

June 14, 2010

**Advice 3689-E**

(Pacific Gas and Electric Company ID U 39 E)

**Subject: Demand Response Phase Four Compliance Advice Letter per  
Decision 10-06-002**

Public Utilities Commission of the State of California

In compliance with Decision (D.) 10-06-002, Pacific Gas and Electric (PG&E) files this advice letter regarding modification of its 2009 Participating Load Pilot program to 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, PG&E requests to utilize part of its PeakChoice<sup>™</sup> Program as PG&E's required Proxy Demand Resource (PDR) pilot for summer 2010.

**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."

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 for the summer of 2010, PG&E requests that part of its PeakChoice program be utilized as the required Proxy Demand Resource pilot program for summer 2010, which is consistent with PG&E's submitted Advice 3635-E and the main text of the Direct Participation Decision. Upon approval of Advice 3635-E, 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 is 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 this year or early 2011. However, PG&E believes that it is capable of participating in the CAISO market in August 2010 if it is allowed to utilize the PeakChoice program to provide Day-Ahead energy, assuming that the CAISO tariff is approved by the FERC and the Commission approves Advice 3635-E and IOU participation in PDR.

The Direct Participation Decision does support the use of other DR programs to implement a PDR pilot this summer. Specifically, the Direct Participation Decision states on p. 9, "Some IOUs are proposing additional pilot programs outside of this proceeding. We will not address the merits of those proposals here but will consider them separately." Further, Finding of Fact 10 states, "IOU proposals for additional participation in PDR will be considered separately."

The PeakChoice Program will be ready by August 2010, 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.

### **Protest Period**

Anyone wishing to protest this filing may do so by sending a letter by **July 6, 2010**, which is **22** 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: [jjj@cpuc.ca.gov](mailto:jjj@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)

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

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

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, **July 14, 2010**, 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 black ink that reads "Jane Yura - OB". The signature is written in a cursive style.

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: Olivia Brown

Phone #: 415.973.9312

E-mail: oxb4@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) #: 3689-E

**Tier: 2**

Subject of AL: Demand Response Phase Four Compliance Advice Letter per Decision 10-06-002

Keywords (choose from CPUC listing): Compliance

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

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

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: July 14, 2010

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). N/A

Tariff schedules affected: N/A

Service affected and changes proposed: 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 Ave., San Francisco, CA 94102**

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

**Pacific Gas and Electric Company**

**Attn: Jane K. 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](mailto:PGETariffs@pge.com)**

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

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