCA or Direct Access Customers) not be performed due to insufficient notification time, the Hourly Energy Payments for Part B to Seller shall be based on the above formula and

reduced to reflect the CAISO credit that would be expected to be paid to Seller's SC for generation equal to the portion of Seller's Commitment Level for Part B that is from CCA or Direct Access Customers' DR reduction. Seller shall be responsible for the Distribution Loss Factor for each SA to account for delivery at the CAISO interface. Agreement, Appendix V contains an example of how the energy payment is calculated for DR Event for CCA or Direct Access transactions where an SC-to-SC trade was not performed.

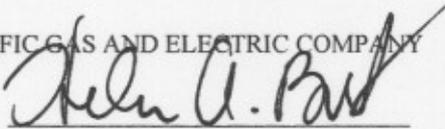
ARTICLE 7 OF THE AGREEMENT IS BE REVISED AS FOLLOWS:

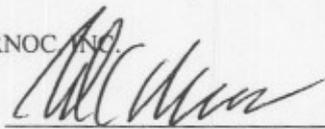
7.2.1 Seller will increase any Performance Assurance required by Article 7 above to reflect the higher new total Commitment Level stated in Article 3.2.1 above. The Collateral increase will be in place not later than 1 day before the July Delivery Month

OTHER TERMS AND CONDITIONS.

Capitalized terms used but not defined herein will have the meaning ascribed to them elsewhere in the Agreement.

Except as specifically modified and amended herein, all other terms, conditions, and provisions of the Agreement are and shall remain in full force and effect.

PACIFIC GAS AND ELECTRIC COMPANY
By: 
Name: Helen A. Burt
Title: SVP and CCO
Date: March 31, 2008

ENERNOC, INC.
By: 
Name: Neal C Isaacson
Title: CFo
Date: 3/28/08

Appendix A
Examples of Baseline Calculations for Part A and Part B

Event Day 16, HE 15 to HE 18 HE= Hour Ending

Determine 10 past similar days

	Day of week	HE11	HE12	HE13	HE14	HE15	HE16	HE17	HE18	HE19
Day 1	Wednesday	83751	85460	80008	79808	77940	76260	76776	75540	78976
Day 2	Thursday	77028	78600	74600	72632	71636	72028	72012	68376	68248
Day 3	Friday	66256	67608	67172	66488	65880	63976	61168	59340	64632
Day 4	Saturday	73394	74892	71916	71716	72196	71740	71256	68916	71112
Day 5	Sunday	78478	80080	73648	73600	72120	74980	73096	71760	74212
Day 6	Monday	79831	81460	77176	77544	75172	74004	73880	71700	73392
Day 7	Tuesday	76660	78224	75340	75240	74700	71096	70536	70684	74916
Day 8	Wednesday	79976	81608	76272	74540	70188	70076	69716	68768	71876
Day 9	Thursday	72163	73636	72924	69052	65188	66288	67012	67424	66936
Day 10	Friday	54790	55908	56672	57008	56688	56064	55932	54888	54448
Day 11	Saturday	78349	79948	74476	72940	72072	70964	70020	67760	71312
Day 12	Sunday	78126	79720	74068	73576	71588	69564	68528	67548	69476
Day 13	Monday	68298	69892	64356	61888	62448	61952	59760	62964	67840
Day 14	Tuesday	80019	81652	74424	72416	72020	72052	70556	69072	72764
Day 15	Wednesday	75397	76936	72176	70676	68440	68036	68008	67764	72072
Day 16	Thursday	78110	81896	81253	81680	48658	46500	46853	47013	68248

Determine 3 highest days - The three (3) highest energy usage days are those days with the highest total kilowatt hour usages for the aggregated group between during the program hours

	Day of Wk	HE12	HE13	HE14	HE15	HE16	HE17	HE18	HE19	Total
Day 2	Thursday	78600	74600	72932	71636	72028	72012	68376	68248	578432
Day 3	Friday	67608	67172	66488	65880	63976	61168	59340	64632	516264
Day 6	Monday	81460	77176	77544	75172	74004	73880	71700	73392	604328
Day 7	Tuesday	78224	75340	75240	74700	71096	70536	70684	74916	590736
Day 8	Wednesday	81608	76272	74540	70188	70076	69716	68768	71876	583044
Day 9	Thursday	73636	72924	66952	65188	66288	67012	67424	66936	546360
Day 10	Friday	55908	56672	57008	56688	56064	55932	54888	54448	447588
Day 13	Monday	69692	64356	61888	62448	61952	59760	62964	67840	510900
Day 14	Tuesday	81652	74424	72416	72020	72052	70556	69072	72764	584956
Day 15	Wednesday	76936	72176	70676	68440	68036	68008	67764	72072	564108

Determine hourly baseline of three highest days - The CSEB for the aggregated group is the hourly average based on the three (3) highest energy usage days

	Day of Wk	HE11	HE12	HE13	HE14	HE15	HE16	HE17	HE18	HE19	Total
Day 6	Monday	79831	81460	77176	77544	75172	74004	73880	71700	73392	604328
Day 7	Tuesday	76660	78224	75340	75240	74700	71096	70536	70684	74916	590736
Day 14	Tuesday	80019	81652	74424	72416	72020	72052	70556	69072	72764	584956
Hourly Baseline		78836	80445	75647	75067	73964	72384	71657	70485	73691	593340

Calculate total load 4 hours prior to event

	Day of Wk	HE11	HE12	HE13	HE14	HE15	HE16	HE17	HE18
Day 16	Thursday	78110	81896	81253	81680	48658	46500	46853	47013
Sum 4 hours Prior				322939					

Calculate total baseline usage using the 4 hours prior to the event.

