

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



May 26, 2010

Advice Letter 3662-E

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: Proposed Amendments to Cypress Ltd.'s Permanent Load
Shifting Contract**

Dear Ms. Yura:

Advice Letter 3662-E is effective June 1, 2010.

Sincerely,

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

Julie A. Fitch, Director
Energy Division



Jane K. Yura
Vice President
Regulation and Rates

Pacific Gas and Electric Company
77 Beale St., Mail Code B10B
P.O. Box 770000
San Francisco, CA 94177

Fax: 415-973-6520

April 30, 2010

Advice 3662-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Proposed Amendments to Cypress Ltd.'s Permanent Load Shifting Contract

Purpose

Pacific Gas and Electric Company (PG&E) requests approval of amendments to its Permanent Load Shifting (PLS) program contracts. The amendments are in Attachment A.

PG&E proposes to expand the thermal energy storage (TES) technologies offered for one of the Implementers' contracts to include stratified chilled water storage and internal melt ice-on-coil technologies. In addition, PG&E proposes to include an incentive structure for these additional technologies of \$500/kW for the load shifted from peak demand. With these proposed changes, PG&E plans to revise the original goal of 4,750 kW of load shift for the overall PLS program to 7,950 kW. No new funding is being requested.

Proposal

Permanent Load Shifting occurs when a customer moves its energy usage from one time period to another on an on-going basis. On November 30, 2006, the Commission issued D.06-11-049 which, among other things, ordered PG&E to pursue a request for proposal (RFP) and bilateral agreements for PLS. PG&E issued a RFP for PLS in January 2007, seeking proposals for program options to be available starting in 2007 and able to meet PG&E's reliability requirements.

The RFP solicited proposals for up to five years. On February 28, 2007, PG&E filed Advice 2997-E, "Advice Letter for Permanent Load Shifting Proposals in Compliance with D.06-11-049." On March 29, 2007, PG&E filed supplemental Advice 2997-E-A, requesting approval of the proposed PLS Program. On October 29, 2007, the Commission approved AL 2997-E-A, effective on July 26, 2007, which included the PLS contracts with Trane USA and Cypress Ltd. Trane USA's contract offered the

following PLS technologies: ice storage air conditioning, stratified chilled water storage, and internal melt ice-on-coil. Cypress Ltd.'s contract only offered one PLS technology, ice storage air conditioning.

In September of 2009, the Energy Division requested a meeting to discuss a review of the PG&E Permanent Load Shift program. At that point although the Trane USA contract was almost fully subscribed, the capacity installed under the Cypress contract was less than 200kW. Customer acceptance for the ice-storage-air-conditioning technology, with the current incentive levels, has been very low. In the meetings with the Energy Division, PG&E expressed its opinion that this contract be expanded to offer additional TES technologies and therefore made available to a much broader customer base. As such, the incentives under this contract would not only be available to facilities served by air conditioning units (e.g. rooftop units) but also facilities served by central cooling systems. It was clear that the customer acceptance for the stratified chilled water storage and internal melt ice-on-coil technologies has been much higher within the PG&E PLS Program. This would provide additional opportunities to meet the objectives and goals of the program.

As a result of the meetings with the Energy Division, PG&E renegotiated the program implementation contract with Cypress Ltd. In order to increase and incent load shifting, PG&E proposes to amend the Cypress Ltd. contract to allow stratified chilled water storage and internal melt ice-on-coil. The proposed amendment also includes an incentive structure for these new technologies of \$500/kW for the load shifted from peak demand, a substantial reduction from the amount of the incentives currently paid under this program. The incentive structure for the existing technology that is currently offered by Cypress Ltd. for ice storage air conditioning is not being changed with this amendment.

The amendments proposed in this advice letter will not require any additional funding, as the original approved funding for the PLS program will remain the same through the end of the contract in 2011. There is a modest shift from incentive budget to administrative budget and this incremental shift of budget is performance based and tied to kW shifting capability put in place by Cypress Ltd. Cypress Ltd. will modify all customer and market channel marketing materials (website, brochures, applications, presentations) in order to promote the benefits of the additional TES technologies and clarify the program requirements. Additionally Cypress will be working closely with the TES market value chain (end use customers, designers, manufacturers, distributors, and installers) to help communicate the customer value proposition for the added TES technology and assist with qualification and feasibility requirements.

