

In accordance with the provisions of the Assigned Commissioner's Ruling Requiring Utility Proposals To Augment 2007 Demand Response Programs (ACR), dated August 9, 2006, SDG&E hereby files its proposals for revisions to its portfolio of Demand Response (DR) programs for 2007. The proposed DR program revisions are intended to revise, expand and enhance various aspects of SDG&E's DR programs, with the goal of increasing customer enrollments in those programs, and increasing the degree of customer participation. As noted in the ACR, SDG&E has proposed these revisions in an effort to maximize the potential for demand response in 2007, as the entire State of California looks for even greater opportunities for DR to play a key role as an energy resource.

While the DR program modification proposals presented herein are specifically focused on 2007 program changes, SDG&E would propose to retain those modifications, except as specifically noted, for its 2008 portfolio of programs. However, SDG&E believes that it is appropriate that its ongoing monitoring and evaluation of programs, as well as continued input from customers and other stakeholders be considered in the process of developing further proposals for consideration as changes to the programs in 2008 as may be warranted.

Summary of SDG&E's Proposed Demand Response Program Changes

In developing its proposals reflected herein, SDG&E has reviewed its existing DR portfolio to identify areas where it believes programs can be enhanced, procedures can be improved, barriers or concerns expressed by customers can be addressed, and the overall goal of improving or augmenting existing programs, as expressed in the ACR, can be

achieved. The various proposals SDG&E has developed can generally be categorized as follows:

1. SDG&E proposes no changes to its overall DR portfolio budget, as adopted by D. 06-03-024, with the exception of the additional funding requested for the implementation of the proposed new Capacity Bidding Program (CBP), as discussed more fully in SDG&E's Advice Letter 1799-E, incorporated herein and discussed below.
2. Implementing the use of “soft” program triggers, under which SDG&E has more flexibility in activating program events, and customers will receive better direction in terms of knowing they will be called upon to reduce load only during those times when load reduction is absolutely necessary. Currently, many DR programs have event triggers that are tied to an absolute temperature and/or system load value. As described more fully herein, SDG&E believes that such values may be indicative of the need for load reduction, but are not the most appropriate and absolute determination of the need to trigger a program event. By softening the program trigger provisions to indicate that an event MAY be called under the temperature and/or system load conditions, but also preserving the opportunity to not trigger an event solely based on those values, SDG&E believes that the programs will be used more efficiently, and that customer acceptance of the programs will be improved.

3. Along with proposing the softening of program triggers, SDG&E is proposing to establish more standardized program trigger mechanisms between its array of Day-Ahead notification programs and its Day-Of notification programs. Doing so will provide customers with a better indication of when they might expect program events to be called.
4. Alignment of incentives among programs to provide for comparable value from each program. SDG&E is proposing adjustments that it believes will more closely align those incentives with the value of the load reductions, and thereby provide more comparability among the various programs and program/product options from which customers can select.
5. Simplification of the program enrollment process. SDG&E is proposing to eliminate certain program enrollment processes and requirements, making the process more streamlined and less burdensome on customers.
6. Integration of energy efficiency and demand response programs through a more comprehensive Technical Assistance/Technology Incentives (TA/TI) Program, through the introduction of a new component to the TA/TI Program. The new proposal, called the Peak Load Management (PLM) Program will provide additional opportunities for customers to achieve load reductions. The PLM Program will focus on assisting customers with the installation of

equipment that permanently reduces electricity demand during peak periods.

7. Increasing the use of new technologies in enabling customers to achieve load reductions. SDG&E believes that a strong move toward use of such technologies as AutoDR, and the incorporation of PLM technologies into its portfolio will expand the ability of customers to provide demand response.
8. Continuation of the Smart Thermostat Program, currently scheduled to terminate at the end of 2006, through 2007.
9. Introduction of a new In-Home Display (IHD) Program, to replace the existing Information Display Pilot Program, which is scheduled to terminate at the end of 2006.
10. Enhancement of the opportunities for 3rd parties to aggregate load within SDG&E's DR programs to produce Business Energy Coalition (BEC) equivalent solutions for customers. The Capacity Bidding Program, proposed in SDG&E's Advice Letter 1799-E, filed on June 1, 2006 is ideally suited for this effort and SDG&E incorporates that Advice Letter herein for integration into SDG&E's comprehensive DR portfolio. In addition, SDG&E proposes modifications to its existing, aggregator-eligible, Base Interruptible Program to make it more attractive to participants.

Background

SDG&E's current portfolio of DR programs and associated budgets was approved by the Commission in D. 06-03-024, dated March 15, 2006. The current portfolio of programs consists of a mix of Day-Ahead notification programs, as well as a mix of Day-Of notification programs. The DR portfolio has been designed to appeal to a variety of customer circumstances and capabilities by offering an array of program options and alternatives. The portfolio of DR programs is supported by a mix of Customer Education, Awareness and Outreach programs, and a TA/TI program. Through the supporting programs, SDG&E seeks to maximize and optimize its marketing efforts to attract the broadest array of program participants, offering the largest potential for load reductions during program events.

The DR portfolio, as well as the underlying program budgets adopted by D. 06-03-024 was the product of an Amended Settlement , executed and filed by SDG&E, Southern California Edison (SCE), Pacific Gas and Electric Company (PG&E), the Division of Ratepayer Advocates (DRA)—then known as the Office of Ratepayer Advocates, The Utility Reform Network (TURN), Aglet Consumer Alliance (Aglet), San Francisco Community Power, and the Association of California Water Agencies (ACWA), collectively referred to as the Settling Parties. The Amended Settlement also adopted various DR program management practices and procedures, including an element of program budget and fund-shifting flexibility intended to afford the utilities with appropriate flexibility in managing programs and making limited modifications to programs in order to maintain DR program viability.

As part of A. 05-06-017, SDG&E proposed that it be granted the authority to conduct an assessment of its DR program performance at the conclusion of each summer period, taking into consideration such issues as customer participation rates, customer feedback, new or revised enabling technologies, and any other factors that may warrant revisions to existing programs.¹ Following the review of its programs, SDG&E further requested that it be permitted to file an Advice Letter to propose any identified DR program changes designed to enhance the portfolio of programs for the succeeding years. This process was not intended to supersede the periodic Application process conducted by the Commission, but rather to permit periodic “mid-course” program review and modifications to assure that the DR portfolio is as comprehensive as possible, and that it is both flexible and dynamic enough to attract, maintain and grow customer participation.

SDG&E’s proposed timing of the mid-course Advice Letter filing called for the filing to be made no later than October 15 of each year during the 2006 – 2008 program cycle, in order that program activity and results from the immediately preceding summer period could be reviewed, and areas of potential modification could be identified and addressed. This timing would also permit Commission review and approval in a timely manner, to allow sufficient time for the development of any changes to customer communications in preparation for the succeeding summer. In fact, at the time of the issuance of the August 9, 2006 ACR of Commissioner Peevey, SDG&E had already begun the initial steps to identify potential program changes it might include in an October 15, 2006 DR program mid-course review Advice Letter.

¹ See Chapter II, Prepared Direct Testimony of Susie Sides, dated June 1, 2005, at pages SS-51 – SS-53.

The summer months of 2006, July specifically, brought with it record heat waves across California, resulting in record-setting electricity consumption, and demonstrating both the need for and the significant impact of DR programs statewide. In response to the record heat, and the need to continue to find new ways to realize the potential for DR to play a significant role as a resource, no fewer than four (4) emergency Advice Letters have been filed in recent weeks by SDG&E, SCE and PG&E. These emergency filings propose modifications to existing DR programs and related issues, all intended to increase the role of DR programs. These proposals have included:

1. SDG&E's Advice Letter 1811-E, filed on July 28, 2006, proposing certain modifications to its Commercial and Industrial (C&I) Peak Day 20/20 Program, intended to preserve and expand customer participation.
2. PG&E's Advice Letter 2870-E, filed on July 26, 2006, proposing expedited implementation of revisions to PG&E's Demand Bidding Program.
3. PG&E's Advice Letter 2880-E, filed on August 8, 2006, proposing to reopen PG&E's Non-Firm Service Program, and to maintain existing customer incentive levels in PG&E's Base Interruptible Program.
4. PG&E's Advice Letter 2885-E, filed on August 16, 2006, establishing a Heat Storm Electric Bill Credit and the establishment of a fund to assist with customer bills.

In addition, the Commission has issued no fewer than four (4) initiatives, also aimed at enhancing the role of DR as a statewide resource. These have included:

1. The Energy Division's Draft Resolution E-4009, circulated on July 25, 2006. Resolution E-4009 would adopt changes to the existing California Power

Authority Demand Reserves Partnership (CPA-DRP) for the remainder of 2006, by revising the program event trigger from a market price value to a heat rate value.

2. Assigned Commissioner's Ruling Requiring Utility Proposals To Augment 2007 Demand Response Programs, dated August 9, 2006. This ACR is the genesis of this filing.
3. Assigned Commissioner's Ruling Addressing Electric Reliability Needs In Southern California For Summer 2007, dated August 15, 2007. This ACR requires filings by SCE, SDG&E and PG&E in various Commission proceedings to address expansion of Air Conditioning Cycling Programs, among other issues.
4. Assigned Commissioner's Ruling Augmenting August 6, 2006 Ruling (SDG&E notes that this date should read August 9, 2006) Requiring Utility Proposals to Augment 2007 Demand Response Programs, dated August 22, 2006. This ACR requires inclusion of AutoDR in the 2007 DR augmentation filings by the utilities.

This recent flurry of activity is indicative of the attention that DR is receiving, and the valuable role played by DR in helping to both meet electricity demand and to help reduce energy consumption during the critical peak periods when energy usage spikes in response to extreme weather conditions, high market prices or other extreme operating conditions or emergencies. It is clear that the utilities, as well as the Commission, are serious about and committed to taking the steps necessary to maximize the role of DR and creating the highest potential for customer participation and response.

On August 24, 2006, at its regularly-scheduled business meeting, the Commission adopted the following orders, putting in place the proposed revisions noted above, and signaling its intent to aggressively pursue opportunities to increase demand response:

>Resolution E-4009, adopting changes to the CPA-DRP triggers.

>Resolution E-4011, adopting SDG&E's proposed C&I Peak Day 20/20 Program changes.

>Resolution E-4012, adopting PG&E's proposed DBP changes.

>Resolution E-4018, adopting PG&E's proposed non-firm services changes.

Preliminary Assessment of SDG&E's Demand Response Program Performance for July, 2006

As required by the August 9, 2006 ACR², SDG&E presents in the tables below a preliminary assessment of the performance of each of its existing DR programs during the month of July, 2006. During the course of the summer months, when DR program activity is taking place, SDG&E collects a variety of information on its DR program portfolio for a number of reporting purposes, both internal and for fulfilling reporting requirements to the Commission and other agencies. This contains such information as the customer enrollment in each DR program, and the associated load reduction (expressed in terms of MW) that is expected from each customer. This data is subject to continual revision as customer enrollments are received and processed and as customer turnover in programs is experienced.

In addition, as DR program events occur, SDG&E gathers data with respect to event duration, customer participation and load reductions achieved during each program

² See August 9, 2006 ACR of Commissioner Peevey, mimeo at page 2.

event. Because certain of this data is available on a preliminary basis, but is not finalized until the completion of each customer's billing cycle, preliminary data can be, and typically is, subject to revision.

The following table presents a summary of the enrollment in SDG&E's various DR programs, as of July 31, 2006. This data represents actual customer enrollment, reflecting those enrollments that SDG&E has received, processed and confirmed. The associated load reductions presented reflect the level of reduction that each customer has identified, and is not necessarily indicative of actual load reduction during program events. Because DR program participation and performance remains entirely voluntary for customers, it has been SDG&E's experience that the actual load reductions achieved from its various programs during program events varies from the enrolled levels of load reduction.

Program Name	Enrolled Meters*	Enrolled MW
(Day Ahead)		
Demand Bidding	62	10.8
C&I Peak Day 20/20	647	30.7
Critical Peak Pricing	124	14.8
CPA - Demand Reserves Partnership	26	18.5
Total Day Ahead:	859	74.8
(Day Of)		
Critical Peak Pricing - Emergency	10	5.1
AL-TOU-CP	30	15.9
Peak Generation Program	68	63.6
Demand Bidding - Emergency	1	0.1
Base Interruptible Program	1	0.1
Scheduled Load Reduction Program	0	0.0
Optional Binding Mandatory Curtailment	0	0.0
Clean Generator Program	0	0.0
Smart Thermostat Program	3751	1.5
Summer A/C Saver	10332	20.0
Total Day Of:	14193	106.2
Total Enrolled:	15052	181.0

* Note - Enrolled Meters represent all enrolled meters associated with active customers. i.e. One customer can have multiple meters enrolled.

The following table presents a preliminary summary of the DR program activity during July, 2006. This data reflects the actual program events that were activated, the average duration of those events and the preliminary results of the load reductions achieved by participating customers during each event.

Program Name	Program Description	Enrolled Meters*	Enrolled MW	Incentive Type	Voluntary or Required	Percentage of Participating Meters	Estimated Average Hourly Load Reduction per Event (MW)	Number of Events Called	Average Duration of Events
(Day Ahead)									
Demand Bidding	Voluntary - Day Ahead 'bid in' load reduction program.	62	10.8	Bill Credit	Voluntary	9.0	0.8	3	4:00
C&I Peak Day 20/20	Reduce 20% on 'critical' days and receive 20% discount on all on peak charges for the month.	647	30.7	Bill Credit	Voluntary	68.1	9.5	9	7:00
Critical Peak Pricing	Voluntary rate. Features increased cost on "critical peak" days and reduced commodity rate the rest of year.	124	14.8	Reduced Rate	Voluntary	88.7	8.8	9	7:00
CPA - Demand Reserves Partnership	Customers receive monthly capacity payments (and energy payments if events are called) in return for load reduction when requested. Managed by 3rd party Demand Reserve Aggregators.	26	18.5	Check	Voluntary	96.2	8.5	7	2:34
Total Day Ahead:						65	28	28	
(Day Of)									
Critical Peak Pricing - Emergency	Rate which features increased cost on "critical peak" days and reduced commodity rate the rest of the year	10	5.1	Reduced Rate	Voluntary	90.0	3.0	2	3:37
AL-TOU-CP	Rate which features increased cost on "critical" days and reduced commodity rate rest of year	30	15.9	Reduced Rate	Voluntary	74.6	2.2	8	4:57

Program Name	Program Description	Enrolled Meters*	Enrolled MW	Incentive Type	Voluntary or Required	Percentage of Participating Meters	Estimated Average Hourly Load Reduction per Event (MW)	Number of Events Called	Average Duration of Events
Peak Generation Program	Customers earn incentive by transferring load from the SDG&E system to a back up generator.	68	63.6	Bill Credit	Voluntary	N/A	0.0	0	0
Demand Bidding - Emergency	Voluntary - Day Of 'bid in' load reduction program	1	0.1	Bill Credit	Voluntary	N/A	0.0	0	0
Base Interruptible Program	Customers receive monthly capacity payments as compensation for load reduction when requested.	1	0.1	Bill Credit	Voluntary	100.0	0.1	1	2:00
Scheduled Load Reduction Program	Customers can schedule load reduction, in advance, over summer months.	0	0.0	Bill Credit	Voluntary	N/A	0.0	0	0
Optional Binding Mandatory Curtailment	Customers can exempt a specific circuit from rotating outages by reducing load when requested.	0	0.0	N/A	Voluntary	N/A	0.0	0	0
Clean Generator Program	Third party generator load reduction program, SDG&E "remotely" dispatches generators.	0	0.0	N/A	Voluntary	N/A	0.0	0	0
Smart Thermostat Program	Customers receive incentives by allowing SDG&E to remotely raise thermostat temperature during peak periods.	3751	1.5	Check	Voluntary	71.0	1.0	6	3:10
Summer A/C Saver	Third Party A/C Cycling Program. Residential & Small Business customers receive incentive for air conditioner cycling during peak periods.	10332	20.0	Bill Credit	Required	100.0	11.2	6	3:00
Total Day Of:						87	18	23	
Total MWs							45	51	

* Note - Enrolled Meters represent all enrolled meters associated with active customers. i.e. One customer can have multiple meters enrolled.

Detailed Description of SDG&E's Proposed Demand Response Program Changes

Discussed below are the details of each of the DR program changes that SDG&E proposes to make for 2007. All of the proposed program changes are reflected in the DR Program Concept Papers which are attached hereto. Unless specifically addressed herein, SDG&E proposes that all other existing programs in its DR portfolio remain unchanged from the current structure as adopted by D. 06-03-024.

- 1. Commercial and Industrial Peak Day Credit Program.** As noted above, on July 27, 2006, SDG&E filed Advice Letter 1811-E, proposing certain modifications to its existing C&I Peak Day 20/20 Program for the duration of the summer months of 2006. SDG&E did not propose in Advice Letter 1811-E to extend the revisions to the C&I Peak Day 20/20 Program into 2007 and beyond. SDG&E proposes herein that those changes to the C&I Peak Day 20/20 Program (henceforth to be named the "Commercial & Industrial Peak Day Credit Program"), which were adopted for 2006 by Resolution E-4011, dated August 24, 2006, be extended through 2007, with the one exception noted below. The revisions to the C&I Peak Day Credit Program that SDG&E proposes extend through 2007 include (1) an expansion of the customer load reduction and incentive payment provisions, to provide a range of between 10% and 20% for load reductions and corresponding bill credits, and (2) a modification to the Program Event Trigger provisions to incorporate the softening of the trigger. SDG&E does not propose any further revisions to the C&I

Peak Day Credit Program beyond those adopted by Resolution E-4011. SDG&E did propose in Advice Letter 1811-E, and Resolution E-4011 granted the elimination of the maximum number of C&I Peak Day Credit Program events that may be called during a program year. SDG&E proposes herein that the previous maximum number of program events of 15 be reinstated for 2007. With the revision to the program trigger provisions adopted by Resolution E-4011, SDG&E is now better able to manage program events and is not compelled to trigger a program event when specified temperature and system load conditions exist. The previous event trigger language had required that an event be triggered when pre-specified temperature and load conditions were met, regardless of whether those conditions actually necessitated an event. With the added flexibility in the trigger mechanism adopted by Resolution E-4011, SDG&E believes that it can effectively manage the program within the maximum number of program events of 15. SDG&E further believes that reinstating the maximum number of program events restores an element of predictability to customers.

- 2. Establish the Capacity Bidding Program (CBP).** On June 1, 2006, SDG&E filed Advice Letter 1799-E, proposing to establish the new CBP as a successor to the existing California Power Authority Demand Reserves Partnership (CPA-DRP), which is scheduled to terminate in May, 2007. Both SCE and PG&E filed similar proposals.

Development of the CBP as a successor program was an element of the Amended Settlement, and was accomplished through a series of collaborative discussions among the utilities and various stakeholders. SDG&E's proposed CBP is still pending before the Commission, and SDG&E hereby incorporates Advice Letter 1799-E herein by reference, and has attached a copy to this filing. SDG&E renews its proposal to establish the CBP as a component of the DR program portfolio for 2007. The proposed CBP is responsive to the discussion in Commissioner Peevey's August 22, 2006 ACR, which indicates that the utilities should consider developing and expanding projects similar to PG&E's Business Energy Coalition (BEC).³ The CBP facilitates third party participation as aggregators of customers similar to the BEC program by allowing them to aggregate load and offer incentive payments (and penalties) within their customer base. In addition, CBP provides flexibility for a broad range of customers to participate by selecting from a variety of program options and program product types. Further, by offering both a Day-Ahead and a Day-Of program option, the CBP is even more valuable to both customers and SDG&E by providing an array of alternatives by which demand response can be increased when most needed.

3. Demand Bidding Program (DBP). SDG&E proposes to increase the customer incentive payment under the DBP to \$.50/kWh for the Day-

³ See August 22, 2006 ACR of Commissioner Peevey, mimeo at page 2.

Ahead program component, and to \$.60/kWh for the Day-Of program component. Additionally, both for ease of administration and customer understanding, SDG&E proposes that its two existing programs, the Demand Bidding Program (DBP) and the Emergency Demand Bidding Program (DBP-E), which are reflected in two separate program tariffs, be collapsed into a single tariff presenting the two options (Day-Ahead, equivalent to the current DBP, and Day-Of, equivalent to the current DBP-E). At present, SDG&E has 28 customers representing approximately 10.8 MW of load reduction potential enrolled in the program. Past experience has shown, however, that when a DBP event is triggered, only a small percentage of enrolled load reduction is actually delivered. SDG&E believes that by increasing the incentive payment amounts to \$.50/kWh and \$.60/kWh for the Day-Ahead and Day-Of options, respectively, more load reduction will be delivered by enrolled customers. Additionally, by providing both elements within a single program, and retaining the same Day-Ahead and Day-Of options for participating customers, SDG&E believes it can more efficiently and effectively administer the program. Finally, SDG&E has identified several strategies to enhance the program and make it easier for customers to enroll and participate. SDG&E intends to utilize an enrollment card for customer sign-ups, similar to that utilized in the Peak Day Credit Program, in place of the existing DBP contract currently required. Both the DBP and the Peak Day Credit Program are

voluntary programs, so SDG&E believes that a significant enhancement to the DBP would be to eliminate the lengthy and cumbersome contract to simplify the enrollment process, which historically has proven to be a hindrance to customer acceptance of the program. SDG&E further proposes to create a “standing bid” process under DBP, whereby customers will have a pre-established load reduction amount entered into SDG&E’s curtailment system. Participating customers will then be able to simply reduce load when a DBP event is called, without the need to submit a bid. Customers would still have the opportunity to modify their bids before the DBP event actually begins if they choose to do so. And finally, SDG&E proposes to make the bidding structure similar to what was in place for the Emergency Demand Bidding Program. Customers will only be paid incentives for load reductions that are equal to or greater than their minimum bid, and there will be no limit to the amount of actual load reduction on which incentives will be paid.