	HE11	HE12	HE13	HE14	HE15	HE16	HE17	HE18	HE19
Hourly Baseline	78836	80445	75647	75067	73964	72384	71657	70485	73691
Sum of baseline 4 hours prior to event			309995						

Determine day-of morning adjustment factor and apply to hourly baseline
(Sum 4 hours prior event / Sum 4 hours prior baseline) x hourly baseline

Sum 4 hours kW Prior to event	322939
÷ Sum of baseline 4 hours prior to event	309995
Weather adjustment factor	1.04

Apply day-of morning adjustment factor to hourly baseline
(Morning Adj. factor x hourly baseline) = Morning Adjusted Baseline

	HE15	HE16	HE17	HE18
Hourly Baseline	73964	72384	71657	70485
Adj Factor	1.04	1.04	1.04	1.04
Temp Adj Baseline	77052	75406	74649	73428

Determine Hourly Compliance: Hourly Baseline - Hourly Usage

Note: This is an example for both Part A and Part B. However for actual billing, the SAs can only be in one or the other - not both.

Part A CSEB

	HE15	HE16	HE17	HE18
Non Adj. Baseline	73964	72384	71657	70485
Event Hourly Usage	48658	46500	46853	47013
Load Reduction	25306	25884	24804	23472
		kWh Reduction		99467

Part B: Adjusted CSEB

	HE15	HE16	HE17	HE18
Adjusted baseline	77052	75406	74649	73428
Event Hourly Usage	48658	46500	46853	47013
Load Reduction	28394	28906	27796	26415
		kWh Reduction		111513

**DECLARATION OF KENNETH E. ABREU
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN INFORMATION CONTAINED
IN ADVICE LETTER TO REVISE AGGREGATOR MANAGEMENT
PROGRAM CONTRACTS**

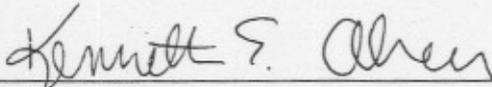
I, Kenneth E. Abreu, declare:

1. I have been employed by Pacific Gas and Electric Company (PG&E) from 1977 to 1999 and again from 2006 to present. My current title is Principal Regulatory Analyst in the PG&E's Demand Side Resources Department. In this position, my responsibilities include developing policy, plans and strategies on demand response as well as overseeing the negotiating of demand response agreements with sellers and other counter parties in the business of providing demand response. In carrying out these responsibilities, I have acquired knowledge of PG&E contracts with such sellers.

2. Based on my knowledge and experience, I make this declaration seeking confidential treatment of data provided to Energy Division regarding the pricing paid under contract with PG&E and PG&E's electric price forecasts.

3. The data for which PG&E is seeking confidential treatment are subject to a non-disclosure agreement in the contracts (Article 11). This data also corresponds to a category of protected, confidential information specified in Appendix 1 of the Commission's confidentiality decision, D.06-06-066 (Confidentiality Matrix). Under the confidentiality matrix, the utility electric bilateral contracts terms and conditions are confidential for three years pursuant to Section VII B. To the best of my knowledge, the information PG&E seeks to maintain confidential is not already public. The confidential information cannot be meaningfully aggregated, redacted, summarized, masked or otherwise protected in a way that allows additional disclosure.

I declare under penalty, under the laws of the State of California, that the foregoing is true and correct. Executed on March 28, 2008, at San Francisco, California.



Kenneth E. Abreu

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

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	Sutherland, Asbill & Brennan
California ISO	International Power Technology	Tabors Caramanis & Associates
Calpine	Interstate Gas Services, Inc.	Tecogen, Inc
Calpine Corp	IUCG/Sunshine Design LLC	TFS Energy
Calpine Gilroy Cogen	J. R. Wood, Inc	Transcanada
Cambridge Energy Research Assoc	JTM, Inc	Turlock Irrigation District
Cameron McKenna	Luce, Forward, Hamilton & Scripps	U S Borax, Inc
Cardinal Cogen	Manatt, Phelps & Phillips	United Cogen Inc.
Cellnet Data Systems	Marcus, David	URM Groups
Chevron Texaco	Matthew V. Brady & Associates	Utility Resource Network
Chevron USA Production Co.	Maynor, Donald H.	Wellhead Electric Company
City of Glendale	MBMC, Inc.	White & Case
City of Healdsburg	McKenzie & Assoc	WMA
City of Palo Alto	McKenzie & Associates	
City of Redding	Meek, Daniel W.	
CLECA Law Office	Mirant California, LLC	
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	