

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 7, 2011

Advice Letter 3689-E-A

Jane K. Yura
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, CA 94177

**Subject: Supplement to Demand Response Phase Four Compliance
Advice Letter per D.10-06-002 and D.10-12-036**

Dear Ms. Yura:

Advice Letter 3689-E-A is effective January 27, 2011.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division

December 28, 2010

Advice 3689-E-A
(Pacific Gas and Electric Company ID U 39 E)

**Subject: Supplement to Demand Response Phase Four Compliance
Advice Letter per Decision 10-06-002 and Decision 10-12-036**

Public Utilities Commission of the State of California

In compliance with Ordering Paragraph (OP) 2 of Decision (D.) 10-12-036, Pacific Gas and Electric (PG&E) submits revisions to the implementation schedule proposed in its Advice Letter 3689-E. Advice Letter 3689-E was filed in compliance with OP 5 of D. 10-06-002 on June 14, 2010 and proposed modification of PG&E's 2009 Participating Load Pilot program to accommodate a Proxy Demand Resource Pilot Program for summer 2010.

As explained below, it is not possible to revive the 2009 Participating Load Pilot program, which ended as scheduled at the end of 2009. Therefore, as PG&E proposed in PG&E's Advice 3635-E-A, PG&E requests to utilize part of its PeakChoice™ Program as PG&E's required Proxy Demand Resource (PDR) pilot for summer 2011.

This advice letter supersedes Advice 3689-E in its entirety.

Background

On June 3, 2010, the California Public Utilities Commission (Commission) issued D.10-06-002 (Direct Participation Decision). Ordering Paragraph (OP) 5 of the Direct Participation Decision required PG&E and the other investor-owned utilities (IOUs) to file a Tier 2 Advice Letter "within 10 days of the effective date of this decision to modify its Participating Load Pilot program to [a] Proxy Demand Resource pilot program for summer 2010." On June 14, 2010, PG&E submitted Advice Letter (AL) 3689-E in compliance with the Direct Participation Decision. Approval of AL 3689-E was held pending the Commission's determination of whether and to what extent the IOUs should be authorized to participate in the California Independent System Operator's (CAISO) Proxy Demand Resource program bidding.

On December 16, 2010, the Commission issued Decision 10-12-036 authorizing PG&E to participate in bidding of the Proxy Demand Resource product in the California Independent System Operator's wholesale markets subject to restrictions imposed by the Commission in D.10-06-002 and other restrictions

PG&E's 2009 Participating Load Pilot program had its genesis in 2008. On September 5, 2008, PG&E and the other IOUs filed a motion (Bridge Funding Motion) for funding and authorization to operate the 2008 authorized demand responses program in 2009. In the Bridge Funding Motion, PG&E also requested authorization and funding to implement its Participating Load Pilot (PLP) for 2009 only, pending a final decision on the PLP in Application (A.) 08-06-003. In D.08-12-038 (Bridge Funding Decision), PG&E and the other IOUs were authorized by the Commission to implement their 2008 Demand Response (DR) programs and the PLP during the Bridge Funding Period.

The PLP was a commercial and industrial pilot designed to test the Participating Load model of the California Independent System Operator (CAISO) in the Non-Spinning Ancillary Services (A/S) market. The three customers utilized in this program were large commercial and industrial customers on the Critical Peak Pricing DR program.

On August 24, 2009, the Commission issued D.09-08-027 (2009-2011 DR Application Decision), which authorized funding for PG&E to conduct its DR programs and pilots for the 2009-2011 program cycle. The 2009-2011 DR Application Decision adopted a total budget of \$ 109.1 million. On December 31, 2009, PG&E's PLP was completed when the final report regarding the PLP was filed with the Commission.

Proposal

In order to satisfy the Direct Participation Decision's intent to have PG&E develop a Proxy Demand Resource pilot program, PG&E requests that part of its PeakChoice program be utilized as the required Proxy Demand Resource pilot program for summer 2011, which is consistent with PG&E's submitted Advice 3635-E-A and the main text of the Direct Participation Decision. Upon approval of Advice 3635-E-A, PG&E is willing to limit the amount of megawatts that are bid into the Day-Ahead energy market of the CAISO through the PDR mechanism to a specified maximum, if it is deemed necessary by the Energy Division.

PG&E requests that it not be required to attempt to revive its expired Participating Load Pilot program for this purpose. PG&E's PLP was unavailable for summer 2010 due to a lack of operational viability and the completion of the PLP in 2009. Post-PLP, all three of the customers that were utilized for the PLP elected to enroll in other DR programs: two customers have enrolled in the Peak Day Pricing Program while one has enrolled in the PeakChoice Program. Furthermore, all vendor contracts that were necessary for the PLP have expired.

No further work was performed to maintain the mechanisms utilized by the PLP since the planned objective and scope of work was completed. In order to resurrect the PLP and transition that pilot to a PDR pilot, formal operational and tariff agreements must be completed between PG&E, the CAISO, and the Federal Energy Regulatory Commission (FERC). For example, an exception must be granted by the FERC to bid a resource smaller than the current minimum size of 1 MW into the wholesale market as A/S. This is larger than the DR capabilities of the customers utilized in the PLP.