- 4. Base Interruptible Program (BIP).** SDG&E has received customer feedback that the most significant barrier to participation in the BIP is the level of the program penalty provisions (“Excess Energy Usage Charge”) relative to the program incentive payment. Currently, under BIP Option A, participating customers receive an incentive payment of \$7/kW/month, but are subject to a penalty of \$6/kWh for failure to reduce load under the program. The comparable rates for Option B

participants are \$3/kW/month and \$2.50/kWh, respectively. SDG&E has heard from customers that the differential between incentives and penalties is insufficient and that the high level of the penalty is a strong disincentive to participation. In order to address the barriers to BIP enrollment and participation, and to reduce customer exposure to penalties, while still preserving the opportunity to achieve significant demand response through BIP, SDG&E proposes to reduce the program penalty rates by 25% for both program options. SDG&E proposes a revised penalty rate (Excess Energy Usage Charge) of \$4.50/kWh for Option A, and a revised penalty rate of \$1.88/kWh for Option B.

- 5. Residential Smart Thermostat Program.** SDG&E's Residential Smart Thermostat Program, which provides participating customers with an incentive payment in exchange for allowing SDG&E to remotely raise thermostat settings during peak periods currently remains in effect only through 2006. SDG&E proposes to continue and extend the existing program through 2007 with no program design changes. Funding for the continuation of the Smart Thermostat Program through 2007 will come from the shifting of budget funds from a combination of SDG&E's Day-Ahead programs and Day-Of notification from within the existing DR program portfolio budget, as well as a carryover of unspent funds from the 2006 budget from the Smart Thermostat Program. Specifically, SDG&E proposes to shift

approximately \$385,000 in budget funds in order to provide the funding necessary to continue the Smart Thermostat Program into 2007. SDG&E has also re-categorized \$480,000 in previously authorized funding for the program from capital to program incentives. This re-categorization is a correction of a previous error in SDG&E's budget template originally submitted for the Smart Thermostat Program, in which the 2006 program description erroneously categorized the program incentive budget in the capital section of the program budget table. SDG&E previously proposed, as part of A. 05-06-017, that beginning in 2007, smart thermostats would be offered through the TA/TI Program⁴, but now believes that, specifically for the residential segment, a better approach is to continue with the existing residential program through 2007. Further, SDG&E believes that by continuing with the Residential Smart Thermostat Program through 2007 the program will continue to provide a valuable load reduction resource during peak periods.

6. Summer A/C Saver Program. The Summer A/C Saver Program is being enhanced to allow customers to select an A/C cycling strategy during the initial program enrollment phase. The new strategies added to the program are the 30% cycling for commercial customers, and 100% cycling for residential customers. The addition of a second cycling strategy alternative for each market segment provides customer

⁴ See Chapter II, Prepared Direct Testimony of Susie Sides, dated June 1, 2005, at page

choice and should significantly increase customer enrollment and participation. Existing program participants will be offered the opportunity to move to a new cycling strategy or remain at their current 50% cycling strategy. Customers who elect to participate at the 100% cycling level will be offered a higher incentive payment. In addition, commercial customers who elect the 30% cycling strategy will receive a lesser incentive payment than those remaining at the 50% cycling participation level. The new 2007 program includes pool pump and electric water heater end use devices and will utilize 100% cycling strategy for these units. All participating customers will receive their incentives as an annual bill credit. The combined load reduction amount from non-residential and residential program participants will assist SDG&E during peak energy usage periods. This program has previously been marketed to customers as the Summer A/C Saver Program. The existing name will be changed to the Summer Saver Program to more accurately reflect the inclusion of pool pumps and electric water heaters as part of the portfolio offering. The program is administered by Comverge, Inc., under the terms of a 10-year agreement which began in 2004 and has a target of achieving 30.2 MW of load reduction by 2007. Specifically, aggressive and targeted marketing efforts will focus on small commercial customers and property management companies and will enlist additional installation

resources to support increased levels of participation. The pool pump program component will be marketed through direct mail and working with pool maintenance contractors and pool supply companies.

SDG&E will work closely with program personnel to utilize targeted marketing strategies that market the Summer Saver pool pump program to customers who are not retrofitting their pool pump to ensure that there is no overlap with SDG&E's energy efficiency programs. The electric water heater component will be marketed using direct mail to electric-only customers in the SDG&E service territory. Additionally, SDG&E proposes that the program, which currently only operates on weekdays, be expanded to include weekends. During the recent heat wave that affected California in July, SDG&E actually experienced its system peak on a Saturday. Having the Summer Saver program available on weekends would add another valuable load reduction resource. SDG&E further proposes to expand the range of potential program participants to include Direct Access customers. The Comverge (Summer Saver) program is funded through D. 04-06-011, dated June 15, 2004. The budget requirements outlined in this filing are incremental to the enhanced program and will be applied to the enhanced marketing activities and the differential between the current program customer incentive amounts and the increased incentives offered by the addition of the 50% cycling strategy for commercial customers and the 100% cycling strategy for residential customers.

This incremental funding was accomplished through fund shifting from within SDG&E's existing DR program portfolio budget. SDG&E has discussed its proposed program revisions with Comverge, and does not anticipate any problems in implementing the changes. SDG&E is further evaluating what revisions to its contract with Comverge will be required, and will file a revised contract with the Commission by Advice Letter.

- 7. Critical Peak Pricing—Voluntary and Critical Peak Pricing—Emergency (CPP-V and CPP-E).** SDG&E proposes slight modifications to the program event trigger provisions of these two programs, allowing for soft triggers as described previously. Occasionally, despite reaching the specified temperature and load conditions, SDG&E has found that resources are adequate, and the triggering of a program event is not necessary. It is SDG&E's desire to preserve the opportunity to only trigger an event when all conditions warrant, and not simply mechanically based on the achievement of certain temperature and load conditions. By softening the trigger language, SDG&E believes that programs will be better managed by only calling program events when they are actually necessary. Further, for improved program alignment and comparability with other DR programs and to provide for more coverage of demand response resources throughout the summer, SDG&E proposes to increase the

maximum number of program events to fifteen (15) from the current maximum of twelve (12).

8. Technical Assessment/Technology Incentives (TA/TI) Programs.

SDG&E's current TA/TI programs provide assistance to business customers with identifying load reduction opportunities to accelerate participation in DR programs. The current programs provide for funding of audits/assessments of customer facilities and operations, as well as an incentive payment to help offset the cost to install technology that enables a customer to temporarily reduce load during critical peak periods. SDG&E proposes that the current TI incentive payment amount of \$250/kW for 2006 be extended through 2007.

Under the terms of the Amended Settlement, the TI program provides for a cascading scale of incentive payment amounts, beginning at \$250/kW for identified and verified load reduction in 2006, declining to \$200/kW in 2007 and further declining to \$100/kW in 2008.

SDG&E had initially proposed the cascading scale of incentive payment levels in A. 05-06-017⁵ in order to jumpstart technology installations. It should be noted that SDG&E strongly believes that technology applications will lead to significant and reliable demand response. SDG&E has been pursuing demand response technologies not only through its TA/TI Program but also through its Emerging Markets Program. However, familiarizing and educating customers on

the benefits of DR technologies has proven to take longer than anticipated. Many customers are unfamiliar with these newer technologies and as such, are concerned about the impact it may have on their business operations and the level of benefits that may or may not result from their investments. In an effort to maximize the potential for certainty and consistency in load reduction through reliable technology, SDG&E proposes to continue the 2006 incentive payment level of \$250/kW through 2007. SDG&E is not seeking any change to the adopted level of funding for the TA/TI Program, and would shift funds between program years to cover any increased spending in 2007 resulting from maintaining the existing 2006 incentive payment level through 2007.

a. Peak Load Management (PLM). SDG&E proposes to establish a subset of the TA/TI Program that focuses on the installation of equipment that permanently reduces electricity demand during peak periods, thus flattening the system peak and increasing the overall system load factor. SDG&E believes that supporting PLM technologies is an effective and efficient long-term strategy as it results in a permanent change to the customer's load profile, thereby creating the certainty required for accurate utility system and resource planning. From a customer perspective, PLM is more attractive because it eliminates interference with their operation by utilizing technologies

⁵ See Chapter II, Prepared Direct Testimony of Susie Sides, dated June 1, 2006, at page

that permanently reduce peak demand rather than seeking to change behavior temporarily using traditional DR programs for only approximately 100 hours per year. In addition, with PLM, customers have greater assurance of a return on their investment as they will be saving energy every day that the equipment is in use and reducing demand during all the peak summer hours. SDG&E proposes to set the PLM incentive payments at up to \$250/kW, not to exceed 100% of the installed cost, for identified and verified permanent peak load reduction, or peak load shifting, resulting from the installation, retrofit or upgrade of peak load management technologies. This incentive amount is based on SDG&E's existing TI incentive payment of \$250/kW for 2006 and proposed to be continued through 2007. SDG&E will evaluate the success of its proposed PLM Program, and may seek Commission authorization for a revision to the program, including the incentive payment levels, for 2008. PLM technologies are defined as equipment that primarily operates during the peak summer hours and offsets or reduces peak demand from what would normally occur using traditional equipment. Potential examples include, but are not limited to: thermal energy storage, gas cooling and pump storage. Customer incentive payments will be paid in two increments: 50% upon installation and 50% upon performance of the peak load reduction. Peak load reduction measurement may vary based

on the type of technology being installed. Additional program details, such as qualifying equipment and performance measurement criteria are still being developed. Customers investigating PLM technologies may also utilize the TA Program to determine the feasibility of the equipment installation. As with the current TA Program, customers may receive up to \$50/kW for identified peak load reduction, not to exceed 100% of the cost of the assessment. Any assessment fees in excess of \$50/kW will remain the responsibility of the customer.

b. AutoDR. As noted earlier, SDG&E strongly supports load reduction technologies and recognizes that by increasing building automation and relying less on human intervention, load reduction is more reliable and sustainable. One such technology is automated demand response. Presently, SDG&E is participating in the pilot demonstration of Automated Demand Response (AutoDR) technology developed by the Demand Response Research Center (DRRC). An attractive feature of AutoDR is that it uses non-proprietary, open protocol communication technology to automatically implement customer-specified load reduction strategies. A significant benefit to AutoDR is that anyone (including a utility or a third party) can deploy, operate, maintain and upgrade the system. SDG&E continues to collaborate with the DRRC to identify AutoDR opportunities in its service territory. And, through the Emerging Markets Program, SDG&E continues to evaluate new DR process automation technology

that provides customer and load reduction benefits. These evaluations include utility control of customer loads, advanced communication systems and enhanced building automation. SDG&E has been actively working with various energy management control systems (EMCS) manufacturers and vendors to accelerate demand response automation in buildings through its TA/TI and Emerging Markets Programs. SDG&E's approach is to encourage installation and support of all control technologies with demonstrated demand response capabilities and provide TI incentives for the installation of proven automated demand response technologies.

9. Third-Party Aggregators. SDG&E fully supports the utilization of third-party aggregators for demand response and has continually demonstrated this support, first through its Grid Reliability Request for Proposals (RFP) issued in 2003. It was through this effort that SDG&E successfully negotiated with parties for two DR programs: Comverge's Summer Saver and Celerity's Clean Gen Program. SDG&E continues to demonstrate its support of third-party aggregators through program modifications for the Base Interruptible Program (BIP) and the new CBP. And, more recently SDG&E issued its All-Source Request for Offers (RFO) 2007-2009⁶ seeking resources, including demand response, from external suppliers including third-party aggregators. Each of these programs offers aggregators the opportunity to establish

customer cooperatives similar to the BEC operating in PG&E's territory.

- a. **Base Interruptible Program (BIP).** In SDG&E's Application for 2006-2008 demand response programs (A. 05-06-017), SDG&E sought Commission approval to allow third-parties to market the BIP to customers. The Commission approved SDG&E's request in D. 06-03-024. SDG&E has been working with third-parties to expand aggregator and customer participation in program.
- b. **Capacity Bidding Program (CBP).** In collaboration with PG&E, SCE and other stakeholders, the parties recommended that the new CBP – a replacement for the CPA DRP – allow third parties to market the program to customers. As described earlier, AL-1799E was submitted to the Commission for approval on June 1, 2006.
- c. **All-Source Request for Offers.** On May 24, 2006, SDG&E issued a RFO seeking proposals for at least 500 MW of capacity to meet its resource needs during 2007, 2008 and 2009. Capacity may be offered through four product types:
 - I. Demand Response
 - II. Renewable Capacity and Energy
 - III. Daily Fixed Strike Call Option
 - IV. Tolling Agreement for Energy and Capacity

⁶ SDG&E issued this RFO in response to D. 05-12-021, dated December 15, 2005, in which existing generation resources were reallocated.

Proposals were submitted on July 7, 2006. To date, SDG&E has processed the proposals by separating them into the four product types and then further segmenting into conforming vs. non-conforming offers.

SDG&E received seven (7) demand response offers, of which six (6) appear to be conforming. Total capacity from the six offers is over 50MW for 2007. Further analysis must still be completed to determine the actual viability and cost effectiveness of these offers.

SDG&E anticipates having a short-list of candidates by early September with negotiations being completed with the successful candidates by mid-November. SDG&E expects to have contracts executed and a filing submitted to the Commission for approval by year-end.

- 10. Customer Education, Awareness and Outreach.** SDG&E does not propose that there be any reallocation of its Customer Education, Awareness and Outreach budget to re-direct additional funds to the Flex Your Power Now (FYPN) campaign, as identified in Attachment A to the ACR. SDG&E believes that the budget funding adopted by D.06-03-024 to support FYPN is adequate. Rather than target additional funding for FYPN, as a statewide campaign, SDG&E believes that the current Customer Education, Awareness and Outreach budget is better utilized at the local utility level, by developing and providing utility-specific information, messaging and alerts.

11. **Water Agency Proposal.** The Amended Settlement adopted by D. 06-03-024 contained a provision under which the utilities would work collaboratively with the settling parties and other interested stakeholders to determine what additional DR programs could be developed and proposed specifically for water agencies and other similar large user groups, and how DR for these particular groups can be optimized. Programs and technologies applicable to water agencies and potentially other similar large users offer great potential to reduce peak demand, but because most of these technologies are operational for most hours of the day, they do not fall cleanly within the definition of demand response as a temporary, short term load reduction during peak periods. To date, collaborative meetings and discussions have taken place, research and data has been collected, and preliminary ideas and proposals have been shared. SDG&E is proceeding, along with the other utilities, with the development of an Advice Letter filing no later than October 31, 2006, as required by the Amended Settlement. At this time, SDG&E believes that a combination of the proposed CBP along with TA/TI and PLM incentives proposed herein will go a long way toward achieving the desires expressed by the water agencies.

12. **In-Home Display.** SDG&E proposes to implement a new program for 2007, called the In-Home Display (IHD) Program. The IHD Program will offer customers the installation of an in-home display device that will provide information to customers on their energy usage and

potential cost by the hour, month and month-to-date. The objective of the IHD Program is to evaluate the impact of real-time usage/cost information on customer energy consumption behavior from an overall energy conservation perspective and also during peak energy usage periods. This real-time energy information will be supplemented with a demand response notification component that asks the customer to reduce their energy usage during the identified peak period.

Participating customers will be provided educational material in the form of a welcome packet that will describe changes that can be put in place to reduce energy usage during the peak period. The program will be offered to a group of 300 residential customers. All participants will have an IDR meter which will allow SDG&E to determine the level of demand response received. A customer survey will be utilized to determine the actual changes customers made in their homes after the event notification was received. This program will be valuable in understanding how customers modify their behavior in response to real-time information. The IHD Program replaces the Information Display Pilot that will close at 2006 year end, and provides a technology approach to enhancing customer education and awareness.

SDG&E's Proposed Demand Response Program Portfolio Budget

SDG&E will endeavor to undertake the proposed revisions and enhancements to its DR programs portfolio without seeking any additional funding to its overall portfolio budget adopted by D. 06-03-024, except as noted below for the proposed addition of the

Capacity Bidding Program (CBP). By this filing, SDG&E does not wish to seek further incremental funding (beyond that described below for the proposed CBP program) until the need to do so is specifically identified. In developing its budget proposals for the 2006 – 2008 DR portfolio, SDG&E took into consideration the factors that would be necessary to create a program portfolio that would allow it to meet the Commission’s established DR targets for SDG&E, and to market and promote the portfolio in a manner that would encourage customer enrollment and participation. SDG&E proposed, the Settling Parties agreed, and D. 06-03-024 adopted DR program and budget flexibility provisions that allow for the shifting of budget funds among various programs and budget categories, and among years within the three-year program cycle.⁷ However, the provisions of the Amended Settlement establish limitations as to the program and budget categories within which budgeted funds may be reallocated. Specifically, the Amended Settlement provides that:

“...the utilities will have flexibility to reallocate 50% of funds between programs in a given budget category, provided that no program authorized and funded by the Commission will be terminated without prior authorization from the Commission. The budget categories are: (1) specified programs (generally defined as the Day-Ahead and Day-Of programs included in the utilities’ respective 2006 – 2008 portfolios); (2) statewide informational, educational, and developmental programs (generally defined as FYPN, Peak Program, Special Projects Group, Emerging Technologies, and InterAct); and (3) other programs.”

In keeping with the objectives outlined in the ACR, and in order to provide the maximum flexibility in program operation, SDG&E proposes that the limitations on DR program budget fund shifting as adopted by D. 06-03-024 be relaxed by removing the limits on fund shifting among program budget categories, and that SDG&E be permitted

⁷ See Amended Settlement, Appendix A to D. 06-03-024, at pages 6-7.

the flexibility to shift and reallocate authorized budget funds within its DR portfolio, and within the overall portfolio budget as is necessary to maintain program viability.

SDG&E does not, by this proposal, intend to seek removal of the restriction on budget fund shifting either to or from the TA/TI program category at this time,⁸ but reserves the right to present such a proposal to the Commission in the future, should it identify the need to propose such a change.

Additionally, SDG&E's program budget reflects a key assumption with respect to program operation. Specifically, each program budget has been developed to reflect the program operational costs under the maximum number of program events, where such maximum limits apply. In other words, SDG&E has budgeted for program operational costs, and customer incentive payments, assuming that each program will be called to its maximum design. Because each program has been designed to fulfill resource needs during the top 100 hours, SDG&E believes this assumption to be reasonable under normal summer weather and operating conditions. Quite obviously, to the extent that weather and operating conditions deviate from normal, the frequency and duration of program events are variable.

SDG&E believes that the proposed DR program modifications reflected herein will still enable it to operate within its existing program portfolio budget. To the extent that additional funding may be required within a specific program, SDG&E would first utilize the budget fund shifting guidelines currently in effect to move funds from future years, then shift from other programs within the portfolio to direct funding toward a program requiring additional funding, within the adopted guidelines. However, to the

⁸ See Amended Settlement, Appendix A to D. 06-03-024, at page 15.

extent that SDG&E finds that program enrollment and participation increases to the point that additional overall portfolio funding is necessary, SDG&E believes that the procedures for seeking such additional funding as outlined in the Amended Settlement are adequate, and would be utilized. By preserving the option that is available through the terms of the Amended Settlement, SDG&E believes that ratepayer interests are best served, and that, ultimately, only the actual costs of DR programs, up to authorized budgets, or budgets that may be revised in accordance with existing procedures, are reflected in rates. Moreover, in the absence of a Commission-approved cost effectiveness test and measure for DR programs, and the lack of robust measurement and evaluation data for DR programs, SDG&E believes that it is prudent to collect that information as it becomes available and utilize that information to optimize the DR program portfolio within the existing budget. SDG&E will request additional DR program funding only when it has identified the specific need to do so.

SDG&E's proposed DR program portfolio budget is summarized as follows:

2006 – 2008 Adopted Budget	\$ 52,630,601 ⁹
Capacity Bidding Program Proposed Incremental Budget Funding	1,080,000 ¹⁰
2006 – 2008 Revised DR Program Budget	\$ 53,710,601¹¹

⁹ See Amended Settlement, Appendix A to D. 06-03-024, SDG&E Budget Table.

¹⁰ See SDG&E's Advice Letter 1799-E, dated June 1, 2006, and incorporated herein by reference.

¹¹ SDG&E has proposed a budget for the Capacity Bidding program of \$2,990,115 in Advice Letter 1799-E, but has only requested incremental demand response program funding for the Capacity Bidding Program of \$1,080,000, as more fully described in Advice Letter 1799-E. The balance of the funding for the Capacity Bidding Program will

SDG&E's proposed budget for the 2006 – 2008 DR program portfolio, as modified by the proposals herein, is set forth in the table in Attachment 3. The proposed modifications reflect only the incremental addition for the Capacity Bidding Program, and other fund shifting from within the existing portfolio.

The proposed Capacity Bidding Program (CBP) is being funded by the following identified shifting of authorized budget funds from existing programs:

CPP-V:	\$ (55,524)
DBP:	\$ 799,994
Peak Day Credit	\$ (55,629)
DBP-E:	\$1,200,000
CPP-E:	<u>\$ 21,314</u>

TOTAL SHIFTED FUNDS: \$1,910,155

The net impact to the DR program portfolio budget remains at an increase of \$1,080,000, as described in Advice Letter 1799-E.