Under the current incentive structure for Cypress Ltd., PG&E pays \$1,400/kW for installed capacity for new construction projects. For retrofit customers, the incentives are \$1,560 per kW shifted for 2010 projects and \$1,365 per kW shifted for 2011 projects. With the new changes, customers selecting the ice storage air conditioning technology will still be paid the same incentives. However, customers selecting stratified chilled water storage or internal melt ice-on-coil will be paid \$500 per kW

shifted. Given the fact that no additional funding is being requested and the MW target is being increased considerably, the cost effectiveness of this modified program will improve.

Amendments to Contract

The purpose of this filing is to expand the TES technologies offered in the Cypress Ltd. contract. The following amendments are proposed:

- 1) Add two technologies to the contract: stratified chilled water storage and internal melt ice-on-coil;
- 2) Add an incentive structure for these technologies of \$500/kW for the load shifted from peak demand; and
- 3) Increase the Cypress Ltd. contract goal of load shift.

The amendments are shown in Attachment A.

Attachment A contains the original Cypress Ltd. contract approved by the Commission in AL 2997-E-A, and the specific amendments to the contract in order to facilitate the addition of the two PLS technologies proposed above.

Attachment A contains confidential information, and is submitted in accordance with the provisions of Public Utilities Code Section 583, the Commission's General Order 66-C, and D.06-06-066.

Protest Period

Anyone wishing to protest this filing may do so by sending a letter by **May 20, 2010**, which is **20** days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

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

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) 973-6520
E-mail: PGETariffs@pge.com

Effective Date

PG&E requests that this advice filing and tariff changes become effective on regular notice, **June 1, 2010**, which is **32** 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 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 / lmt".

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: Linda Tom-Martinez

Phone #: (415) 973-4612

E-mail: lmt1@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) #: **3662-E**

Tier: **2**

Subject of AL: **Proposed Amendments to Cypress Ltd.'s Permanent Load Shifting Contract**

Keywords (choose from CPUC listing): Contracts

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.06-11-049

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 AL¹: _____

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for:

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: **June 1, 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).

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 Ave.,

San Francisco, CA 94102

jnj@cpuc.ca.gov and 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

**DECLARATION OF OSMAN SEZGEN SEEKING CONFIDENTIAL TREATMENT
OF CONFIDENTIAL CUSTOMER DATA CONTAINED IN PACIFIC GAS AND
ELECTRIC COMPANY'S AGREEMENT WITH CYPRESS LTD.**

I, Osman Sezgen, declare:

1. I am employed by Pacific Gas and Electric Company (PG&E) as a manager of Emerging Demand Response Markets and Technologies in the Integrated Demand Side Management Products Department. In this position, my responsibilities include demand response product development.

2. Based on my knowledge and experience, I make this declaration seeking confidential treatment of the Permanent Load Shifting Agreement ("Agreement") between PG&E and Cypress Ltd. and a change order to the Agreement, dated March 11, 2010.

3. Section VII (B) of the Appendix to Decision D.06-06-066 protects confidential terms in bilateral power purchase agreements with non-affiliates, excluding only counterparty, resource type, location, capacity, expected deliveries, delivery point, length of contract and on-line date. This category allows the confidential contract terms to remain confidential for three years.

4. The confidential information cannot be further aggregated, redacted, summarized, masked or otherwise protected in a way that allows additional disclosure. To the best of my knowledge, the information PG&E seeks to maintain confidential is not already public

I declare under penalty, under the laws of the State of California, that the foregoing is true and correct. Executed on April 29, 2010, at San Francisco, California.



Osman Sezgen

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

| | | |
|--|---|--|
| Alcantar & Kahl | Defense Energy Support Center | North Coast SolarResources |
| Ameresco | Department of Water Resources | Northern California Power Association |
| Anderson & Poole | Department of the Army | Occidental Energy Marketing, Inc. |
| Arizona Public Service Company | Dept of General Services | OnGrid Solar |
| BART | Division of Business Advisory Services | Praxair |
| BP Energy Company | Douglass & Liddell | R. W. Beck & Associates |
| Barkovich & Yap, Inc. | Downey & Brand | RCS, Inc. |
| Bartle Wells Associates | Duke Energy | Recon Research |
| Bloomberg New Energy Finance | Dutcher, John | SCD Energy Solutions |
| Boston Properties | Economic Sciences Corporation | SCE |
| C & H Sugar Co. | Ellison Schneider & Harris LLP | SMUD |
| CA Bldg Industry Association | Foster Farms | SPURR |
| CAISO | G. A. Krause & Assoc. | Santa Fe Jets |
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| 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) |
| | Norris & Wong Associates | eMeter Corporation |