In addition, none of PG&E's DR tariffs allow for the ten (10) minute demand response that participating in the CAISO A/S market requires. Thus, PG&E would be required to recruit customers again for a new PDR pilot and sign new bilateral agreements with them, subject to Commission approval. If new customers were recruited, additional equipment installation such as real-time metering and communication technologies would be required to meet the CAISO operational requirements. PG&E believes that the earliest time that all these steps could be completed to be ready to bid into the market through a PLP converted to PDR pilot would be late next year or early 2012. However, PG&E believes that it is capable of participating in the CAISO market in June 2011 if it is allowed to utilize the PeakChoice program to provide Day-Ahead energy, assuming that the Commission approves Advice 3635-E-A.

The PeakChoice Program will be ready by June 2011, for use as a PDR resource to provide Day-Ahead energy in the CAISO market. In consideration of the difficulties in restoring the 2009 PLP and the readiness of PG&E to utilize its PeakChoice program, the Commission should approve the PeakChoice program as an alternative to requiring PG&E to attempt to restore its completed 2009 PLP and approve PG&E's Advice 3635-E-A.

Protest Period

Anyone wishing to protest this filing may do so by sending a letter by **January 18, 2011**, which is **21¹** days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

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

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

¹ The normal 20-day protest period ends on a federal holiday so the protest period is extended to the next business day.

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

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

Jane K. Yura
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, California 94177

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

Effective Date

PG&E requests that this Tier 2 advice filing becomes effective on regular notice, **January 27, 2011**, which is 30 calendar days after the date of filing.

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.08-06-001 et al. and R.07-01-041. Address changes and electronic approvals should be directed to email PGETariffs@pge.com. Advice Letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.

A handwritten signature in cursive script that reads "Jane Yura" followed by a date "1/27/11".

Vice President – Regulation and Rates

Attachments

cc: Service Lists – A.08-06-001 and R.07-01-041

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: Greg Backens

Phone #: 415-973-4390

E-mail:

EXPLANATION OF UTILITY TYPE

ELC = Electric
PLC = Pipeline

GAS = Gas
HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 3689-E-A

Tier: 2

Subject of AL: Supplement to Demand Response Phase Four Compliance Advice Letter per Decision 10-06-002 and Decision 10-12-036

Keywords (choose from CPUC listing): Demand Side Management

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: Decision 10-06-002 and Decision 10-12-036

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

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: N/A

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

Resolution Required? Yes No

Requested effective date: January 27, 2011

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:

Service affected and changes proposed:

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 Ave., San Francisco, CA 94102

jn@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Jane Yura, Vice President, Regulation and Rates

77 Beale Street, Mail Code B10B

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

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

Alcantar & Kahl LLP	Dept of General Services	North Coast SolarResources
Ameresco	Division of Business Advisory Services	Northern California Power Association
Anderson & Poole	Douglass & Liddell	Occidental Energy Marketing, Inc.
Arizona Public Service Company	Downey & Brand	OnGrid Solar
BART	Duke Energy	Praxair
Barkovich & Yap, Inc.	Dutcher, John	R. W. Beck & Associates
Bartle Wells Associates	Economic Sciences Corporation	RCS, Inc.
Bloomberg	Ellison Schneider & Harris LLP	Recurrent Energy
Bloomberg New Energy Finance	Foster Farms	SCD Energy Solutions
Boston Properties	G. A. Krause & Assoc.	SCE
Braun Blaising McLaughlin, P.C.	GLJ Publications	SMUD
	Goodin, MacBride, Squeri, Schlotz & Ritchie	SPURR
Brookfield Renewable Power	Green Power Institute	San Francisco Public Utilities Commission
CA Bldg Industry Association	Hanna & Morton	Santa Fe Jets
CLECA Law Office	Hitachi	Seattle City Light
CSC Energy Services	In House Energy	Sempra Utilities
California Cotton Ginners & Growers Assn	International Power Technology	Sierra Pacific Power Company
California Energy Commission	Intestate Gas Services, Inc.	Silicon Valley Power
California League of Food Processors	Lawrence Berkeley National Lab	Silo Energy LLC
California Public Utilities Commission	Los Angeles Dept of Water & Power	Southern California Edison Company
Calpine	Luce, Forward, Hamilton & Scripps LLP	Spark Energy, L.P.
Cardinal Cogen	MAC Lighting Consulting	Sunshine Design
Casner, Steve	MBMC, Inc.	Sutherland, Asbill & Brennan
Chris, King	MRW & Associates	Tabors Caramanis & Associates
City of Palo Alto	Manatt Phelps Phillips	Tecogen, Inc.
City of Palo Alto Utilities	McKenzie & Associates	Tiger Natural Gas, Inc.
Clean Energy Fuels	Merced Irrigation District	TransCanada
Coast Economic Consulting	Modesto Irrigation District	Turlock Irrigation District
Commercial Energy	Morgan Stanley	United Cogen
Consumer Federation of California	Morrison & Foerster	Utility Cost Management
Crossborder Energy	NLine Energy, Inc.	Utility Specialists
Davis Wright Tremaine LLP	NRG West	Verizon
Day Carter Murphy	Navigant Consulting	Wellhead Electric Company
Defense Energy Support Center	Norris & Wong Associates	Western Manufactured Housing Communities Association (WMA)
		eMeter Corporation
Department of Water Resources	North America Power Partners	