Funding for the continuation of the Residential Smart Thermostat Program through 2007 and for establishment of the In-Home Display Program is derived through the shifting of funds from existing programs. In 2006, the Residential Smart Thermostat Program has shifted \$480,000 of capital to cover incentive payments. The overall 2006 budget has also been reduced by \$387,000, with those funds shifted to help cover costs for 2007. The overall 2007 budget for the Residential Smart Thermostat Program is \$797,000, and the remainder of the funds will come from other programs. The total costs

come from fund shifting from other approved DR programs, pursuant to the fund shifting guidelines adopted by D. 06-03-024.

of the proposed continuation of the Residential Smart Thermostat Program, and the establishment of the In-Home Display Program is \$1,061,000. SDG&E will shift funding from Customer Education, Awareness and Outreach, Emerging Markets, Community Outreach and Circuit Saver Programs to provide for that funding. While SDG&E has identified incremental costs for the proposed continuation of the Summer Saver Program through 2007, SDG&E proposes to cover those additional costs through the shifting of funds from within the existing DR program portfolio budget.

Issues Requiring Further Review

Several important issues related to the development and evaluation of the DR program portfolio remain outstanding, and have not been addressed in this filing. Those issues include the following:

1. Program Goals and Measurement and Evaluation (M&E). As was addressed in the Amended Settlement, and adopted by D. 06-03-024:

“D.05-11-009 establishes a process for developing M&E protocols and program goals that will affect M&E activities set forth in the amended settlement and adopted herein. CEC and Commission staff should coordinate these efforts and recommend to the Commission’s Executive Director a process to assure effective and efficient evaluation of demand response programs. We anticipate that this work be coordinated with energy efficiency M&E work as demand response and energy efficiency efforts become more integrated. The current oversight of M&E by the Working Group 2 Measurement and Evaluation subcommittee shall continue for the programs and budgets approved in this order until the process described herein is in place. We intend to address these matters in these consolidated proceedings.^{12,}”

2. Cost-Benefit Issues. D. 06-03-024 provides as follows:

“The assigned ALJ to this proceeding required the utilities to evaluate the potential costs and benefits of their proposed program as part of their showings. The utilities filed responsive testimony. The settlement defers analysis of each program’s possible cost-benefit ratio and related methodologies to the procedure for such review set up in D. 05-11-009 in R. 02-06-001. We agree that this is an appropriate way to handle this issue under the circumstances and leave these applications open for review of these matters.¹³”

¹² See D. 06-03-024, mimeo, at page 20.

¹³ See D. 06-03-024, mimeo, at page 20.

Resolution E-4011, dated August 24, 2006, addressing and approving SDG&E's proposed emergency modifications to its Commercial & Industrial Peak Day 20/20 program addresses the Cost-Benefit issue by noting that "...Energy Division recommends that the Commission defer the issue of cost-effectiveness to a more appropriate forum, and that the Commission focus on whether the proposed changes can increase the amount of MWs this summer."¹⁴ At pages 5 and 6, Resolution E-4011 goes on to note that the issue of cost effectiveness is outside the scope of the Resolution, and that it should be addressed in the proper forum.

SDG&E concurs with this approach, and will be prepared to address cost-effectiveness as further directed by the Commission. SDG&E believes that while cost-effectiveness is an important issue, in light of the ACR, the need to focus attention on developing programs and program changes to help maximize the role of DR as articulated by the ACR should not be delayed by the absence of a cost-effectiveness evaluation.

3. Collaborative Process. The Amended Settlement contained provisions establishing a collaborative process by which parties would confer to identify and develop ideas for new and revised DR programs. That process was endorsed and adopted by D. 06-03-024. The ACR directs PG&E, SCE and SDG&E to conduct a public meeting for the purpose of collaborating with the parties about the more efficient and effective means of augmenting and improving DR programs¹⁵. SDG&E participated in such a discussion by telephonic conference call, along with SCE, PG&E, and a number of

¹⁴ See Resolution E-4011, dated August 24, 2006, mimeo, at page 1.

¹⁵ See August 9, 2006 ACR of Commissioner Peevey, mimeo, at page 3, Ordering Paragraph 2.

parties, on August 25, 2006, and has incorporated many of the items discussed herein. SDG&E welcomes the opportunity, and looks forward to participating in the workshop that has been scheduled on September 6, 2006, to discuss these issues even further.

Attachments

The following attachments are included as an aid in presenting SDG&E's proposed DR program modifications:

1. **DR Program Concept Papers.** SDG&E's A. 05-06-017 contained program concept papers, describing SDG&E's DR programs¹⁶. The DR program papers have been updated to reflect the changes to the programs that SDG&E has made¹⁷ and proposes herein to make.
2. **SDG&E's Advice Letter 1799-E,** proposing the new Capacity Bidding Program as a successor program to the existing California Power Authority Demand Reserves Partnership (CPA-DRP), which is scheduled to terminate in May, 2007.
3. **DR Portfolio Budgets and Anticipated Load Reductions.** SDG&E has updated the budgets for its DR program portfolio as well as the table reflecting the load reductions anticipated from its DR program portfolio.

¹⁶ See Chapter II, Prepared Direct Testimony of Susie Sides, dated June 1, 2006, Attachment B.

¹⁷ Previous changes are limited to those previously authorized by the Commission. See, for example, changes to C&I Peak Day 20/20, as proposed by Advice Letter 1811-E, and authorized by Resolution E-4011, dated August 24, 2006.

Attachment 1

Demand Response Program

Concept Papers

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Voluntary Critical Peak Pricing (CPP-V)

1. Projected Program Budget

	2006	2007	2008
Operating & Maintenance (Administration)	179,844	337,151	291,032
Capital	25,453	42,422	25,453
Measurement & Evaluation	82,158	82,987	83,808
Incentive Payments			
Total Program Budget	287,455	462,560	400,293

2. Projected Program Impacts

	2006	2007	2008
MWs	13*	20	25

*The expected Default Critical Peak Pricing did not get approved in 2006, as expected, aggressive marketing did not occur with the 200 kW and above customer base. We are planning to aggressively market to the 200 kW and greater customer base moving forward.

3. Program Descriptors

Market Sector: Non-Residential
 Program Classification: Day-Ahead, Statewide
 Program Status: Existing, Modified

Voluntary Critical Peak Pricing (CPP) is a rate option whereby commodity prices are discounted throughout the year during all non-critical-peak pricing period hours. When conditions warrant, customers are contacted by SDG&E and notified that a CPP event will occur on the following day.

4. Customer Description

Non-residential customers who have a minimum demand of 20 kW or higher, an interval data recorder (IDR) and are on a time-of-use (TOU) rate are eligible to participate in CPP-V. Customers must be utility bundled. The program is designed for customers who prefer a voluntary program that is more closely structured like the time-of-use rate they are familiar with. The specific target markets for CPP-V include:

- Customers with lighting, motor, pumping, process or other load that can be temporarily turned off, re-scheduled, or suspended.
- Commercial, institutional, governmental or other buildings with energy management systems (EMS) connected to air conditioning systems, or other load that can be modulated or cycled.
- Customers who have previously participated in SDG&E's energy efficiency programs.

5. Program Statement

Participating in a demand response program can present numerous challenges for a business customer, requiring an investment in time and resources. Implementing a load shedding strategy may involve installing new load reduction or energy monitoring technologies, creating new or modified tasks for employees during an event, or modifying specific business operations. In addition, the variety of demand reduction and energy efficiency program options can be confusing to the customer. For the business customer, the decision to reduce power will generally be motivated by direct financial considerations or other indirect tradeoffs, and only if their options are clearly understood, and the risks are within an acceptable range. A financial incentive, such as the one offered by this program, can be an effective tool to encourage participation.

6. Program Rationale

Voluntary CPP is a dynamic tariff that provides the customer with price signals that rise during periods of higher energy market prices or tight energy supplies. The structure of the rate is similar to the existing time-of-use rate structure. In exchange for paying higher prices during CPP-V event days, commodity prices are discounted the rest of the year. For the customer, this represents a relatively easy concept to understand.

Dynamic tariffs such as CPP are an important component of the demand response portfolio because, as noted by the Commission, they are likely to be the most cost effective. As a result of D.05-04-053, SDG&E will continue offering Voluntary CPP to all of its customers with a demand of 20 kW or higher. Since SDG&E has been directed to file a default CPP proposal for implementation sometime in 2008, we anticipate that the eligibility for Voluntary CPP will also then be changed. The program will only be offered to customers whose demands are between 20 kW and 200 kW.

As a clarification to D.05-04-053, SDG&E interprets that the decision allows changes to the temperature trigger to occur “semi-monthly,” that is two times a month, rather than “bi-monthly” as stated in the decision, which means once every two months. As a practical matter, SDG&E does not envision needing this capability. As part of our effort to achieve the design intent of the proposed 15 event days, SDG&E will run four test events during the course of the summer.

SDG&E believes that participation in voluntary CPP will continue to be low because actual bill savings potential does not provide customers with sufficient incentive to participate. In the non-participant study conducted by Quantum, the majority of respondents indicated they would need greater than a 5% annual bill savings in order to reduce their energy by 5%.¹ Rate analyses conducted by SDG&E show that less than 1% of customers will see that level of bill savings.

¹ Quantum Consulting Inc., *Working Group 2 Demand Response Program Evaluation: Non-Participant Market Survey Report*, August 5, 2004

SDG&E believes the CI Peak Day Credit will likely draw the most new participants, to the detriment of other day-ahead programs. First, Peak Day Credit offers a sliding scale from 10% to 20% incentive possibility, the largest potential incentive of any of the programs. Second, it's a voluntary program with no penalty for failing to reduce load.

SDG&E propose the following modifications to its CPP program.

6.1 Program Modifications

SDG&E will target those customers who currently have access to SDG&E kWickivew On-line Energy Management tools, who do not currently participate in Demand Response Programs.

6.2 Increase the number of CPP event days from twelve (12) to fifteen (15)

This will make the SDG&E Day Ahead programs consistent in the number of event days for summer season.

6.3 Discontinue Bill Protection in 2008

SDG&E proposes that Bill Protection be continued through 2007 but discontinued in 2008. Efforts to market to small commercial customers began in late 2005 and continued through 2006. The outreach to small commercial customers has proven to be a lengthier process as this particular segment is unaware of rate options and therefore needs more information and explanation. Bill protection is an important component to acquiring early adopters from this customer segment. We believe that awareness of Voluntary CPP will be high enough in this segment to discontinue it in the following years.

7. Program Strategy

CPP-V allows customers to experience a dynamic tariff option in which they are occasionally subject to higher market prices in exchange for slightly lower prices throughout the remainder of the year. Participating customers will be notified on a day-ahead basis that a CPP-V event has been activated for the following day. Participants can determine the necessary actions to take to reduce their on-peak energy consumption, thereby gaining the ability to monitor and control their overall energy costs. Participants also have the option of not taking any actions, but they will pay the higher price. We believe participation in a voluntary CPP will continue to be low for the reasons stated in Section 6 above.

We will continue to use the Technical Assistance (TA) and Technology Incentive (TI) programs to improve both customer load reduction capability and confidence to participate in programs such as CPP. We anticipate these programs will help feed customers into CPP in the years 2007 - 2008, increasing the enrollment and the actual load reduction rates.

8. Program Objectives

The primary objective of CPP-V is to provide an option by which customers can contribute toward reducing peak energy consumption on the utility grid, while at the

same time managing and controlling their individual energy consumption and costs. Participation helps the state as well as the SDG&E community by reducing energy costs through the reduction of peak energy demands, as well as reducing the likelihood of rolling blackouts and rotating outages.

The projected program impacts are based on an analysis of the eligible population and take into consideration historical penetration rates and the effect of other programs competing for the same market. Projections about the impact of SDG&E’s Customer Education program, the Advanced Metering Infrastructure (AMI) project, and the Technical Assistance program are also included in the analysis.

9. Program Implementation

SDG&E will offer the Voluntary CPP program to utility customers who are on a TOU rate with a minimum demand of 20 kW. If a customer does not have the correct metering, a meter and telecommunications will be provided at no cost. Participating customers are also provided access to and training in the use of kWickview, SDG&E’s Internet-based energy management tool, at no cost.

On a day-ahead basis, participants will be notified that a CPP-V event has been activated for the following day. A CPP-V event may be activated when the forecasted next day temperature at the Miramar Air Station is 84 degrees or greater and the SDG&E actual system load has exceeded 3,620 MW. A CPP-V event may also be activated during other system emergencies as determined by SDG&E. A maximum of 15 CPP events can be called during the May 1 through September 30 summer season.

During a CPP-V event, participants are billed at the higher rate as specified in the CPP-V rate schedule. If a participant reduces their load, they can manage the impact on their energy costs. If they do not reduce load, their costs will increase, reflecting the higher prices during the CPP-V event.

9.1 Internal Activities

Activities Include:

Date	Activity
January 2007	Streamline internal processes (DRP Database, kWickview , iAvenue)
2007 – 2008	Provide CPP customer analyses
March 2007	Work with Customer Education & Outreach, prepare for mailings and communications

9.2 Subcontractor Activities

No subcontractor activities are planned.

9.3 Marketing Activities

Large Commercial Industrial: These customers will be marketed to primarily through their assigned account representative. This segment is already familiar with the objectives of demand reduction and many of the available programs. The TA program is expected to increase participation by this segment in Voluntary CPP.

The following marketing tactics are planned for this segment:

Date	Activity
2007-2008	Program manager to work closely with Account Representatives, attend customer meetings
2007-2008	Program manager to provide analyses for customers who meet criteria
2008	As a result of an expected Default CPP approval, Voluntary CPP will only be marketed to customers 20 - 200 kW

Small / Medium Commercial Industrial: These customers will be marketed to as a component of the Customer Outreach Program. The Outreach Program will use a variety of tactics to reach this segment including presentations, workshops, seminars, advertising and direct mail. Customers will be informed of load reduction strategies and available programs such as CPP-V. They can proactively request additional information via the company website or the DRP toll-free phone number.

The following marketing tactics are planned for this segment:

Date	Activity
Each year	Print Fact sheets; make available to trade groups through Customer Education & Outreach, update Website
2007	Have 2 targeted educational mailing, based on rate analyses
2008	Have 1 targeted educational mailing, based on rate analyses

Demand Bidding Program (DBP)

1. Projected Program Budget

	2006	2007	2008
Operating & Maintenance (Administration)	371,025	388,328	387,103
Capital	62,602	62,602	62,602
Measurement & Evaluation	82,158	82,987	83,808
Incentive Payments	160,000	200,000	200,000
Total Program Budget	675,785	733,917	733,513

2. Projected Program Impacts

	2006	2007	2008
MWs	31	37	43

3. Program Descriptors

Market Sector:	Non-Residential
Program Classification:	Day-Ahead, Statewide
Program Status:	Existing, Modified

The Demand Bidding Program (DBP) is a voluntary program whereby participants earn bill credits by offering or “bidding” to reduce a minimum of 10% of their power consumption when contacted by SDG&E on the day ahead of an event. The revised program incorporates the Demand Bidding “Emergency” program formerly a stand alone with the Demand Bidding program.

4. Customer Description

Non-residential customers who have a minimum demand of 20 kW or higher, an interval data recorder (IDR) and telecommunications are eligible to participate in DBP.

Customers may either be utility bundled or direct access. The program is designed for customers who prefer a voluntary program that does not penalize them should they choose not to respond to a particular event. The specific target markets for DBP include:

- Customers with lighting, motor, pumping, process or other load that can be temporarily turned off, re-scheduled, or suspended.
- Commercial, institutional, governmental or other buildings with energy management systems (EMS) connected to air conditioning systems, or other load that can be modulated or cycled.
- Customers who have previously participated in SDG&E’s energy efficiency programs.

5. **Program Statement**

Participating in a demand response program can present numerous challenges for a business customer, requiring an investment in time and resources. Implementing a load shedding strategy may involve installing new load reduction or energy monitoring technologies, creating new or modified tasks for employees during an event, or modifying specific business operations. In addition, the variety of demand reduction and energy efficiency program options can be confusing to the customer. For the business customer, the decision to reduce power will generally be motivated by direct financial considerations or other indirect tradeoffs, and only if their options are clearly understood, and the risks are within an acceptable range. A financial incentive, such as the one offered by this program, can be an effective tool to encourage participation.

6. **Program Rationale**

DBP gives customers a financial incentive to bid in their load reduction into the DBP program. The proposed incentive is \$.50 per kWh for the Day Ahead option and \$.60 per kWh for the Day Of option. SDG&E supports the continuation of this incentive premium through 2008. SDG&E believes that participation in DBP would continue to be low without this increase and simplification of the incentive structure. Studies have consistently shown that customers require high incentives far beyond bill savings in order to participate in demand bidding programs.² Lawrence Berkeley National Laboratory found that financial incentives of \$150-200/MWh were the minimum threshold for any noticeable customer response.³ NYSERDA and PGE got greater participation, up to 40 times more MWs, in their reliability programs in 2001 than their price response programs.⁴ At that time, spot market prices ranged from \$500 - \$1,000/MWh.

SDG&E believes the premium is also necessary in order to overcome an inherent customer reluctance to participate in price-based programs. While not cost effective compared to purchasing power on the spot market, the premium helps to overcome what is generally called a participation or initiation cost incurred by customers. We note that other programs, such as those run by NYISO, explicitly recognize this cost and encourage customers to include it within their bid price. However, participating

² Oregon Public Utilities Commission, *Demand Response Programs for Oregon Utilities*, Prepared by Lisa Schwartz. May 2003.

<http://www.nwppc.org/energy/dr/library/drrptfin.pdf>

³ Chuck Goldman, *Framing Paper #1: Price Responsive Load Programs. Prepared for The New England Demand Response Initiative*, LBNL.

<http://nedri.raabassociates.org/Articles/NEDRIPaperPRL3-26-02.doc>

⁴ Dan York, Ph.D. and Martin Kushler, Ph.D., *Exploring the Relationship Between Demand Response and Energy Efficiency: A Review of Experience and Discussion of Key Issues*, Prepared for the American Council for an Energy Efficient Economy, Report U052, March 2005

customers in the New York program compete directly against supply side resources in the day ahead market and only receive market clearing prices.⁵

In 2006, SDG&E realized that C&I Peak Day 20/20 program drew the most new participants, to the detriment of other day-ahead programs. First, Peak Day offered a 20% incentive possibility, the largest potential incentive of any of the programs. Second, it's a voluntary program with no penalty for failing to reduce load. And third, there are no contracts for the customer to sign; customers merely enroll in Peak Day. Anecdotal evidence from customers emphasizes that contracts are a significant obstacle to enrollment. With the proposed changes to the C&I Peak Day 20/20 program, SDG&E expects that Peak Day will continue to attract customers of all sizes, while the proposed changes to Demand Bidding will attract customers with even more significant load reduction capabilities.

6.1 Program Modifications

SDG&E intends to make the Demand Bidding program an attractive option for customers, especially for customers that can reduce a substantial amount of load. The program will continue to be voluntary, open to customers as low as 20 kW, and have a minimum bid of 10% the annual maximum demand, but SDG&E believes that the changes we have proposed will encourage more customers to sign up for the program and participate when called upon. Demand Bidding has struggled with low sign ups and even lower participation in recent years, so we believe that increased incentives, the elimination of cumbersome contracts, a "standing bid," a Day Of component, and the potential for customers to be paid on as much load reduction as they achieve will finally motivate customers to act under this program

6.2 Simplify Enrollment Process

SDG&E would like to revisit the elimination of contracts for the Demand Bidding Program and moving to an enrollment process like the Peak Day program. Demand Bidding, like Peak Day Credit, is a strictly voluntary program whereby customers can come on and off the program without restriction or penalty.

6.3 Eliminate Emergency Demand Bidding and add Day Of component to Demand Bidding

In order to create flexibility, SDG&E proposes the option of calling Demand Bidding "Day of " if the load is needed. This would provide customers with more flexibility and opportunities to participate by not putting them in a position of

⁵ New York Independent System Operator, *Day Ahead Demand Response Program Manual*,
http://www.nyiso.com/services/documents/manuals/pdf/planning_manuals/dadrp_final090903.pdf

choosing to enroll and participate in either the Day Ahead or Day Of Demand Bidding program.

6.4 Increase Incentives

SDG&E has found that the \$.10 + market price to be both confusing to customers and not enough of an incentive for customers to make the effort to sign up for the program, bid in, and reduce load. SDG&E believes that \$.50 per kWh for Day Ahead and \$.60 per kWh for Day Of will be enough to move the market and create customer participation.

6.5 Remove Bandwidth

SDG&E proposes to make the bidding structure for Demand Bidding similar to the structure that was established for Emergency Demand Bidding. Customers will only be paid incentives for load reduction that is equal to or greater than their minimum bid, and there will be no limit on the amount of load reduction they will be paid incentives on.

6.6 Create a “standing bid”

In order to simplify the bidding process for customers, SDG&E proposes to create a “standing bid” which would either be their minimum bid or another bid amount of their choosing. This would allow customers to simply reduce their load usage when the program is activated, or bid in to change the proposed amount if they choose.

7. Program Strategy

DBP allows customers to bid a set load reduction amount to SDG&E as a resource during periods of high market prices. SDG&E proposes to also allow this program to be called for reliability purposes if that load reduction is needed. Participating customers will be notified that a DBP event has been activated on a day-ahead or day-of basis and may bid both the amount of electric load they can reduce and the hours at which they are willing to reduce this load.

We have several strategies to increase participation. First, the Technical Assistance (TA) and Technology Incentive (TI) programs will continue to improve both customer load reduction capability and confidence to participate in programs such as DBP. We anticipate these programs will help feed customers into DBP in the years 2007 - 2008, increasing both the enrollment and the actual load reduction.

SDG&E believes that the low incentive prices, bidding process, and contract process have hindered program enrollment and participation in recent years. Customers have to put a lot of effort and resources into participating in demand response programs, so we believe that customers should be adequately compensated for that. The proposed increases to incentive amounts should be enough to move these customers.

The enrollment process for Demand Bidding is very slow due to lengthy contracts. SDG&E proposes to use an enrollment card, like the Peak Day Credit program, to help attract new customers and accelerate the enrollment process. The program is voluntary and does not require a commitment, so there is no need for a contract.

The actual bidding process has also caused customers who have signed up for the program to not bother to participate. Creating a standing bid would eliminate the possible inconvenience of bidding in for customers who want to bid in the same amount each time.

8. Program Objectives

The primary objective of DBP is to provide an option by which customers can contribute toward reducing peak energy consumption on the utility grid, while at the same time managing and controlling their individual energy consumption and costs. Customers who can provide this capability are a valuable resource to SDG&E. Participation helps the state as well as the SDG&E community by reducing energy costs through the reduction of peak energy demands.

The projected program impacts are based on an analysis of the eligible population and take into consideration historical penetration rates and the effect of other programs competing for the same market. Projections about the impact of SDG&E's Customer Education program, the Advanced Metering Infrastructure (AMI) project, and the Technical Assistance program are also included in the analysis.

9. Program Implementation

SDG&E will offer the DBP program to all customers with a minimum demand of 20 kW. If they do not have an interval data recorder and associated communications, SDG&E will pay for these to be installed. Customers must have the ability to reduce their energy consumption by a minimum of 10% for at least two consecutive hours during a DBP event. Participating customers are provided access to and training in the use of kWickview, SDG&E's Internet-based energy management tool, which also serves as the platform for bidding in a DBP event. If a customer's bid is accepted, they must achieve a reduction within the ranges specified in order to receive the incentive.

Bidding occurs Monday through Friday, excluding holidays, and is not dependent on a declared emergency situation. DBP events may occur between noon and 8 pm. Participating customers will be notified the day ahead or on the day of the DBP event, and if they choose to change their standing bid, they must submit their bid by 5 pm on the day before or within 1 hour on the day of. The bid must be for a minimum of 2 hours

Incentives paid for reduced energy consumption are calculated based on a comparison load and energy usage for the same hours using the three highest usage days from the ten previous days. For an incentive to be paid, a minimum reduction of 10% of their annual maximum demand per hour is required. Incentives for events will only be paid for reduction that is greater or equal to their minimum bid. Incentives will be paid in the form of a credit to the participating customer's bill.

9.1 Internal Activities

The following internal activities are planned:

Date	Activity
2007	Make changes to Demand Bidding Curtailment Module to include Day Of component
2007	Add the “standing bid” to the Demand Bidding Curtailment module and update incentive structure
2007	Create enrollment card, revise fact sheet, update Website

9.2 Subcontractor Activities

None planned for this program.

9.3 Marketing Activities

Large Commercial Industrial: These customers will be primarily marketed to through their assigned account representative. This segment is already familiar with the objectives of demand reduction and many of the available programs.

The following marketing tactics are planned for this segment:

Date	Activity
2007-2008	Program manager will work closely with assigned account reps, accompany them to customer meetings
Each year	Create 2 High Impact Mailings
Each year	1 Customer Recognition Newspaper Ad

Small / Medium Commercial Industrial: These customers will be marketed to as a component of the Customer Education, Awareness and Outreach Program. The Outreach Program will use a variety of tactics to reach this segment including presentations, workshops, seminars, advertising and direct mail. Customers will be informed of load reduction strategies and available programs such as DBP. They can proactively request additional information via the company website or the toll-free DRP phone number.

The following market tactics are planned for this segment:

Date	Activity
2007	Print Fact sheets; provide material to trade group presentations through Cust Ed & Outreach program
2007	2 targeted mailing of 15,000
2007, 2008	Design customer retention vehicles: DBP update report, DBP “Energy Auction Plan” contests
2007,2008	Create 1 High Impact Mailing to targeted customers each year

Capacity Bidding Program (CBP)

1. Projected Program Budget

	2007	2008
Operating & Maintenance (Administration)	800,642	652,313
Capital	0	0
Measurement & Evaluation	102,600	102,600
Incentive Payments	516,000	816,000
Total Program Budget	1,419,242	1,570,913

2. Projected Program Impacts

	2007	2008
MWs	20*	25

*Assumes CPA-DRP contract expires in May 2007 and is replaced by the Capacity Bidding Program.

3. Program Descriptors

Market Sector: Non-Residential
 Program Classification: Day-Ahead and Day-Of, Statewide
 Program Status: New Pending, Filed in SDG&E Advice Letter 1799-E on June 1, 2006

The Capacity Bidding Program is a new voluntary demand response program that offers customers various product options by which participants can earn incentive payments in exchange for reducing energy consumption when requested by SDG&E. This program is available to commercial/industrial customers, greater than 20 kW, receiving bundled service, Direct Access service or Community Choice Aggregation service, and being billed on a commercial, industrial or agricultural rate schedule. Participation in this program must be taken in combination with the customer's otherwise applicable rate schedule. This program is also available to "Aggregators," a third party entity that combines the loads or one or more customers for the purpose of participating in this program.

Customers participating in the CBP are not eligible to participate in any other utility demand response program.

4. Customer Description

Non-residential customers who have an interval data recorder (IDR) and telecommunication capabilities are eligible to participate in CBP. Customers may either be utility bundled or direct access. The specific target markets for CBP include:

- Manufacturing plants, commercial firms, agricultural firms, chain accounts and other retailers, and property management firms.
- Government facilities, water agencies, and universities.

In particular, customers should have the capability to adjust air conditioning or reduce lighting through an EMS system, re-schedule electric-intensive processes, or start up a natural gas fired generator.

5. Program Statement

Participation in a demand response program can present numerous challenges for a business customer, requiring an investment in time and resources. Implementing a load shedding strategy may involve installing new load reduction or energy monitoring technologies, creating new or modified tasks for employees during an event, or modifying specific business operations. In addition, the variety of demand reduction and energy efficiency program options can be confusing to the customer. For the business customer, the decision to reduce power will generally be motivated by direct financial considerations or other indirect tradeoffs, and only if their options are clearly understood, and the risks are within an acceptable range. A financial incentive, such as the one offered by this program, can be an effective tool to encourage participation.

6. Program Rationale

The CBP allows participation by individual customers or through third-party Aggregators who sign up customers into a load reduction portfolio. The program provides the participant with a summer capacity payment in order to reserve their load reduction capacity. This provides the participant with a revenue stream for having this capability. The program also has a non-performance penalty.

The Aggregators recruit participants, help them develop demand reduction strategies, handle notifications of load shedding events, and distribute payments. Aggregators have the flexibility to customize their offering to individual customers and to diversify the portfolio sufficiently to hedge the risk. Customer contracts with Aggregators can include various elements such as a reservation payment, an energy payment, a penalty, response requirements, etc. that provide a different reward/risk proposition than SDG&E may be able to offer.

6.1 Program Modifications

N/A

7. Program Strategy

SDG&E and qualified Aggregators will solicit customers to participate in the program. They will work with customers to design a control strategy and to install any necessary metering or communications. The aggregators should be able to structure a more attractive contract with participants by providing for example, a lower non-performance penalty. Participants are notified to reduce their load on the day-ahead or day-of basis and when they reduce load, they are able earn a return on their capability.

8. Program Objectives

The primary objective of CBP is to provide an option by which customers can contribute toward reducing peak energy consumption on the utility grid, while at the same time managing and controlling their individual energy consumption and costs. Participation helps the state as well as the SDG&E community by reducing energy costs through the reduction of peak energy demands, as well as reducing the likelihood of rolling blackouts and rotating outages.

9. Program Implementation

The CBP will be administered by SDG&E and is open to any customer who provides a minimum of 20 kW load reduction. The program offers its participants the flexibility to identify their load reduction amounts and the time periods of reduction. Participants can receive significant payments per month for capacity during summer months, and additional incentives for load reduction. The incentives paid to customers will vary depending on their ability to reduce both in volume and selected product hours.

The CBP is open to any commercial, industrial or agricultural customer with an interval meter. Working directly through SDG&E or through an Aggregator, customers choose the event duration that best fits with their operational needs. Curtailment durations are pre-selected by CPA participants and are available in increments of 1-4, 2-6, or 4-8 hours. Customer participation is limited to no more than 1 event per day and 24 hours during a calendar month. Curtailment hours are between 11:00 am and 7:00 pm Monday through Friday, and exclude weekends and holidays. Customers must remain on the program for a minimum of 12 calendar months.

SDG&E may call an event whenever the electric system supply portfolio reaches a resource dispatch equivalence of 15,000 Btu/kWh heat rate, or as system conditions warrant. CBP events are due to such factors as weather conditions, power plant outages or transmission bottlenecks.

For customers participating directly with SDG&E, the CBP incentive will be calculated based on the customer's actual load reduction. In no case will a customer receive a credit payment for a given hour if it does not meet the minimum energy reduction threshold, as nominated in the monthly load reduction nomination. The billing and payment of incentive payments, as well as all other amounts, charges, penalties and fees due to or from customers will be made in the course of customer's normal billing for services.

For customers participating through aggregators, the billing and payment of incentive payments, as well as all other amounts, charges, penalties and fees due will be made according to SDG&E's Rule No. 30, the Aggregator contract.

9.1 Internal Activities

The following internal activities are planned for this program.

Date	Activity
2007	Develop, build and test billing system capability to

	accommodate Aggregators
2007	Establish accounting and systems to pay/bill Aggregators
2007	Develop a process and criteria for qualifying Aggregators
2007	Develop fact sheets, marketing materials, and Web page

9.2 Subcontractor Activities

CBP will allow Aggregators to sign up customers and provide load reduction. SDG&E will develop procedures, mechanisms and a contract to support these subcontractors. Potential subcontractors should have the following capabilities:

- Ability to market to and potentially provide technical auditing or other support to customers.
- Ability to contract with SDG&E and participating customers to provide load reduction capability per the terms of the CBP.
- Ability to set up payment and billing operations.
- Ability to analyze customer load data.

9.3 Marketing Activities

SDG&E plans to market this program directly to large customers through the assigned account representatives. This segment is already familiar with the objectives of demand reduction and many of the available programs. Customers may choose to speak directly with the Aggregators for information on program specifics.

The following specific marketing activities are planned.

Date	Activity
2007	Conduct 2 Off site Customer Trainings
2007	Conduct 2 On site Internal Trainings
2007	Print Fact Sheets
2007	Conduct special training for Aggregators

Commercial/Industrial (C&I) Peak Day Credit

1. Projected Program Budget

	2006	2007	2008
Operating & Maintenance (Administration)	\$370,072	\$424,870	\$341,852
Capital	\$74,340	\$74,340	\$74,340
Measurement & Evaluation	\$82,158	\$82,987	\$83,808
Incentive Payments	\$200,000	\$200,000	\$200,000
Total Program Budget	\$726,570	\$782,197	\$700,000

2. Projected Program Impacts

	2006	2007	2008
MWs	29*	49	63

*Assumes 31 MWs enrolled in 2005; 19 MWs of enrolled Peak Day Credit MWs converted to the Default Critical Peak Pricing tariff in 2006.⁶

3. Program Descriptors

Market Sector: Non-Residential
Program Classification: Day-Ahead, Local
Program Status: Existing

Peak Day Credit (formerly the C&I Peak Day 20/20 program) is a voluntary program whereby participants earn a bill credit by reducing their power consumption a minimum of 10% on critical peak days when contacted on a day-ahead basis by SDG&E. The bill credit percentage will be equal to the average percentage demand reduction achieved for all C&I Peak Day Credit events during that billing period.

4. Customer Description

Non-residential customers who have a minimum demand of 20 kW or higher, are on a time of use (TOU) rate, and have an interval data recorder (IDR) are eligible to participate in Peak Day Credit. Customers may either be utility bundled or direct access. The program is designed for customers who prefer a voluntary program that does not penalize them should they choose not to respond to a particular event. The specific target markets include:

⁶ Based on Default CPP design filed in A.05-01-017, January 20, 2005

- Customers with lighting, motor, pumping, process or other load that can be temporarily turned off, re-scheduled, or suspended.
- Commercial, institutional, governmental or other buildings with energy management systems (EMS) connected to air conditioning systems, or other load that can be modulated or cycled.
- Customers who have participated in SDG&E's energy efficiency programs.

5. **Program Statement**

Participating in a demand response program can present numerous challenges for a business customer, requiring an investment in time and resources. Implementing a load shedding strategy may involve installing new load reduction or energy monitoring technologies, creating new or modified tasks for employees during an event, or modifying specific business operations. In addition, the variety of demand reduction and energy efficiency program options can be confusing to the customer. For the business customer, the decision to reduce power will generally be motivated by direct financial considerations or other indirect tradeoffs, and only if their options are clearly understood, and the risks are within an acceptable range. A financial incentive, such as the one offered by this program, can be an effective tool to encourage participation.

6. **Program Rationale**

Peak Day 20/20 was approved in D.05-01-056 for 2005. In 2005 and most of the 2006 event season, participants who reduced their power by 20% on event days received an incentive based on 20% of their on-peak energy and demand charges.

On July 27, 2006, SDG&E filed Advice Letter 1811-E, proposing modifications to its existing the C&I Peak Day 20/20 Program for the duration of the summer months of 2006. SDG&E proposed expanding the program incentive to customers who can reduce 10-20%, a flexible trigger, and removing the 15 day event limit for 2006. This Advice Letter was approved on August 24th, 2006 and SDG&E would like to extend the revisions to the Peak Day program through 2008.

6.1 **Program Modifications**

SDG&E proposes that the revisions made to the Peak Day program, which were adopted by Resolution E-4011 on August 24th, 2006, be extended. SDG&E believes that these changes will encourage some of the 2005 customers who were not able to reduce 20% and therefore did not re-enroll in 2006 to do so, in addition to acquiring new enrollees. It is also expected that SDG&E will also be able to capture more MWs of load reduction during events, since customers will be paid incentives for load reduction as low as 10%.

6.2 **Create a performance-based sliding scale for customers who reduce their usage from 10-20% during event days**

Per the approved decision on August 24th, 2006, SDG&E recommends continuation of the "sliding scale" approach to performance and incentives for customer who reduce 10 to 20%.

6.3 Make the program trigger more flexible

Per the approved decision on August 24th, 2006, SDG&E would like to continue having a flexible trigger for Peak Day Credit to allow SDG&E to only call the program when the load reduction is truly needed.

6.4 Reinstate the 15 day cap

SDG&E proposes herein that the previous maximum number of program events of 15 be reinstated.. With the revision to the program trigger provisions, SDG&E is now better able to manage program events, and is not compelled to trigger an event when specified temperature and load conditions exist. The previous event trigger language had required that an event be triggered with those temperature and load conditions, regardless of whether those conditions actually necessitated an event.

7. Program Strategy

Peak Day Credit would allow customers to earn a 10-20% incentive if they can reduce their on-peak energy consumption by 10-20%. Participating customers will continue to be notified that a Peak Day Credit event has been activated on a day-ahead basis.

In 2006 so far, there has been less customer enrollment compared to 2005. However, the percentage of customers that achieved the 20% credit is higher in 2006 than 2005 and the overall MWs achieved during events is higher on average in 2006 compared to 2005. There has been a strong Technical Assistance (TA) and Technology (TI) message with the enrollment collateral and welcome letter which has contributed to customers improving their performance. SDG&E plans to continue include TA and TI messages with the Peak Day Credit program in addition to expanding the program to include customers who can reduce their usage 10-20%.

8. Program Objectives

The primary objective of Peak Day Credit is to provide an option by which customers can contribute toward reducing peak energy consumption on the utility grid, while at the same time managing and controlling their individual energy consumption and costs. Participation helps the state as well as the SDG&E community by reducing energy costs through the reduction of peak energy demands, as well as reducing the likelihood of rolling blackouts and rotating outages.

The projected program impacts are based on an analysis of the eligible population and take into consideration historical penetration rates and the effect of other programs competing for the same market. Projections about the impact of SDG&E's Customer Education program, the Advanced Metering Infrastructure (AMI) project, and the Technical Assistance program are also included in the analysis.

9. Program Implementation

SDG&E will offer the Peak Day Credit program to all eligible customers with a minimum demand of 20 kW. If they do not have an interval data recorder, SDG&E will

attempt to replace the current meter at no cost to the customer. Customers must enroll in the Peak Day Credit program in order to participate and be eligible to earn bill credits.

An event day may be called when the temperature is 84 degrees or higher at Miramar Marine Air Corps Station and/or SDG&E’s electric system load reaches 3,620 MW if the load reduction is needed determined to be needed. It may also be called when warranted by extreme conditions or other emergency situations. On an event day, participating customers will be asked to reduce electricity consumption by an average of at least 10% during the hours of 11 am to 6 pm. A maximum of 15 event days could be called during the May 1 through September 30th summer season.

The reduction is calculated by reviewing current energy consumption against participating customers’ on-peak energy consumption for the prior 10 days (excluding weekends and holidays) prior to an event day. The reduction is based on a comparison of on-peak energy use on the peak day with the average consumption of the three highest days of on-peak electric usage during the previous ten-day period. In addition, participating customers must reduce electric consumption (kWh) by an average of 10% for all events called during a given billing period.

Incentives will be paid in the form of a credit to the participating customer’s bill, equal to their percentage load reduction (between 10-20%) of the on-peak energy and demand charges for that billing period. If no events are called, or if the average minimum 10% reduction over all designated events is not achieved, no bill credit will be given.

9.1 Internal Activities

The following internal activities are planned:

2007	Update program database, streamline the back-end enrollment process
2006-2007	Upgrade billing system to accommodate performance/incentive based “sliding scale”
2007	Update marketing materials, fact sheets and Website

9.2 Subcontractor Activities

None planned for this program.

9.3 Marketing Activities

Large Commercial Industrial: These customers will be primarily marketed to through their assigned account representative. This segment is already familiar with the objectives of demand reduction and many of the available programs. The TA and TI programs are expected to improve market participation in all programs including this one. SDG&E will put added effort into getting the 2005 C&I Peak Day 20/20 that did not enroll for 2006 to enroll in this program for 2007 and 2008. The following specific marketing tactics are planned for this segment:

Date	Activity
2007	Collaborate with the account representatives to distribute at least 2 mailings and/or emails
Each year	Welcome kit to enrolled customers with prescribed actions and tip sheet, promotional gift
Each year	10 Off site Customer Trainings

Small / Medium Commercial Industrial: These customers will be marketed to as a component of the Customer Outreach Program. The Outreach Program will use a variety of tactics to reach this segment including presentation, workshops, seminars, advertising and direct mail. Customers will be informed of load reduction strategies and available programs such as Peak Day Credit. SDG&E will focus in particular on getting the 2005 C&I Peak Day 20/20 customers to re-enroll on this program in 2007 and 2008 who did not re-enroll in 2006. They can proactively request additional information via the company website or the toll-free DRP phone number.

The following specific market tactics are planned for this segment:

Date	Activity
2007	2 mailings to 15,000 eligible customers
2007	Welcome kit to enrolled customers with prescribed actions and tip sheet, promotional gift
2007	20/20 press release
2008	2 mailings to 15,000 eligible customers
2008	Welcome kit to enrolled customers with prescribed actions and tip sheet, promotional gift
2008	20/20 press release

Base Interruptible Program (BIP)

1. Projected Program Budget

	2006	2007	2008
Operating & Maintenance (Administration)	159,493	245,298	193,477
Capital	15,025	75,123	0
Measurement & Evaluation	50,648	51,312	51,968
Incentive Payments	145,000	500,000	261,445
Total Program Budget	370,166	871,733	506,890

2. Projected Program Impacts

	2006	2007	2008
MWs	8	10	12

3. Program Descriptors

Market Sector:	Non-Residential
Program Classification:	Day-Of, Statewide
Program Status:	Existing, Modified

The Base Interruptible Program (BIP) is a voluntary program which offers participants a monthly capacity bill credit in exchange for committing to reduce power to a minimum pre-determined level on short notice during emergency situations. BIP imposes a penalty for non-performance.

4. Customer Description

Non-residential customers who can reduce demand by 15% or a minimum of 100 kW, whichever is higher, have an interval data recorder (IDR), and have telecommunication capabilities are eligible to participate in BIP. Customers may either be utility bundled or direct access. The program is designed for customers who have a firm load reduction plan in place and can reduce load with absolute certainty when requested. The specific target market for BIP is:

- Customers with lighting, motor, pumping, process or other load that can be temporarily turned off, re-scheduled, or suspended.
- Commercial, institutional, governmental or other buildings with energy management systems (EMS) connected to air conditioning systems or other load that can be reduce, modulated or cycled.

5. Program Statement

Participation in a demand response program can present numerous challenges for a business customer, requiring an investment in time and resources. Implementing a load shedding strategy may involve installing new load reduction or energy monitoring

technologies, creating new or modified tasks for employees during an event, or modifying specific business operations. In addition, the variety of demand reduction and energy efficiency program options can be confusing to the customer. For the business customer, the decision to reduce power will generally be motivated by direct financial considerations or other indirect tradeoffs, and only if their options are clearly understood, and the risks are within an acceptable range. A financial incentive, such as the one offered by this program, can be an effective tool to encourage participation.

6. Program Rationale

Customers who can commit to reducing load during a reliability emergency are a valuable resource to SDG&E. This program provides the participant with a year round capacity payment in order to reserve the load reduction capacity, irrespective of whether a BIP event is called. This provides the customer with a revenue stream, a reward for having this capability.

There is a penalty for non-performance that can easily exceed the annual incentive amount. SDG&E understands the reasoning for the penalty, however has been unsuccessful to date in marketing the program. Research shows that customers believe the risks in this program outweigh the rewards.⁷ In order to make the program more attractive, we have previously proposed to limit the penalty to two times the annual incentive.

We continue to believe that customer load reduction is not yet a mature enough resource to be contractible in the same manner as a supply side resource. We are committed to the BIP concept over the long term, but believe offering Technical Assistance and Technology Incentive programs must have time to develop this resource before any significant participation is likely to occur.

6.1 Program Modifications:

6.1.1 Adding additional triggers to the BIP program

SDG&E believes adding flexibility to the triggers will allow for activating the program on those critical peak days when load reduction is needed the most. SDG&E will add the following triggers BIP:

- CAISO Stage 2 Alert
- Extreme temperature conditions impacting system demand

6.1.2 Changes to the Base Interruptible Program Rule 29

SDG&E will change BIP's Rule 29 language, in reference to the calculation of incentives/penalties for group aggregation to be consistent with what was presented in A. 05-06-017 which stated that all incentive payments, penalty payments and charges will be calculated in aggregate, by using the individual customer meter data.

⁷ Quantum Consulting Inc. *Working Group 2 Demand Response Program Evaluation - Non-Participant Market Survey Report*, August 5, 2004

6.1.3 Reduce Base Interruptible Penalties

To address the barriers of BIP participation and to reduce customer exposure to penalty while still achieving significant demand response, SDG&E is proposing to reduce program penalties by 25% for both options.

- Option-A penalty \$6 kWh to \$4.50 kWh
- Option-B penalty \$2.50 kWh to \$1.88 kWh

6.1.4 Base Interruptible long term Plan

Upon approval of the Capacity Bidding Program (CBP), SDG&E is proposing to eliminate BIP and transition customers over to CBP. The CBP program has key elements similar to BIP and more, such as the use of aggregators, allowance of Direct Access (DA) participation, Day-Of and Day-Ahead option, both capacity and energy incentive payments and a flexible bid process.

7. Program Strategy

BIP allows customers to commit a set load reduction amount to SDG&E as a dispatchable resource during periods of electricity shortages. Participants are notified to reduce their load with either 30 minutes notice or 3 hours notice, depending on which notification option they select. The program allows customers to earn a return on their capability however they are subject to steep penalties if they fail to perform. According to research, customers find this penalty too great a risk to participate in the program.

The three main strategies to overcome this issue and increase participation are: 1) the Technical Assistance (TA) and Technology Incentive (TI) programs will improve both customer load reduction capability and confidence to participate in programs such as BIP; 2) aggregators will be able to reduce the risk to individual customers by assembling a diverse portfolio of participants, and 3) reduce customer exposure to penalty, which SDG&E believes will increase customer participation.

8. Program Objectives

The primary objective of BIP is to provide an option by which customers can contribute toward reducing peak energy consumption during reliability emergencies. Customers who can provide this capability are a valuable resource to SDG&E. Participation helps the state as well as the SDG&E community by reducing the likelihood of rolling blackouts and rotating outages.

The projected program impacts are based on an analysis of the eligible population and take into consideration historical penetration rates and the effect of other programs competing for the same market. Projections about the impact of SDG&E's Customer Education program, the Advanced Metering Infrastructure (AMI) project, and the Technical Assistance program are also included in the analysis.

9. Program Implementation

SDG&E offers BIP to customers who can reduce demand by 15% or a minimum of 100 kW, whichever is higher, have an interval data recorder (IDR), and have

telecommunications. An aggregator must provide a minimum of 1 MW of load reduction. If a customer does not have an interval data recorder and associated telecommunications, SDG&E will provide it at no cost. Participating customers are also provided access to and training in the use of kWickview, SDG&E's Internet-based energy management tool, at no cost.

There are two options for BIP. Customers participating in Option A will be given a 30-minute notice, calls for load reduction will not exceed four hours on any one day, or ten calls per calendar month, or 120 hours per calendar year. Customers participating in Option B will be given a 3-hour notice, calls for load reduction will not exceed three hours for any calendar day, ten events during a calendar month, or ninety hours per calendar year. Participating customers are required to have e-mail, Internet access, a dedicated telephone line and/or an alphanumeric pager to receive BIP event notifications.

On the day of a BIP event, participating customers will be notified in accordance with whichever option they have selected. A BIP event occurs when electricity supplies are low and the California Independent System Operator (CAISO) has directed SDG&E to reduce load. Participants must reduce load to their designated firm service level within either 30 minutes or 3 hours of event notification.

Participants receive a monthly incentive payment of \$7/kW for committing to drop load with 30 minutes notice or \$3/kW of load reduction with 3 hours notice. Incentives paid for reduced load are paid in the form of a credit to the participating customer's bill, and are paid even if no load reduction is required. The monthly incentive payment is based on the difference from calculating the customer's monthly-recorded average Maximum Demand minus the customer's selected Firm Service Level.

Participants who do not reduce their load during a BIP event are assessed an energy usage penalty of \$4.50/kWh or \$1.88/kWh, depending on which notification option they select. The penalty is calculated based on the amount of energy in excess of the Firm Service Level during any 15-minute interval of an interruptible period.

9.1 Internal Activities

No new activities planned for BIP.

9.2 Subcontractor Activities

BIP will allow Aggregators to sign up customers and provide a minimum of 1 MW load reduction based on a contracted firm service level. SDG&E will develop procedures, mechanisms and a contract to support this option. As part of the marketing activities, SDG&E will develop a list and market to companies believed to have aggregation capabilities. Potential subcontractors should have the following capabilities:

- Ability to market to and potentially provide technical auditing or other support to customers.

- Ability to contract with SDG&E and participating customers to provide a minimum 1 MW load reduction capability per the terms of the BIP program.
- Ability to set up payment and billing operations.
- Ability to analyze customer load data.

10. Marketing Activities

Large customers will be marketed to primarily through their assigned account representatives. This segment is already familiar with the objectives of demand reduction and many of the available programs. The TA and TI programs are expected to improve participation in BIP. Aggregators will also be marketing the program and are expected to provide a more favorable economic proposition for customers. The following specific marketing activities are planned.

Date	Activity
Each Year	TA/TI programs will educate customers on how to reduce load and participate in programs
2007	Conduct special training class for aggregators
Each year	Conduct 4 Off site Customer Trainings
Each year	Conduct 2 On site Customer and Internal Trainings
Each year	2 targeted mailings to unassigned large customers - approximately 1,000.
Each year	1 Customer Recognition Newspaper Ad

Voluntary Emergency Critical Peak Pricing (CPP-E)

1. Projected Program Budget

	2006	2007	2008
Operating & Maintenance (Administration)	33,350	135,085	70,557
Capital	0	65,793	0
Measurement & Evaluation	50,648	51,312	51,968
Incentive Payments	0	0	0
Total Program Budget	83,998	252,190	122,525

2. Projected Program Impacts

	2006	2007	2008
MWs	4	5	6

3. Program Descriptors

Market Sector:	Non-Residential
Program Classification:	Day-Of, Local
Program Status:	Existing, Modified

Voluntary Emergency Critical Peak Pricing (CPP-E) is a rate option whereby customers receive discounted commodity prices throughout the year in exchange for reducing load on 30-minute notice when contacted by SDG&E. Energy that is consumed during the critical peak periods is priced higher, reflective of the peak period costs and supplies.

4. Customer Description

Non-residential customers who have a minimum demand of 300 kW or higher, an interval data recorder (IDR) and telecommunications, and are on a time-of-use rate are eligible to participate in CPP-E. Customers must be utility bundled. The program is designed to replace the ALTOU-CP, which was closed in 2005 and will be canceled in January 2007. This program is targeted to customers who have the ability to modify their business operations with very little notice (30 minutes), typically through automated methods.

5. Program Statement

Participating in a demand response program can present numerous challenges for a business customer, requiring an investment in time and resources. Implementing a load shedding strategy may involve installing new load reduction or energy monitoring technologies, creating new or modified tasks for employees during an event, or modifying specific business operations. In addition, the variety of demand reduction and energy efficiency program options can be confusing to the customer. For the business customer, the decision to reduce power will generally be motivated by direct financial

considerations or other indirect tradeoffs, and only if their options are clearly understood, and the risks are within an acceptable range. A financial incentive, such as the one offered by this program, can be an effective tool to encourage participation.

6. Program Rationale

Customers who can rapidly reduce load are an important resource to SDG&E during a reliability emergency. CPP-E is a dynamic tariff with an extremely high price signal during the event period, which serves as an incentive to reduce load. In exchange for risking higher prices during CPP-E event periods, customers receive discounted commodity prices the rest of the year. The structure of the rate is similar to the existing CPP tariff, however the differentials between event and non-event rates are greater.

Dynamic tariffs such as CPP-E are also an important component of the demand response portfolio because, as noted by the Commission, they are likely to be the most cost effective. The Commission approved CPP-E in D.05-04-053 for 2005. SDG&E will continue offering CPP-E through 2008.

SDG&E believes that participation in CPP-E will be low in the near term. Although participants have the potential for greater bill savings than they might with CPP, the event day rate will also be viewed as a bigger risk. In particular we believe that most customers will find the Peak Day Credit a far more attractive option, due to its sliding scale incentive and lack of penalty. Although CPP-E participants receive a discount throughout the year (excluding CPP-E event days), they don't value the discount in relation to the penalty.

SDG&E believes that over time customers will become comfortable with CPP-E. The Technical Assistance program will help customers become more capable and confident to reduce load in a predictable manner, and subsequently minimize the perceived risk factor.

6.1 Program Modifications

Customers currently participating on the AL-TOU-CP rate will become eligible for Voluntary Emergency Critical Peak Pricing (CPP-E) prior to summer of 2007, due to the cancellation of AL-TOU-CP. AL-TOU-CP customers are experienced in immediate demand response and may potentially contribute significant MWs to this program.

7. Program Strategy

Participating customers will be notified that a CPP-E event will be activated in 30 minutes. Participants can determine the necessary actions to take to reduce their energy consumption, thereby gaining the ability to more closely monitor and control their overall energy costs. Participants also have the option of not taking any actions, but they will pay a very high price. As referenced in Section 6 above, we believe participation in CPP-E may be low in the short term.

Our continued strategy for increasing participation is the Technical Assistance (TA) and Technology Incentive (TI) programs which will improve both customer load reduction

capability and confidence to participate in programs such as CPP-E. We anticipate these programs will help lead customers into CPP-E in the years 2007 - 2008, increasing both the enrollment and the actual load reduction rates.

8. Program Objectives

The primary objective of CPP-E is to provide an option by which customers can contribute toward reducing peak energy consumption on the utility grid. Participation helps the state as well as the SDG&E community by reducing energy costs through the reduction of peak energy demands, as well as reducing the likelihood of rolling blackouts and rotating outages.

The projected program impacts are based on an analysis of the eligible population and take into consideration historical penetration rates and the effect of other programs competing for the same market. Projections about the impact of SDG&E’s Customer Education program and the Technical Assistance program are also included in the analysis.

9. Program Implementation

SDG&E will offer the CPP-E program to utility customers with a minimum demand of 300 kW. A CPP-E event will be activated primarily during a system reliability emergency as determined by SDG&E. This could include a Stage 1 or Stage 2 event from CAISO or when local grid operators feel firm load is threatened. Participating customers are also provided access to and training in the use of kWickview, SDG&E’s Internet-based energy management tool, at no cost.

On a 30-minute prior basis, participants will be notified that a CPP-E event has been activated. Up to 80 hours of CPP-E events will be called during the year. CPP-E events are limited to no more than 6 hours per day, 4 days per week and 40 hours per month.

During a CPP-E event, participants are billed at a higher rate as specified in the CPP-E rate schedule. If a participant reduces their load, they can manage the impact on their energy costs. If they do not reduce their load, their costs will increase, reflecting the higher prices during the CPP-E event.

9.1 Internal Activities

The following internal activities are planned for this segment:

Date	Activity
2007-2008	Run customer CPP-E analysis

9.2 Subcontractor Activities

No subcontractor activities are planned.

9.3 Marketing Activities

Large commercial industrial customers will be primarily marketed to through their assigned account representative. This segment is already very familiar with

the objectives of demand reduction and many of the available programs. The TA program is expected to increase participation by this segment.

The following marketing tactics are planned for this segment:

Date	Activity
2007-2008	Program manager will work closely and accompany A/Es to customer meetings
2007-2008	Program manager will provide rate analyses
2007-2008	Limited mailings to large unassigned customers
2007-2008	1 Recognition ad

Residential Smart Thermostat

1. Projected Program Budget

	2006	2007	2008
Operating & Maintenance (Administration)	\$303,568	\$369,846	\$0
Capital	\$0*	\$0	\$0
Measurement & Evaluation	\$127,592	\$127,592	\$0
Incentive Payments	\$292,500	\$300,000	\$0
Total Program Budget	\$723,660	\$797,438	\$0

Capital dollars will be moved within 2006 program year budget to Incentive Payments*

2. Projected Program Impacts

	2006	2007	2008
MW's	2	2	0

3. Program Descriptors

Market Sector: Residential
 Program Classification: Day-Of, Local
 Program Status: Existing, Modified

The Residential Smart Thermostat is a voluntary program intended to test an interactive approach to residential load control and demand response using smart thermostats and the Internet to affect air conditioning use via the internet.

4. Customer Description

The 2007 Smart Thermostat program will target residential customers residing in limited and moderate income areas of climate zone ten with energy usage greater than 250 kWh a month. Each Smart Thermostat participant must have at least one functioning packaged air conditioning system and a Smart Thermostat installed. This program will focus on customers already enrolled in the program and those customers who have moved into a home with an existing smart thermostat that can be reactivated to allow their participation.

5. Program Statement

Residential customers do not typically shed their air conditioning load during CAISO Stage II events and local transmission/distribution emergencies. One of the contributing factors is that residents cannot easily manage and shed air conditioning load. This program also allows the utility to increase program participant's thermostat settings to reduce overall air conditioning load on the grid during CAISO Stage II events and local

transmission/distribution emergencies. The Smart Thermostat program allows customers to manage their thermostat settings via an internet interface.

6. Program Rationale

The Smart Thermostats allow participants to remotely adjust their thermostat settings and allow the utility to raise the thermostat settings during CAISO Stage II event local transmission/distribution emergencies. During a CAISO Stage II event and local transmission/distribution emergencies, SDG&E will notify the customer through their thermostat display that a curtailment will be occurring and give a count down to the curtailment start. This allows the participants to prepare for the curtailment. When the curtailment has begun the thermostat will increase the temperature settings by four degrees for the duration of the curtailment. The participant has the option of overriding the thermostat setting during a curtailment event. The incentive amount is reduced each time the participant overrides the curtailment event. There is no time when the incentive reduction results in a balance owed for the customer.

6.1 Program Modifications

SDG&E will extend the Smart Thermostat program.

7. Program Strategy

The Residential Smart Thermostat program will continue to allow participants to remotely control their thermostat settings. SDG&E will be educating participants on strategies to reduce the need for air conditioning through low cost/no cost methods. Since there has been a low curtailment override rate, averaging 22%⁸, the incentive will remain the same for 2007. SDG&E will call up to 15 events in 2007.

8. Program Objectives

The primary objective of the 2007 program is to maintain participating residential customers and encourage load shedding when events are called. SDG&E will also work to further decrease the curtailment override rate in 2007, through informational mailers to increase customer awareness on ways to maintain a comfortable in home temperature during curtailment events.

9. Program Implementation

During a CAISO Stage II event or transmission/distribution emergency, a signal will be sent to the participants thermostat to alert the customer of the upcoming curtailment. During the curtailment the participants' thermostat setting will be increased by 4 degrees. Educational material will be updated and sent to participants to help them prepare for the curtailments. The total number of events and the customer incentives are determined at yearend. The incentive amount is reduced by the customers total number of overrides during the program year. Customer incentive payments are mailed during January of the following year.

⁸ Kema, Inc., *Final 2005 Smart Thermostat Program Impact Evaluation*, PE-4, April 24, 2006

9.1 Internal Activities

Marketing activities will focus on re-enrolling customers with the existing smart thermostat equipment to participate in the current program. The current customer database will be maintained.

9.2 Marketing Activities

Marketing and educational materials will be created and updated. The focus of the marketing materials is on increasing awareness on ways to maintain a comfortable in home temperature during events. Potential new participants will be sent program guidelines and marketing material to encourage them to enroll in the program.

Residential:

Date	Activity
2007	Maintain customer database and activities.
2007	Create and disperse program recruitment mailer.
2007	Create and disperse informational program curtailment mailer.
2007	Create and disperse program mailer on additional saving techniques during curtailments.
2008	Disperse customer incentive payments.

Summer Saver

1. Projected Program Budget

The Comverge (Summer Saver) is funded through Decision 04-06-011. The budget for the program is “Confidential by Contract.”

2. Projected Program Impacts

	2006	2007	2008
MWs	19.5	37.5	42.2

3. Program Descriptors

Market Sector: Residential, Non- Residential
Program Classification: Day-Of, Local, Statewide
Program Status: Existing, Modified

The Summer Saver Program is a demand response program whereby participants earn an annual bill credit by enabling SDG&E in conjunction with third-party contractor Comverge to cycle off end use equipment such as: central A/C units, pool pump, and/or electric water heaters.

4. Customer Description

Residential and nonresidential customers with a maximum demand of 100 kW. Customers must possess at least one of the following end use devices: central air conditioning unit, irrigation/pool pump, or electric water heater.

5. Program Statement

In order to address short-term and long-term grid reliability needs and decrease the demand for electricity during critical peak periods, SDG&E has contracted with Comverge for the Summer Saver program. The Program is designed to reduce load by installing Direct Load Control Units (DLCU) on the customers’ central air conditioning unit, irrigation/pool pump, or electric water heater. The DLCU cycles these end use devices off and on during critical peak periods.

6. Program Rationale

Cycling of various appliances and equipment allows SDG&E to reduce load as necessary during critical peak times every voluntary amount of load reduction assists in grid reliability. The Summer Saver program offers cycling options for residential and commercial air conditioners, pool pumps and electric water heaters. With the addition of the weekend option, this program will provide additional resources during critical periods.

6.1 Program Modifications

Additional cycling options will be added. For residential customers, the customer can choose between a 50% or 100% cycling strategy. For nonresidential customers, the customer can choose between a 30% or 50% cycling strategy. The program will also include residential pool pump and electric water heater cycling. Customers will also have the option of signing up for weekend cycling.

Other end-uses will be explored throughout the program cycle.

7. Program Strategy

The Program will allow customers to choose a A/C cycling strategy during the program enrollment phase. Nonresidential customers can choose one of the following cycling strategies: 50% or 30%. The residential customers sector can choose either a 50% or 100% cycling strategy. Pool/irrigation pump and electric hot water heater end use devices will be implemented utilizing 100% cycling strategy beginning in 2007. The combined load reduction amount from non-residential and residential program participants will assist SDG&E during critical peak periods. Participating customers will receive an annual bill credit in the month of December.

8. Program Objectives

The objective of the SACS Program is to achieve electric demand reduction through the cycling of customer air conditioning, irrigation, and electric water heater systems.

9. Program Implementation

SDG&E offers the Program to residential and non-residential customers with a maximum demand of 100 kW. The DLCU device will be installed on program participants chosen end use device. Customers are not eligible to participate in the Smart Thermostat program.

A program event will be activated during system reliability emergency Stage 2 events, or a local distribution or transmission emergency as determined by SDG&E. The Program will be in operation seven days a week, excluding holidays.

9.1 Internal Activities

Date	Activity
2007	Launch pool pump and electric water heater program phase ⁹
2007	Analyze 2006 measurement and evaluation results

⁹ The pool pump component of the Summer Saver program will be coordinated with the Residential Energy Efficiency rebate program for pool pumps to avoid program overlaps.

Date	Activity
2007	Offer various cycling strategy to residential and non-residential program participants

9.2 Subcontractor activities

Date	Activity
2007	Launch pool pump and electric water heater program phase

9.3 Marketing Activities

Small Commercial: The offering of various cycling strategies is expected to increase participation from this segment. This will allow customers to choose its preferred cycling strategy.

Date	Activity
2007	Market pool pump and electric water heater program phase
2007	Team up with local HVAC companies to promote SACS program
2007	Feet on the Street campaign in which Small business owners receive a visit in person from a SACS marketing representative to promote program
2007	Enable customers to enroll via website
2007	The pool pump program component will be marketed through direct mail and working with pool maintenance contractors and pool supply companies
2007	The electric water heater component will be marketed using direct mail to electric-only customers in the SDG&E service territory

Residential: The residential customers have responded greatly to SDG&E and Comverge marketing efforts.

Date	Activity
2007	Market pool pump and electric water heater program phase
2007	Team up with local HVAC companies to promote SACS program
2007	Enable customers to enroll via website

Clean Generator

1. Projected Program Budget

The Clean Generation Program (Clean Gen) is funded through CPUC Resolution E-3926, Dated April 21, 2005. The budget for the program is “Confidential by Contract.”

2. Projected Program Impacts

	2007	2008
MWs	25	25

3. Program Descriptors

Market Sector: Non-Residential
Program Classification: Day-Of, Local
Program Status: Existing

Clean Gen is a third-party program that secures the use of customer generators allowing SDG&E to drop load on short notice. After securing the use of the customer’s generator the third party assists in upgrading the generators to run cleaner and more efficiently. Using cleaner burning back up generators improves the reliability of the grid without disruption to the customers’ operations. It is a ten (10) year program with annual dispatchable resource of 25 MWs.

4. Customer Description

Customer participation in Clean Gen comes predominately from these market segments: local government, water districts, telecommunications, and manufacturing which generally have large standby generators. Customers with generators 250 kW or greater are targeted for participation.

5. Program Statement

Participating in a demand response program can present numerous challenges for a business customer, requiring an investment in time and resources. Implementing a load shedding strategy may involve installing new load reduction or energy monitoring technologies, creating new or modified tasks for employees during an event, or modifying specific business operations. In addition, the variety of demand reduction and energy efficiency program options can be confusing to the customer. For the business customer, the decision to reduce power will generally be motivated by more than direct financial considerations but only if their options are clearly understood, and the risks are within an acceptable range. An opportunity, such as the one offered by the Clean Gen program, can be an effective tool to encourage participation.

The Clean Gen program utilizes a dispatchable network of a variety of demand reduction resources, including load-shedding or load transfer arrangements and customer-owned generation. Existing customer-owned diesel backup generators are upgraded to prime status through the installation of emission reduction equipment. Software and communications equipment is installed that allows SDG&E to dispatch all or some of these resources within 10 minutes.

The vendor will also maintain the upgraded units, so when the customers do utilize them, they are running cleaner and more efficiently than in their original state. The end result is when customers are asked to reduce their use of power, they do so, reducing demand on the grid, yet they continue to operate their business using less polluting equipment.

6. Program Rationale

The Clean Gen program provides customers with generators cost savings and equipment upgrades for allowing SDG&E access to their underutilized standby generators for 80-100 hours per year. The vendor under contract with SDG&E partners with customers and provides the technology and know-how to allow these resources to be used as reserves for SDG&E.

6.1 Program Modifications

SDG&E is not proposing any changes or requesting additional funding for this program.

7. Program Strategy

As Clean Gen is a third-party program, the vendor recruits customers, secures all necessary permits, upgrades generators to the appropriate emission standards, tests and maintains the equipment.

SDG&E supports the vendor in their effort to recruit customers and to facilitate the regulatory and technical aspects of interconnecting these resources to the system grid.

8. Program Objectives

Our primary objective of Clean Gen is to provide a program that can be implemented by SDG&E on short notice to add grid resources in the event of CAISO declared or local emergencies.

9. Program Implementation

The vendor shall be responsible for designing, engineering and installing any equipment needed to interconnect each customer facility to operate in parallel with the SDG&E distribution system according to SDG&E's standard distribution interconnection requirements and those set forth in SDG&E's Electric Rule 21, including the Master Interconnection Agreement.

The vendor must aggregate no less than five (5) MW of Capacity from customer facilities in order to declare initial Commercial Operation. Each facility shall achieve Commercial Operation and shall be fully capable of reliably producing the energy to be provided or reducing the energy required at the location supplied by SDG&E, and reliably delivering such energy to SDG&E at the applicable location on the electric grid or reducing the energy required at the location supplied by SDG&E, no later than the Outside Commercial Operation Date of December 31,2006.

SDG&E's Electric Procurement Department will activate the Clean Gen program at a Stage 1 in anticipation of Stage 2 being called later in the day. The activation will

remotely cause the generators to turn on within 10 minutes. The hours of activation are 7 am to 10 pm, Monday through Saturday but no more than 8 hours daily. SDG&E will remotely terminate the event as appropriate.

9.1 Internal Activities

None

9.2 Subcontractor Activities

Beginning on the Commercial Operation Date of each customer facility and thereafter throughout the term of the contract, the vendor shall supply from the facility and sell to SDG&E, and SDG&E shall receive and purchase, the Contracted Capacity and Contracted Energy.

To measure the amount of energy being generated or load drop SDG&E shall install and maintain Metering Devices in accordance with its Electric Rules on file with the CPUC. The vendor shall provide and install all equipment needed to provide SDG&E with a meter base to SDG&E's standards ready for a meter set.

With respect to their obligation to each customer facility the vendor shall include, but are not limited to, taking reasonable steps to ensure that:

- (1) equipment, materials, resources, and supplies, including fuel and spare parts inventories, are available by the vendor to meet the Facility's needs;
- (2) Vendor has sufficient operating personnel available at all times and are adequately experienced and trained and licensed as necessary to operate the Facility properly, efficiently, and in coordination with SDG&E and are capable of responding to reasonably foreseeable conditions whether caused by events on or off the site of the Facility;
- (3) preventive, routine, and non-routine maintenance and repairs are performed on a basis that ensures reliable long term and safe operation, and are performed by knowledgeable, trained, and experienced personnel utilizing proper equipment and tools;
- (4) appropriate monitoring and testing are performed to ensure equipment is functioning as designed;
- (5) equipment is not operated in a reckless manner, in violation of manufacturer's guidelines or in a manner unsafe to workers, the general public, or the SDG&E Grid or contrary to environmental laws or regulations or without regard to defined limitations such as steam pressure, temperature, and moisture content, chemical content of make up water, flood conditions, safety inspection requirements, operating voltage, Subcontractor activities

9.3 Marketing Activities

SDG&E supports this program by working with representatives of the vendor to ensure customers understand the primary elements and goal of the program. SDG&E program personnel and Account Executives accompany the vendor representatives on on-site customer calls.

SDG&E sponsors joint workshops with vendors that promote its generator programs.

Peak Generation

1. Projected Program Budget

The Peak Generation Program (PGP) formerly the “Rolling Blackout Reduction Program is funded through SDG&E’s General Rate Case.

2. Projected Program Impacts

	2007	2008
MWs	60	60

3. Program Descriptors

Market Sector: Non-Residential
Program Classification: Day-Of, Local
Program Status: Existing

SDG&E’s Peak Generation Program (PGP) formerly the Rolling Blackout Reduction Program allows SDG&E to utilize customer-owned emergency backup generators during emergency events as declared by the CAISO. Customers can qualify for the program if they have the capability to provide a minimum of 50kW or 15% of their maximum peak, whichever is greater. For their participation customers are paid an energy payment of \$0.35/kWh for their load reduction. For obvious environmental reasons, dispatch of PGP is tightly regulated by both the San Diego Air Pollution Control District (SDAPCD) and the California Air Resources Board.

4. Customer Description

Current customer participation in PGP comes predominately from these market segments: local government, water districts, telecommunications, and large manufacturing which generally have large standby generators. There is additional potential demand reduction to be secured from these segments as well as potential demand reductions from the hospitality, recreation, and biotech segments.

5. Program Statement

PGP is a voluntary program that provides bill credits to businesses that can generate power on short notice during potential electricity shortage. It employs an underutilized asset offsetting fuel and operating expenses. By utilizing on-site generation the incidence and severity of rolling blackouts are mitigated.

Participating in a demand response program can present numerous challenges for a business customer, requiring an investment in time and resources. Implementing a load shedding strategy may involve installing new load reduction or energy monitoring technologies, creating new or modified tasks for employees during an event, or modifying specific business operations. In addition, the variety of demand reduction and energy efficiency program options can be confusing to the customer. For the business customer, the decision to reduce power will generally be motivated by direct financial considerations or other indirect tradeoffs, and only if their options are clearly understood,

and the risks are within an acceptable range. A financial incentive, such as the one offered by this program, can be an effective tool to encourage participation.

6. Program Rationale

Customers who can commit to reducing load during a reliability emergency are a valuable resource to SDG&E. The PGP provides utility customers with a method to reduce the severity of rotating outages by using their Backup Emergency Generator when a Firm Load Curtailment Event or Transmission Emergency is called. When a customer commits to service under the PGP, the customer is expected to reduce their demand by using their Backup Emergency Generator. The PGP does not provide participants with an exemption from rotating outages.

6.1 Program Modifications

SDG&E is not proposing any changes or requesting additional funding for this program

7. Program Strategy

PGP allows customers to commit a set load reduction amount to SDG&E as a dispatchable resource during periods of electricity shortages. Participants are notified to reduce their load within 15 minutes.

The 2004 CARB “Airborne Toxic Control Measure (ATCM) for Stationary Compression Ignition Engines” emission requirements have severely limited potential enrollment in PGP. All new and existing diesel engines must meet the .15 g/bhp particulate matter emission standard to be eligible to enroll in PGP. The San Diego Air Pollution Control District through their permit process has identified about 320 customers with generators meeting this requirement and are potential new candidates for enrollment.

Our marketing efforts will be targeted to this group.

8. Program Objectives

Our primary objective is to provide a program that can be implemented in the case of critical electric supply shortages just prior to a CAISO Stage 3 emergency or in the case of a local transmission emergency. The program will help mitigate the incidence and severity of rolling blackouts.

An objective of PGP is to provide an option by which customers can contribute toward reducing peak energy consumption on the utility grid. Participation helps the state as well as the SDG&E community by reducing energy costs through the reduction of peak energy demands, as well as reducing the likelihood of rolling blackouts and rotating outages.

9. Program Implementation

Our marketing efforts will continue to be focused through the use of a list of three hundred & twenty (320) SDAPCD permitted generators that meet the ATCM emission standards. This list will be separated by market segment to address those most able to

participate due to the nature of their operations. Since the majority of the generators are in SDG&E assigned customer base, we will continue to work with the SDG&E account managers in our marketing efforts. The remaining unassigned will be approached through other marketing channels.

9.1 Internal Activities

No new activities for the Peak Generation Program.

9.2 Subcontractor Activities

None

9.3 Marketing Activities

Large customers will be marketed to primarily through their assigned account representatives. This segment is already familiar with the program. The following specific marketing activities are planned.

The following specific marketing activities are planned.

Date	Activity
2007	Conduct 1 Offsite Customer Generator Workshop
2007	Contact Unassigned Customers through direct mail and phone campaigns
2007	Design customer retention strategy
2007	Program manager will work closely with assigned account executives and accompany them to customer meetings
2007	1 Customer Recognition Ad
2007	3 Summer Month Notification Tests

Optional Binding Mandatory Curtailment (OBMC)

1. Projected Program Budget

The Optional Binding Mandatory Curtailment Program is funded through SDG&E's General Rate Case.

2. Projected Program Impacts

	2007	2008
MWs	0	0

3. Program Descriptors

Market Sector: Non-Residential
Program Classification: Day-Of, Statewide
Program Status: Existing

The Optional Binding Mandatory Curtailment Program (OBMC) provides exemption from rotating outages for certain eligible customers who can reduce electric load on their entire electric circuit by as much as 15%.

4. Customer Description

This program is available in combination with a customer's otherwise applicable tariff(s), on a voluntary basis, to non-residential customers who are able to reduce electric load such that the entire load on the SDG&E circuit, that provides service to the customer, is reduced by 15% or to or below the required Maximum Load Levels (MLLs) for the entire duration of each and every OBMC event.

If the circuit is shared with other SDG&E customers, customers applying for OBMC must coordinate with other customers on the circuit to ensure that load reductions meet program requirements.

Applicable customers are large manufacturers, warehouses, government facilities, water agencies, and universities.

5. Program Statement

The OBMC program exempts businesses from rolling blackouts/rotating outages. Participation ensures businesses on the circuit will not face power outages. The program eliminates the hassle of work rescheduling/restocking, overtime charges, and loss of perishables.

Participating in a demand response program can present numerous challenges for a business customer, requiring an investment in time and resources. Implementing a load shedding strategy may involve installing new load reduction or energy monitoring technologies, creating new or modified tasks for employees during an event, or modifying specific business operations. In addition, the variety of demand reduction and

energy efficiency program options can be confusing to the customer. For the business customer, the decision to reduce power will generally be motivated by direct financial considerations or other indirect tradeoffs, and only if their options are clearly understood, and the risks are within an acceptable range. An incentive, such as the one offered by this program, can be an effective tool to encourage participation.

6. Program Rationale

The OBMC allows participation by individual customers or through aggregation of customers on shared circuits. In particular, businesses with production lines sensitive to power disruptions, those dealing in perishable commodities, or those with labor-intensive processes that face overtime costs will be interested in this program.

6.1 Program Modifications

SDG&E is not proposing any changes or requesting additional funding for this program.

7. Program Strategy

The large \$6 kilowatt hour penalty has discouraged customer participation in the program. The penalty has proved to be such a deterrent that customers have shown no interest in the program. As such SDG&E has instituted an “information only” strategy for this program. However, the Technical Assistance (TA) and Technology Incentive (TI) programs will improve both customer load reduction capability and confidence to participate in programs such as OBMC.

8. Program Objectives

SDG&E will continue to offer information on OBMC through inclusion on its web site and printed materials. Information will be maintained in the event customers seek more program details with the intent to enroll.

9. Program Implementation

SDG&E shall require a customer to reduce load by the required amount upon each and every notice from the California Independent System Operator (CAISO) that a firm load curtailment is required within the SDG&E service territory, and maintain the load reduction for the full duration of each outage.

SDG&E may call an event and notify the customers to reduce load on the circuits to the Maximum Load Level (MLL) as required by the California Independent System Operator (CAISO). Customer may reduce circuit load to the specified MLL within 15 minutes of notification. Customer shall maintain the circuit reduction until notified by SDG&E that the event has been terminated. SDG&E will monitor the circuit reduction to ensure the customers are meeting or exceeding the required MLL.

10. Internal Activities

Large customers will be marketed to primarily through their assigned account representatives. This segment is already familiar with the program. The TA and TI

programs are expected to improve market participation in OBMC. The following specific marketing activities are planned.

Date	Activity
2007	TA/TI programs will proactively shows customers how to reduce load and participate in programs
Each year	Conduct 4 Offsite Customer Trainings
Each year	Conduct 2 Onsite Customer and Internal Trainings
Each year	Have 2 targeted mailings to unassigned large customers - approximately 1,000.
Each year	1 Customer Recognition Newspaper Ad

Scheduled Load Reduction Program (SLRP)

1. Projected Program Budget

	2006	2007	2008
Operating & Maintenance (Administration)	\$0	\$0	\$0
Capital	\$0	\$0	\$0
Measurement & Evaluation	\$0	\$0	\$0
Incentive Payments	\$0	\$0	\$0
Total Program Budget	\$0	\$0	\$0

2. Projected Program Impacts

There are no goals tied to this program.

	2006	2007	2008
MWs	0	0	0

3. Program Descriptors

Market Sector: Non-Residential
 Program Classification: Statewide
 Program Status: Existing

The Scheduled Load Reduction Program (SLRP) offers bill credits to business that commit to reducing their power by a set amount on pre-determined days from June 1 through September 30 regardless of whether there is an electricity shortage.

4. Customer Description

Non-residential customers must be served under a time-of-use (TOU) rate and have a monthly maximum demand of 100 kW or greater and be able to reduce a minimum fifteen percent (15%) of the Customer Specific Baseline Usage, with a minimum load reduction of 100kW, have an interval data recorder (IDR), and have telecommunication capabilities are eligible to participate in SLRP.

5. Program Statement

Participation in a demand response program can present numerous challenges for a business customer, requiring an investment in time and resources. Implementing a load shedding strategy may involve installing new load reduction or energy monitoring technologies, creating new or modified tasks for employees during an event, or modifying specific business operations. In addition, the variety of demand reduction and energy efficiency program options can be confusing to the customer. For the business customer, the decision to reduce power will generally be motivated by direct financial considerations or other indirect tradeoffs, and only if their options are clearly understood, and the risks are within an acceptable range.

6. Program Rationale

This program provides the participant with financial load reduction incentives that help reduce customer's bills and offset other costs, provides customers with a participation window limited to four-hour blocks in the summer period, and allows customers to pre-schedule load reductions that allows the customer to plan necessary adjustments to their business operations.

6.1 Program Modifications

SDG&E is not proposing any changes or requesting additional funding for this program.

7. Program Strategy

SLRP allows business customers to reduce load during the periods they choose (up to three periods can be selected, Monday through Friday) between June 1 and September 30. The program enrollment is for one year (January through December and will be reviewed each November for the following year.

There is no financial penalty for not reducing load; however participants can be removed from the program for five failures to curtail during the event season. In addition, monthly incentives will be lost if load shifting to the on-peak period occurs.

8. Program Objectives

The primary objective of SLRP is to provide an option by which customers can contribute toward reducing peak energy consumption on the utility grid, while at the same time managing and controlling their individual energy consumption and costs.

9. Program Implementation

SDG&E offers the SLRP program to customers who can reduce a minimum fifteen percent (15%) of the Customer Specific Baseline Usage, with a minimum load reduction of 100kW, have an interval data recorder (IDR), and have telecommunication capabilities are eligible to participate in SLRP. Incentives are based on comparing load and usage for the same hours during the ten previous days. Compliance is measured on an hourly basis, and incentives will only be paid if the full curtailment commitment for the event is met.

9.1 Internal Activities

No new activities for SLRP.

9.2 Marketing Activities

Large customers will be marketed to primarily through their assigned account representatives. This segment is already familiar with the program. SDG&E limits its marketing of SLRP as it does not respond to resource needs.

Technical Assistance (TA)

1. Projected Program Budget

	2006	2007	2008
Operating & Maintenance (Administration)	1,567,017	1,178,758	1,195,168
Capital			
Measurement & Evaluation	37,889	38,221	38,549
Incentive Payments	750,000	750,000	750,000
Total Program Budget	2,354,906	1,966,979	1,983,717

2. Projected Program Impacts

	2006	2007	2008
MWs	50	90	120

TI goals have been added to TA goals – Savings are claimed towards the TA goal when audit results have been verified.

3. Program Descriptors

Market Sector: Non-Residential
 Program Classification: Cross-Cutting, Statewide
 Program Status: Existing, Modified

The Technical Assistance Program (TA) is an energy audit service designed to help customers identify methods for reducing energy costs and encouraging greater participation in demand response and energy efficiency programs. An incentive is available to offset the cost of an in-depth assessment.

4. Customer Description

Customers who have a minimum demand of 20 kW are eligible to receive TA. Customers may either be utility bundled or direct access. The program is designed to help customers understand the opportunities available to them for managing their energy consumption and energy costs. The specific target markets for TA include:

- Customers with lighting, motor, pumping, process or other load that can be temporarily turned off, re-scheduled, or suspended.
- Commercial, institutional, governmental or other buildings with energy management systems (EMS) connected to air conditioning systems, or other load that can be modulated or cycled.
- Customers who have previously participated in SDG&E's energy efficiency or demand response programs.

5. Program Statement

Studies have shown that non-residential customers are uncertain about their ability to participate in energy efficiency or demand response programs. Participating can require an investment in time and resources. Implementing a load shedding strategy may involve installing new load reduction or energy monitoring technologies or modifying specific business operations. In addition, the variety of demand response and energy efficiency program options can be confusing to the customer. Most customers do not have the time or expertise to assess their energy management capabilities, or to prepare an energy action plan complete with costs and potential benefits. Few business customers will seriously consider participating in a program without this assessment.

6. **Program Rationale**

SDG&E plans to continue the TA program through 2008. We believe this type of program is necessary to reach the load reduction potential envisioned in the Commission's demand response annual targets. There are substantial market barriers to overcome before we can achieve more widespread participation in demand response programs. These include the customer perception that load reduction is not possible in their business and the fact that certain required enabling technologies are not present in many facilities. We believe that the Technical Assistance program, in conjunction with the Technical Incentive program, is an essential component of the demand response portfolio.

Support for our position comes from various research studies that have reported that the majority of customers don't believe they can reduce load. They perceive that energy management opportunities have been exhausted or that load reduction is painful¹⁰, incompatible with business operations or simply not possible.¹¹ Lawrence Berkeley National Laboratory has observed that demand reduction programs require a greater degree of education, customer handholding and energy audits.¹² Other reports have concluded that there is a lack of necessary technology at customer locations.¹³

TA has been designed to address these issues. Depending on the customers operations and potential for peak load reduction they will receive a less-complex audit or an in-depth assessment. The audit will give the customer a general understanding of the types of opportunities available to them. The in-depth assessment will provide customers with a

¹⁰ California Energy Commission, *An Action Plan to Develop More Demand Response in California's Electricity Markets*, P400-02-016F. July 2002

¹¹ Quantum Consulting Inc., *Working Group 2 Demand Response Program Evaluation - Summary of Phase 1 Research*, April 8, 2004.

¹² Charles Goldman, *Price Responsive Load Program - Framing Paper #1*, Prepared for the New England Demand Response Initiative, p. 15, March 2002.

¹³ U.S. Government Accountability Office, *Electricity Markets: Consumers Could Benefit from Demand Programs, but Challenges Remain*, GAO-04-844. 2004

specific set of recommendations on energy management opportunities in their business. They will also receive an investment analysis that will describe the programs, incentives and energy cost savings that are available to them. Then in conjunction with the Technical Incentives program customers will be eligible for incentives to install demand response enabling technologies.

6.1 Program Modifications

SDG&E will develop an integrated demand side management (IDSM) audit that supports both energy efficiency and demand response. Audits have proven to be an important tool for educating customers about energy management opportunities in their facility, and encouraging their participation in programs. The purpose for an IDSM audit will be to provide a single coordinated audit service for the customer, and eliminate what may appear to be confusing or competing energy options between the two types of programs.

The IDSM audit would operate under the umbrella of the Technical Assistance Program and have the following characteristics:

- Subcontractors could be utilized to provide the audit service;
- The results will be reviewed by both demand reduction and energy efficiency staff;
- The results will provide the customer with a clear action plan;
- A follow-up meeting with the customer will encourage them to implement the plan and participate in available programs.

There are obvious challenges with this effort due to the significant differences in the scale and scope of energy efficiency versus demand response opportunities at any given customer facility. Energy efficiency will provide funding into the project, scaling its investment as necessary to meet program design and energy efficiency goal considerations. Potential energy efficiency programs involved in this effort could include the Express Efficiency, Standard Performance Contract, Customer Energy Savings Bid and Small Business Super Saver programs.

7. Program Strategy

The TA program will provide customers with the strategies necessary to manage their energy usage and costs. Customers will receive a less-complex audit or an in-depth assessment of their facility. SDG&E staff or a subcontractor hired by SDG&E will provide the general audit. The in-depth assessment will be provided by SDG&E, a CEC-certified consultant, or the customer may select an engineering consultant of their own choosing. An incentive is available to defer the cost of the in-depth assessment.

8. Program Objectives

TA is seeking to substantially increase the number of enrolled participants in energy efficiency and demand response programs. By fostering greater participation in energy programs, TA will help the state and the SDG&E community by reducing energy costs

through the reduction of peak energy demands, as well as reducing the likelihood of rolling blackouts and rotating outages.

The program is currently designed to conduct enough audits to achieve the MW impacts shown in Section 2 at a minimum. Program experience gained in 2006 will be essential to understanding the level of activities necessary to achieve this goal.

9. Program Implementation

Customer leads for the TA program will come from referrals from SDG&E Account Executives, current demand response program participants not meeting their anticipated load reduction levels and customers who respond to marketing efforts or request the service through SDG&E's website. The program will also leverage relationships that SDG&E has with other companies including the San Diego Regional Energy Office, local engineering consultants, lighting or HVAC contractors, energy management controls manufacturers, EMS service contractors and equipment vendors. Customers who have previously participated in energy efficiency or demand response programs will also be targeted.

All leads will be channeled through the TA Program Manager. In instances where a preliminary audit is warranted, the auditor will be looking for both no-cost energy management opportunities, including manual or behavioral tactics, as well as opportunities requiring investment. The results will be discussed with the customer and appropriate next steps will be recommended.

The results from the technical assessment will include specific recommendations. The assessment will identify ways the customer can reduce capacity to participate in demand response programs. The customer will also be informed about applicable Energy Efficiency programs and advised of any potential rebates or incentives that may be available. The peak kW reduction that is identified from the audit will be submitted for review and approval by SDG&E.

9.1 Internal Activities

N/A

9.2 Subcontractor Activities

SDG&E is using additional resources to manage the audit backlog that is the result of successful advertising. The TA program will utilize the services of several sub-contractors:

- San Diego Regional Energy Office (SDREO) - program content, seminars, and auditing
- Quality Control - CEC certified engineer
- Auditors - CEC certified auditors.

9.3 Marketing Activities

Large Commercial Industrial: These customers will be primarily marketed to through their assigned account representative. This segment is already very familiar with the objectives of demand reduction and many of the available programs. The following marketing tactics are planned for this segment:

Date	Activity
2007 - 2008	Develop Facts sheet and Brochures
2007 - 2008	Targeted direct mailings
2007 - 2008	Customer workshops

Small / Medium Commercial Industrial: These customers will be marketed to as a component of the Customer Outreach Program. The Outreach Program will use a variety of tactics to reach this segment including presentation, workshops, seminars, advertising and direct mail. Customers will be informed of load reduction strategies and available programs such as TI. In addition, customers already enrolled in a program but not achieving the load reduction levels identified, will be targeted for the installation of technologies. Customers may request additional information via the company website or the toll-free DRP hotline.

Participation from this segment is expected to increase as customers are made aware of the Advanced Metering Infrastructure (AMI) project. AMI education will heighten awareness of energy management opportunities.

Technology Incentives (TI)

1. Projected Program Budget

	2006	2007	2008
Operating & Maintenance (Administration)	451,402	457,882	464,270
Capital	0	0	0
Measurement & Evaluation	44,269	44,766	45,259
Incentive Payments	1,427,523	7,211,342	4,428,688
Total Program Budget	1,923,194	7,961,342	4,938,217

2. Projected Program Impacts

The savings goals that were previously shown under the TI Program have been moved into Technical Assistance Program.

	2006	2007	2008
MWs	0	0	0

3. Program Descriptors

Market Sector: Non-residential
 Program Classification: Cross-Cutting, Statewide
 Program Status: Existing, Modified

The Technology Incentive Program (TI) is a financial incentive program intended to encourage customer adoption and installation of demand response measures by offsetting the cost of purchase and installation of demand response measures.

4. Customer Description

Any non-residential customer is eligible to receive TI. Customers may either be utility bundled or direct access. The specific target markets for TI include:

- Customers with lighting, motor, pumping, process or other load that can be temporarily turned off, re-scheduled, or suspended.
- Commercial, institutional, governmental or other buildings with energy management systems (EMS) connected to air conditioning systems, or other load that can be modulated or cycled.
- Customers who have previously participated in SDG&E's energy efficiency or demand response programs.
- Customers who install peak load management technologies including but not limited to: thermal energy storage, pump storage and gas cooling.
- Customers with energy efficient Savings By Design owner-occupied commercial new construction projects who want to participate in demand response. It is SDG&E's vision that all new construction building projects will include in the planning phase

not only energy efficiency measures but also demand response capabilities designed into the building. SDG&E is undertaking the integration of TA/TI into Savings By Design. This integration is intended to educate the architectural and design community on how to incorporate demand response capabilities into new building design. As with energy efficiency, incorporating demand response strategies into new buildings as they are being constructed is more cost effective.

5. Program Statement

Participating in a demand response program can present numerous challenges for a business customer, requiring an investment in time and resources. Implementing a load shedding strategy may involve installing new load reduction or energy monitoring technologies, creating new or modified tasks for employees during an event, or modifying specific business operations. For the business customer, the decision to reduce power will generally be motivated by financial considerations. A financial incentive, such as the one offered by this program, can be an effective tool to encourage participation.

6. Program Rationale

SDG&E plans to continue the TI program through 2008. We believe this kind of program is necessary to reach the load reduction potential envisioned in the Commission's demand response annual targets. There are currently substantial market barriers to overcome before we can achieve more widespread participation in demand response programs. These include the customer perception that load reduction is not possible in their business and the fact that certain required enabling technologies are not present in many facilities. We believe that the Technical Incentive program, in conjunction with the Technical Assistance program, is an essential component of the demand response portfolio.

Support for our position comes from various research studies that have reported that the majority of customers don't believe they can reduce load. They perceive that energy management opportunities have been exhausted or that load reduction is painful¹⁴, incompatible with business operations or simply not possible.¹⁵ Lawrence Berkeley National Laboratory has observed that demand reduction programs require a greater degree of education, customer handholding and energy audits. Other reports have concluded that there is a lack of necessary technology at customer locations.¹⁶

TI has been designed to work in conjunction with the Technical Assistance (TA) program to address these issues. The TA in-depth assessment will provide customers with a

¹⁴ California Energy Commission, *An Action Plan to Develop More Demand Response in California's Electricity Markets*, P400-02-016F. July 2002

¹⁵ Quantum Consulting Inc., *Working Group 2 Demand Response Program Evaluation - Summary of Phase 1 Research*, April 8, 2004.

¹⁶ U.S. Government Accountability Office, *Electricity Markets: Consumers Could Benefit from Demand Programs, but Challenges Remain*, GAO-04-844. 2004

specific set of recommendations and an investment plan that will show them the incentives and energy cost savings that are available to them. TI will provide incentives to the customer who installs demand reduction measures.

The TI program will also work in conjunction with existing energy efficiency programs to provide the customer with a coordinated package of incentives. These programs include Express Efficiency, Standard Performance Contract, Customer Energy Savings Bid and Small Business Super Saver.

6.1 Program Modifications:

While there are certain inexpensive measures that can provide limited demand response capability, the true potential for demand response will only be achieved through automated response technologies. This involves the installation of control points, metering, and servers to provide energy decision making logic in customer facilities. In the Quantum study, up to 35% of large and medium customers reported some type of automated controls.¹⁷ We believe this self-reported number overstates the capabilities of the respondents, however, even if we accept this number, most of these systems would require enhancements to provide the capabilities necessary to respond to price and reliability triggers.

SDG&E recommends maintaining the current 2006 incentive level through 2007. Maintaining the current incentive level will help to achieve higher participation levels in demand response programs. SDG&E is working closely with trade allies who are energy management system service provider to conduct in-depth assessments and market the program to their customers.

7. Program Strategy

The TI program will be marketed through many of the existing programs, as a component of the Customer Education and Outreach program, and through marketing activities for the Technical Assistance Program. Any customer who installs technologies that enable demand reduction is eligible to apply for an incentive. After completing a TI application and reserving incentives, the customer will receive 25% of the incentive based on the load reduction (kW) identified and approved. An additional 25% incentive payment will be paid after the customer participates in a load reduction test. The final 50% incentive payment will be paid upon enrollment in a Demand Response Program with a minimum 12 month commitment.

8. Program Objectives

The primary objective of TI is to substantially increase the number of enrolled participants in all demand response programs by encouraging the installation of enabling technology. TI will contribute to greater participation in energy programs, help reduce

¹⁷ Quantum Consulting Inc., *Working Group 2 Demand Response Program Evaluation - Non-Participant Market Survey Report*, April 5, 2004.

capacity costs through the reduction of peak energy demands, and help reduce the likelihood of rolling blackouts and rotating outages.

9. Program Implementation

Applicants for the TI program are expected to come primarily from the Technical Assistance (TA) Program. In addition, customers who are currently participating in demand response programs but not achieving their anticipated load reduction levels will also be targeted for participation in TI. Customers are not required to participate in TA prior to participating in TI. The program will also take advantage of the partnerships that SDG&E has with other entities including the San Diego Regional Energy Office, local engineering consultants and equipment vendors. Information about the program is also available on the SDG&E website. Customers can obtain more information about program through the DRP toll-free phone number.

All applications for technology incentives must be submitted with an invoice and supporting documents to the Technology Incentive Program Manager. When approved, the customer will be eligible to receive the lesser of \$250/kW of identified and approved load reduction capability or the invoice amount. Customers will receive 25% of the incentive upon installation of the technology. A load reduction test event will occur to determine the actual amount of load reduction. Based on the results of this test, an additional 25% of the incentive will be paid to the customers, or some portion thereof depending on the test results. The customer receives the remaining 50% of the technology incentive upon enrollment in a demand response program.

9.1 Internal Activities

N/A

9.2 Subcontractor Activities

No sub-contractor activities are required.

9.3 Marketing Activities

Large Commercial Industrial: These customers will be primarily marketed to through their assigned account representative. This segment is already very familiar with the objectives of demand reduction and many of the available programs. The following marketing tactics are planned for this segment:

Date	Activity
2007 - 2008	Develop brochures and mailers
2007 - 2008	3 targeted direct mailings per year
2007 - 2008	3 customer workshops per year

Small / Medium Commercial Industrial: These customers will be marketed to as a component of the Customer Outreach Program. The Outreach Program will

use a variety of tactics to reach this segment including presentation, advertising and direct mail. Customers will be informed of load reduction strategies and available programs such as TI. In addition, customers already enrolled in a program but not achieving the load reduction levels identified, will be targeted for the installation of technologies. Customers may request additional information via the company website or the toll-free DRP hotline.

Participation from this segment is expected to increase as customers are made aware of the Advanced Metering Infrastructure (AMI) project. AMI education will heighten awareness of energy management opportunities.

Peak Load Management (PLM)

1. Projected Program Budget

The Peak Load Management (PLM) program will be funded from the existing Technology Assessment (TA) and Technology Incentive (TI) budgets.

2. Projected Program Impacts

The Peak Load Management Program has no MW goals.

3. Program Descriptors

Market Sector: Non-Residential
Program Classification: Local
Program Status: Falls under the umbrella of the Technical Assessment and Technical Incentive (TA/TI) Programs

Peak Load Management (PLM) provides financial incentives for customers who can permanently reduce or shift on-peak energy usage to non-peak time periods. PLM will be marketed as a subset of the TA/TI Programs.

4. Customer Description

The current TA/TI Program offers customers financial incentives to identify and install technologies that reduce energy demand on a temporary basis during critical peak periods. Additionally, energy efficiency programs offer financial incentives to customers who reduce their overall energy consumption. Currently, financial incentives do not exist for customers who wish to install technologies that reduce energy consumption during peak periods. PLM will offer customers financial incentives for reducing peak usage and/or shifting usage to non-peak periods on a permanent basis.

Targeted customers are those familiar with load management strategies and possess existing interval data recorders (meters) and telecommunications whereby shifts in energy loads can be measured.

5. Program Statement

The commercial/industrial market needs a technical program that facilitates customers making permanent shifts of on-peak loads to other time periods. SDG&E believes these technologies hold significant potential by utilizing the electric system more efficiently and thereby reducing capacity costs.

6. Program Rationale

PLM is targeted to commercial/industrial customers who have the ability to reduce or shift on-peak usage through existing and innovative technologies. Such technologies would include, but not be limited to, thermal energy storage, pump storage, gas cooling, and advanced batteries.

For projects involving such technologies to be sustainable over several years, large capital investments are required. Incentives on a scale with capital costs are required to encourage customers to take on such projects.

6.1 Program Modifications

N/A

7. Program Strategy

PLM will allow SDG&E to offer incentives directly to customers for technologies that facilitate long-term peak load management. SDG&E will develop a scope of work with specific criteria to evaluate the merits of the proposed peak reduction technology. Projects with approved technologies will receive incentives appropriate for the level of the calculated permanent peak load reduction.

8. Program Objectives

This program will encourage commercial/industrial customers to permanently decrease load during peak periods. The primary objective of the program is to provide the means by which existing and new customers can fund project technologies with short term paybacks that lead to permanent peak load reductions.

9. Program Implementation

9.1 Internal Activities

A scope of work will be developed to evaluate peak reduction technologies. A methodology will be developed to measure the capacity value of the projects. SDG&E will explore its existing time-of-use rate structure to determine if additional benefits may be achieved through peak load reductions.

9.2 Marketing Activities

Current TA/TI promotion materials will be revised to reflect the addition of Peak Load Management. Educational workshops on peak reduction strategies and technologies will be added to the current workshop agenda.

Customer Education, Awareness & Outreach Programs

1. Projected Program Budget

	2006	2007	2008
Operating & Maintenance (Administration)	3,604,670	4,426,332	3,925,433
Capital	129,566	0	0
Measurement & Evaluation	335,012	338,494	341,941
Incentive Payments	0	0	0
Total Program Budget	4,069,248	4,764,826	4,267,374

2. Projected Program Impacts

The Customer Education, Awareness and Outreach Initiative does not have direct MW goals.

3. Program Descriptors

Customer Education, Awareness and Outreach is designed as a comprehensive communication effort that entails a variety of initiatives aimed at increasing customer knowledge and understanding of demand response. This effort is an important facet of the overall demand response program portfolio. These initiatives will provide the foundation for delivering demand response benefits to customers, and will complement the program marketing efforts to acquire new customers, retain existing customers and encourage participation when called upon. The various general awareness and education initiatives are intended to increase the overall awareness and understanding of 1) the demand response concept; 2) the benefits demand response delivers to customers; and 3) the importance of demand response programs in the customers energy management mix.

Customer Education, Awareness and Outreach will reach across residential, small/medium commercial, large commercial and industrial and direct access customer segments, and will include the following:

3.1 Customer Education, Awareness and Outreach Umbrella

The Customer Education, Awareness and Outreach Umbrella aims to educate customers on the concept and benefits of demand response, as well as how demand response fits into the customer's overall energy management mix. This will be accomplished through the use of mass media channels, e.g. print and broadcast advertising together with targeted communications, e.g. direct mail, Account Executive contact and educational resources, e.g. online tools, audits, seminars, workshops and community events.

Unlike traditional demand side management, demand response is driven by specific conditions and is therefore episodic. Consequently, there may be a long delay between enrollment in a program and an actual need for program participation. Implementing an on-going awareness and education campaign, in

conjunction with retention efforts, is necessary to continue momentum and ensure SDG&E receives the necessary reduction when demand response events are called.

While the Umbrella campaign will reach all customers, audience segmentation will be used to determine the appropriate message and tactic. The general emphasis will be on increasing awareness and understanding of demand response, its benefits and how it fits in with the energy management mix among all customer segments utilizing mass communication channels and basic demand response messages. Over time, this broader focus will help to prepare customers for dynamic pricing and the savings opportunities that can be realized through the use of advanced meters and demand side management.

Additionally, we will specifically target industries or regions based on customer's energy use information, which can lead to greater DRP participation, as it allows us to be more responsive to unique needs within our service area. Increased focus will be given to those customers that may be closer to adopting demand response as part of their energy management mix e.g. customers with IDR meters, customers with demands greater than 200 kW, customers with load that can be temporarily turned off, re-scheduled, or suspended, customers with energy management systems (EMS) or direct load control devices connected to air conditioning systems, or other load that can be modulated or cycled, and/or customers who have participated in SDG&E's energy efficiency programs. Overtime, this segment will increase as AMI is implemented throughout the customer base. As more customers are given the capability to participate a greater emphasis will be made to raise their level of awareness about demand response and its benefits.

Furthermore, online tools or enhancements will be developed to help educate customers by providing an individualized and interactive experience that will illustrate the benefits of demand response to each customer. These include:

-
- Additional functionality to the Website to include a channel for customer feedback and survey capabilities
- A load shift calculator so that customers can view potential savings if they take action during peak periods
- A customer scorecard that will be emailed to customers after an event to show how they did, continuing the dialogue between SDG&E and the customer

SDG&E will also provide demand response information to be integrated into one of the energy end-use modules of the successful Builder Operator Certification Program, the professional development program featuring classroom training and in-facility assignments. For the residential market, SDG&E will work together with large big box retailers to offer mutual benefit workshops and seminars within their seminar schedule.

3.2 Flex Your Power NOW! (Statewide)

Statewide, Residential, Non-residential, Existing

Flex Your Power NOW! (FYPN) is a statewide awareness campaign to encourage customers to voluntarily reduce energy consumption through conservation during peak periods in the summer identified as critical by the California Independent System Operator (CAISO). The primary goal of Flex Your Power NOW! is to reduce peak usage during those dire summer days when the state has concerns about the electricity supply. FYPN promotes immediate, voluntary energy conservation and demand reduction, which play a critical role in managing tight energy supplies. The program is modeled after the successful “Spare the Air” campaign, and is implemented in collaboration with the Flex-Your-Power campaign (managed by the Efficiency Partnership), the CAISO, SDG&E, SCE, PG&E, the Governor’s office, and other key stakeholders to provide consistent, statewide communication.

FYPN builds on and uses the widespread awareness of the Flex Your Power campaign that has been in place since 2001. FYPN was successfully established in the summer of 2004 with statewide radio, print advertising and outreach efforts. Those efforts are continuing in 2005, and it is recommended that they be approved for 2006-2008 to continue to build momentum.

FYPN communication is comprised of two principal components – an awareness/education campaign and a specific “call-to-action” message. Communication channels used for generating awareness include radio and print media, Web sites, e-mail, brochures, and outreach efforts to educate customers so that when the alert occurs people know what specific actions to take to reduce their peak usage.

Key messages FYPN communicates are:

- The CAISO expects that electric reserves could be inadequate in the southern portion of the state this summer, possibly resulting in power emergencies.
- The CEC advises close monitoring and prudent use of electricity resources, particularly during periods of hotter than normal summer temperatures.
- Customers can play a significant part in ensuring adequate electricity by doing their part in participating in the Flex Your Power NOW! campaign when supplies are predicted to be tight.

SDG&E will incorporate these same messages into its DR communications strategy. This consistent messaging is imperative to eliminate customer confusion about this new concept of demand response and when load reduction is needed.

3.3 Emerging Markets Program (EMP)

Statewide, Other, Modified

The Emerging Markets Program (EMP) is a technology transfer program whereby short term load reductions are achieved through application and use of new demand system management technologies. This program will target and incent technology inventors, manufacturers and distributors to bring new technologies to market that reduce load. Through these technologies, non-residential (commercial & industrial) and/or residential customers that have an interval data recorder (IDR) and communications will be able to participate in demand response programs.

The program is aimed at bringing new technologies to market by partnering with inventors, manufacturers and distributors, of products that have strong potential to reduce demand during periods of higher energy prices or tight energy supplies. Innovative products will be researched and evaluated followed by pilot demonstrations of promising technologies. Working in partnership with customers, statewide codes and standards will be reviewed for the technologies evaluated. Additionally, collaboration through trade associations and other organizations will occur to drive program objectives.

If deemed an appropriate vehicle to bring a new product to market, this program may incentivize manufacturers via a “Golden Carrot” opportunity where a set amount of funds are made available to motivate technological progress for a certain end use.

To maximize impact on DR programs, technology demonstrations are planned in each customer segment. Presently, Auto DR is being evaluated as a demand response enabling technology for field demonstration this year.

In addition to these EMP activities, SDG&E will be actively involved in supporting efforts related to statewide codes and standards for demand response. SDG&E believes this is an area with great potential for helping to move the market toward innovative demand response technologies and standards.

3.4 Community Outreach

Voluntary Day-Ahead, Non-Residential, Statewide, Modified

The Community Outreach Program will provide direct interaction and communications to local municipalities and business communities within SDG&E’s service territory to broaden awareness of demand response. The messaging to small and medium commercial customers will incorporate ways for businesses to help manage energy costs through various SDG&E tools and programs.

The program targets specific groups because it's an efficient way to strategically reach broad audiences and hence the audience we seek to inform. Each community reaches out to their own constituents with regularly scheduled meetings. There are also twenty-five (25) incorporated cities in San Diego/Orange County region representing over 90,000 business accounts receiving electric and gas services. Within these geographical boundaries are a number of underserved local municipalities that historically have not actively participated in load reduction programs.

The program will target these groups through a collaborative communication process. SDG&E will specifically target small to medium size business customers via business associations and trade organizations. Targets include:

- Economic Development Councils
- Local Chamber and trade associations
- Smaller local associations such as the Business Improvement Districts
- Underserved and smaller, lesser known municipalities and cities within greater San Diego and Orange Counties (Santee, Escondido, Oceanside, Vista, El Cajon, Lemon Grove, Poway, San Marcos, La Mesa, Ramona, San Clemente, Dana Point, etc)
- Small and mid-size businesses
- Business assistance organizations (Small Business Administration/SCORE)

The key underlying objective is to proactively position SDG&E as a business energy resource and facilitator for program education and participation. Customer messages will be tailored in a manner that will enable customers to understand and participate in demand response programs. SDG&E will provide information to show how customers can shift and reduce during critical energy periods. We will also include information on how to reduce consumption on an ongoing basis (energy efficiency).

3.5 Circuit Saver Program

Residential, Non-Residential, Local, Existing

The Circuit Saver Program is an education program whereby customers who are served from electric distribution circuits in SDG&E's highest growth areas receive additional information regarding load reduction tactics and reliability programs that are available to them. There are currently about 58,000 residential customers, 4,900 commercial industrial customer and 50 pumping customers on the top 20 circuits. By educating these customers about the variety of demand response tactics and programs available to them, Circuit Saver focuses awareness building to those circuits of interest to Electric Distribution Planning. Circuit Saver is one component of a broader effort by SDG&E to increase overall system efficiency.

Until now, the customer segment with the most exposure to, and participation in, demand response programs has been the large assigned accounts - those with Account Executives actively educating them and promoting the programs. Residential and small commercial customers have had very little exposure to demand response programs. The Outreach Program will use a variety of tactics to reach these segments including presentations/booth displays at local community events that are identified as top circuit affected areas; school fairs and open houses; Senior Expos & Health Fairs; advertising in community newspapers and direct mail. SDG&E will also provide a “Tool Kit” of information. This kit will include information on applicable programs and load reduction strategies.

Participation from these segments is expected to increase greatly when the Advanced Metering Infrastructure (AMI) project is rolled out. AMI will provide these customers with the necessary metering and communications and will heighten awareness of energy management opportunities.

3.6 kWickview

Non-Residential, Local, Existing

kWickview is a Web-based energy management tool SDG&E provides to customers. kWickview furnishes real-time energy use data to help customers better understand and manage their electric consumption and costs. In addition to accessing real-time energy use data, kWickview training helps customers identify energy use patterns, which leads to exploration of ways to modify or reduce energy use. Any customer with an interval data recorder (IDR) meter is eligible to receive the kWickview tool and training on how to utilize, understand and benefit from the information it provides.

Along with being a learning tool, kWickview is a lead generation tool as it helps prime customers for participation in demand response programs. We plan to promote kWickview more aggressively. As the promotion of kWickview increases we expect program participation to increase.

kWickview training classes are held on a regular basis. In the past, kWickview classes have had full attendance and we plan to increase the frequency of classes to accommodate the increased interest and deliver the benefits of kWickview to a greater number of customers. As more training is conducted and more kWickview user are acquired the associated costs will increase.

Moreover, software enhancements have been planned to increase the benefits to customers, which include:

- Curtailment module,
- Cost estimator,
- Real-time pricing module, and
- On-demand read

The objectives of kWickview and kWickview training are to 1) provide and demonstrate a tool to help customers better understand and manage their electric

consumption and costs, 2) encourage customers to take advantage of the benefits of participation in demand response programs.

3.7 Non-Profit Outreach Program

Non-Residential, Local, New

The Nonprofit sector represents 23 tax-exempt categories of which the largest category is 501(c)(3) or “public benefit” organizations. There are more than 7,000 nonprofit organizations in San Diego County with more than 61,000 employees. Nonprofit organizations nurture and develop a sense of belonging to a community. SDG&E and nonprofit organizations share a common mission to serve and benefit the public. This sector is predisposed to provide assistance and service when needed. Nonprofits have inroads to employees, volunteers, board members, and the people they serve to spread the demand response message.

This program will leverage their electronic community network to optimize the number of people who hear and understand demand response, understand the benefits of demand response, and decide to take action when necessary. It will tap into the nonprofit infrastructure that has the capability for large electronic distribution. We will ask them to work with us to help the community in capacity building and ensure efficient use of resources. We understand the nonprofit community’s desire for providing service and gaining visibility for the sector. We believe this program would be beneficial for all parties as SDG&E seeks a sustainable energy for the future and nonprofit organizations seek a sustainable quality of life for the region.

3.8 IDP

Residential, Local, Pilot

The Information Display Pilot (IDP) was a pilot information program that worked in conjunction with the Statewide Pilot Program (SPP). Customers are provided with an information treatment that included an electronic newsletter, e-grams and communication devices that provided a signal to take action as prices rise when demand for electricity is high and fall when demand is low.

As of a 10/29/04 ALJ Ruling, the pilot program was suspended to new participants though the rate is open through the end of 2006 to existing customers on the CPP-V and CPP-F rates. The program will operate “as is” to existing customers. They will be alerted to the pilot’s end at the end of 2006.

3.9 PEAK Student

The PEAK Student Energy Actions Program – managed by the Energy Coalition - is a comprehensive student learning experience intended to teach elementary school children the value of “smart energy management.” In addition, the program is an integrated demand response and energy efficiency education program. The overall goal of the PEAK program is to instill an efficiency ethic in

students through standards-based lessons, hands-on activities, and real-world application in their homes, schools, and communities.


PEAK is dedicated to the proposition that the individual actions taken by students produce significant reductions in overall energy use, save money for the families and schools, and instill an ethic of energy consciousness in our youth and their families. This partnership will provide a meaningful way to engage elementary school students living in San Diego and South Orange Counties as advocates of smart energy management in their homes, schools, and communities. Moreover, we recommend that year-round schools and 6:00 to 6:00 programs be provided these valuable materials as well.

The potential for energy savings and peak demand response generated by the PEAK program is multifaceted. Each school participating in the PEAK Student Energy Actions program will also benefit from energy savings catalyzed by the actions of PEAK students, teachers, and facility staff as energy awareness is raised on campus.

4. Customer Description

The Customer Education, Awareness and Outreach initiatives will reach all customer segments including residential, small/medium commercial, large commercial and industrial and direct access customers.

5. Program Statement

The awareness of demand response and the benefits it provides, along with the participation in demand response programs is low. The customer segment with the greatest awareness and understanding, as well as participation in demand response programs, is the large assigned accounts. These customers that account for about one percent of the commercial customer base, have an Account Representative. The remaining 99% of SDG&E's customer base have little or no awareness and understanding of demand response, its benefits, and its role in the energy management mix. Past demand response participation has been generally low. 

6. Program Rationale

There is untapped MW reduction potential in the marketplace, however demand reduction is not widely understood, which creates a barrier to program participation. The Customer Education, Awareness and Outreach will help SDG&E acquire MW reduction by increasing the overall awareness and understanding of 1) the demand response concept; 2) the benefits demand response delivers to customers; and 3) the importance of demand response programs in the customers energy management mix.

6.1 Program Modifications:

SDG&E will specifically target industries or regions based on customer's energy use information, which can lead to greater DRP participation, as it allows us to be more responsive to unique needs within our service area.

7. Program Strategy

The initiatives detailed above will reach customers with the appropriate demand response messages, along with the incorporation of the portfolio of programs and services that can provide the customer with beneficial energy savings. SDG&E strongly believes that an integrated approach to promoting demand-side management programs will bring the greatest level of awareness and understanding, which will lead to successful program participation.

This approach called Integrated Demand-Side Management (IDSM) involves analyzing a customer's operation to identify various DSM opportunities, including: conservation, energy efficiency, demand response, self-generation and renewable energy sources. Customers are provided with solutions that best meet their specific needs, taking into account their sensitivities to price and reliability. The Customer Education, Awareness and Outreach campaign will help to introduce this concept to the marketplace and encourage adoption of an integrated approach to energy savings by customers. Moreover, employing an integrated portfolio sales approach provides potential demand response participants with a variety of products and offerings expected to lead to higher levels of all program participation and increased customer satisfaction. ACEEE research supports the idea that customers who have participated in energy efficiency programs are more likely to participate in demand response programs.

It is important to note, however, that while the IDSM approach will be utilized when ever appropriate, the recommendations and requests in this filing are specifically in support of demand response programs.

8. Program Objectives

The objectives of the Customer Education, Awareness and Outreach initiatives are to increase the overall awareness and understanding of 1) the demand response concept; 2) the benefits demand response delivers to customers; and 3) the importance of demand response programs in the customers energy management mix.

9. Program Implementation

The education, awareness and outreach initiatives will be implemented throughout the year in conjunction with the individual demand response programs. Utilizing a variety of outreach efforts and materials, including mass media channels, direct mail, Account Representative contact, SDG&E's website, Web-based learning tools, audits, seminars, workshop and community events, customer segments are educated about the demand response concept, the benefits associated with demand response and how customers can include demand response in their energy management mix.

9.1 Internal Activities

Activities include:

Date	Activity
Each Year	Employee education and training

9.2 Subcontractor Activities

A third party(ies) will provide SDG&E with support of the kWickview tool as well as consulting services online product, networking and energy orb programming.

9.3 Marketing Activities

The education, awareness and outreach effort will use a combination of mass media communications channels and targeted communications channels to ensure the messages reach the intended audiences. The marketing may include a mix of print, radio, direct mail, personal contact, trade shows, trade association meetings, customer workshops, energy-related and other community events and partnerships with business and industry organizations.

In addition, online tools will be developed to assist customers in understanding their energy usage and pricing signals, allow for online enrollment, and respond to alerts. The Web will also be used to expand marketing and outreach to our increasingly diverse target audience, improve timely customer contacts by reducing DRP related follow-up calls by providing more complete, accurate, and consistent information, and to quantify results.

The marketing plan for each individual demand response program is also component of education, awareness and outreach and all communication efforts will be complementary.

Large Commercial Industrial: These customers will be primarily marketed to through their assigned account representative. This segment is already familiar with the objectives of demand reduction and many of the available programs. The following marketing tactics are planned for this segment:

Date	Activity
Each Year	kWickview training conducted
Each Year	Umbrella campaign and tactics
Each Year	Flex Your Power NOW!
Each Year	Circuit Savers
2007-08	IDSMS Workshops and Seminars

Medium Commercial Industrial: These customers will be marketed to using newly assigned Account Managers, workshops, seminars, presentations, mass

advertising and direct mail. Customers will be informed of load reduction strategies and available programs. They can proactively request additional information via the company website or the DRP toll-free phone number.

Participation from this segment is expected to increase greatly when the Advanced Metering Infrastructure (AMI) project is rolled out. AMI will provide these customers with the necessary metering and communications and will heighten awareness of energy management opportunities.

The following market tactics are planned for this segment:

Date	Activity
Each Year	kWickview training conducted
Each Year	Umbrella campaign and tactics
Each Year	Flex Your Power NOW!
Each Year	Circuit Savers
Each Year	Business Collaborative Outreach
Each Year	Nonprofit Program
2007-08	IDSMS Workshops and Seminars

Small Commercial Industrial / Residential:

Participation from this segment is expected to increase greatly when the Advanced Metering Infrastructure (AMI) project is rolled out. AMI will provide these customers with the necessary metering and communications and will heighten awareness of energy management opportunities.

Date	Activity
Each Year	Umbrella campaign and tactics
Each Year	Flex Your Power NOW!
Each Year	Circuit Savers
Each Year	Business Collaborative Outreach
Each Year	Nonprofit Program

In Home Display Pilot Program

1. Projected Program Budget

	2006	2007	2008
Operating & Maintenance (Administration)	\$0	\$140,532.00	\$0
Capital	\$0	\$142,712.00	\$0
Measurement & Evaluation	\$0	\$127,592.00	\$0
Incentive Payments	\$0	\$20,000.00	\$0
Total Program Budget	\$0	\$430,836.00	\$0

2. Projected Program Impacts

	2006	2007	2008
MW's	0	0	0

3. Program Descriptors

Market Sector: Residential
 Program Classification: Local
 Program Status: Proposed

The 2007 In-Home-Display Program is a voluntary program intended to give customers their in-home real-time consumption in terms of total month to date costs, current cost per kWh and monthly kWh usage to date. This knowledge will be key in changing customer behavior. The program will evaluate behavioral changes in participants' during peak energy use periods attributed to real time usage information provided through the display technology. The program will view changes in the participants behavior based on having the In-Home-Display and in their accordance with a peak energy event day signal.

4. Customer Description

This 2007 program will be a one year program offered to a group of 300 residential customers. These 300 customers will have interval data recorder meters that will record the customers change in behavior based on the information display. The IDR meter will provide a method to understand if the customer made changes to reduce their energy consumption during a peak energy use period. The customer notification will be accomplished via phone line or email to advise the customer of the peak energy use period. The program will utilize customer surveys to determine the actual changes made by the customer in the home. This new pilot will be marketed to customers with monthly usage over 700 kWh, reside in climate zone 10, 14 or 15. This program will be target customers with moderate to high A/C usage and a private pool with a pool pump.

5. Program Statement

Residential customers are often unaware of the exact correlation between their usage of appliances and their bill. This program will provide participants with an in-home-display that will display the total month to date cost, current cost per kWh and kWh usage month to date. This information will be supplemented with a demand response notification component that requires the customer to reduce their energy usage during the identified peak energy use period.

6. Program Rationale

Customers try to make informed energy usage decisions in an effort to reduce their energy bill but the information most readily available to them is often general and does not always fit their habits and equipment. Once the customer has the ability to see and understand the changes in usage based upon their habits – lighting usage, cooking, cooling, entertainment, etc - customers will be able to make better informed decisions to reduce their bill. Program participants will be provided a welcome kit that will describe changes that can be put in place to reduce energy use during the peak period. This program will then look at the changes in customer behavior due to the real-time information provided on the In-Home-Display. The pilot will evaluate if participants changed their behavior once they were notified a peak energy use day was in effect.

6.1 Program Modifications

N/A

7. Program Strategy

The In-Home device will be provided to participants at no cost. Educational information will be mailed to each participant providing best practice tips to change their energy usage behavior during high energy use periods. Electronic notification will be utilized to inform customers of peak energy use periods. This electronic notification will be via telephone and email contact. Information on high efficiency appliance replacement and low cost/no cost energy efficiency improvements will also be provided in welcome kit provided to customers.

8. Program Objectives

This program will educate participants on home energy end use costs and energy efficiency improvements. In addition the In-Home Display will be installed in 300 homes giving customers real time consumption in terms of total month to date cost, current cost per kWh and monthly kWh usage to date.

9. Program Implementation

Customers that meet the program criteria to participate will be sent specific information outlining participation.. A welcome kit and program material to introduce the customer to the program will be created and mailed. Upon agreement to participate the customers will be contacted regarding installation of the IDR meter and the In-Home-Display device. The welcome kit will include FAQ's to explain the capabilities of the device and information on how to understand the information presented. Participants will be asked

to watch their usage on the In-Home-Display and determine the high use equipment to minimize the usage of these devices during peak energy periods.

9.1 Internal Activities

All customers will be contacted to have the In-Home-Display device and IDR meter installed. Instructions will be provided at the time of installation on the capabilities of the device and understanding the information that is provided..

9.2 Marketing Activities

Marketing activities will focus on enrolling customers with monthly usage over 700 kWh; reside in climate zone 10, 14 or 15, customers with moderate to high A/C, pool pump, and electric water heater usage. A program recruitment mailer will be created and sent out to the target market. Activities will include mailing a welcome kit to participants containing educational information on strategies to change their usage to off-peak time periods to help reduce their bill. Information on high efficiency appliance replacement and low cost/no cost energy efficiency improvements will also be provided.

Residential:

Date	Activity
2007	Create and disperse program recruitment mailer.
2007	Determine customer base
2007	Install IDR meters at customer sites
2007	Install In-Home-Display technology
2007	Disperse customer incentive payments.

Attachment 2

Advice Letter 1799-E



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June 1, 2006

ADVICE LETTER 1799-E
(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: PROPOSED CAPACITY BIDDING PROGRAM (CBP); SUCCESSOR
PROGRAM TO CALIFORNIA POWER AUTHORITY DEMAND
RESERVES PARTNERSHIP (CPA DRP)**

San Diego Gas & Electric Company (SDG&E) hereby transmits for filing the following changes to its electric tariffs, as shown in Attachments A and B.

PURPOSE

In compliance with D.06-03-024, SDG&E is filing its proposal for a successor demand response program to replace the existing California Power Authority Demand Reserves Partnership (CPA DRP) program, which is scheduled to expire in May, 2007. Filed herewith is a proposed new program description, proposed tariffs, and associated proposed contracts and agreements to implement the proposed successor program.

SDG&E proposes to add \$2,990,155 to its existing demand response programs budgets for the 2006 – 2008 program cycle to fund the proposed Capacity Bidding Program (CBP). SDG&E proposes to incorporate the proposed CBP into its existing demand response program cost recovery mechanism, but proposes no changes to its existing demand response program cost recovery mechanism.

BACKGROUND

The CPA DRP program was created in 2002, and has as its foundation a five-year contract between the California Consumer Power and Conservation Financing Authority (CPA) and the California Department of Water Resources (DWR). The contract functions much like the other power supply contract between DWR and the California electric utilities by providing power, where and when needed, but through reductions in demand, rather than generation.¹

¹ See Resolution E-3875, dated September 23, 2004, Page 2.

In D.03-06-032, the Commission recognized the CPA DRP program as a viable and important demand response program, and directed the utilities to coordinate their scheduling activities with the CPA to ensure that the CPA DRP resources are actually dispatched when it is cost effective to do so. D.03-06-032 further directed the utilities to file advice letters containing their CPA DRP implementation plans.²

In issuing Resolution E-3875 on September 23, 2004, the Commission found that the term of the five-year contract between the CPA and the DWR should end in 2007.³

On June 1, 2005, in compliance with D.05-01-056, SDG&E filed an application (A.05-06-017) proposing its portfolio of demand response programs and associated budgets and anticipated load reductions for the 2006 – 2008 program cycle. Subsequently, SDG&E, Pacific Gas & Electric (PG&E) and Southern California Edison (SCE) engaged in settlement discussions with interested parties and, on January 30, 2006, filed an “Amended Settlement of 2006 – 2008 Demand Response Programs” (the “Settlement”). The Commission subsequently adopted the Settlement in D.06-03-024 dated March 15, 2006.

As part of A.05-06-017, SDG&E noted the following:

“With the expiration of the [CPA DRP] in May 2007, SDG&E intends to propose a similar program that would be available to bridge customer participation from the CPA DRP without interruption for summer 2007.

SDG&E believes that existing participants in CPA DRP are a valuable resource that should be retained and transitioned into a new program. In addition, SDG&E believes that there is potential for increased participation in its service territory for a program structured similarly to the CPA DRP. This new program is envisioned to maintain key elements of the CPA DRP, such as the use of aggregators, allowance of Direct Access participation, a flexible bid process and both energy and capacity incentive payments.

Given the fact that the existing program is intact and operating until May 2007, SDG&E believes that it is premature to attempt to structure a new program at this time. Therefore, a specific program design is not being proposed in this Application. Rather, SDG&E proposes to file an implementation plan via Advice Letter by the end of summer 2006 to propose a new program description, anticipated budget impacts, cost recovery and anticipated load reductions...

In addition, SDG&E proposes that interested parties participate in collaborative statewide workshops to design a replacement program that offers similar operating parameters and products across the state. Initial feedback from customers has indicated that a consistent program across the state is preferred. Notwithstanding that, certain operational, implementation and contractual details could remain utility specific.

² See Resolution E-3875, dated September 23, 2004, Page 3.

³ See Resolution E-3875, dated September 23, 2004, Pages 6-7 and Ordering Paragraph 1.

A statewide program concept is anticipated to encourage greater participation and help minimize customer confusion.”⁴

The Settlement provided that SDG&E and the other utilities would proceed with designing a proposed CPA DRP successor program on a collaborative basis, and to file the proposal by no later than June 1, 2006.⁵

Prior to the filing of the proposed Capacity Bidding Program contained herein, SDG&E, PG&E and SCE have held numerous discussions, conference calls and meetings, both amongst the utilities, and with interested parties and other stakeholders, to address proposed CBP design concepts and related issues. Additionally, the utilities have held discussions with parties to the Settlement to review the proposed CBP.

PROPOSED CAPACITY BIDDING PROGRAM DESIGN

The CBP has been designed in a manner similar to, but expanding upon, the existing CPA DRP program, in an effort to build upon the success of the current program. The program is designed to function as a bidding program, under which participating customers make a monthly commitment to provide a load reduction when called upon during periods of high energy prices, short supplies, or other temporary emergency conditions. Participating customers receive a monthly capacity incentive payment for their committed load reductions as well as an energy incentive payment for the actual amount of energy reduced during a program event period. Participating customers are also subject to performance penalties should they fail to deliver the committed load reduction when called upon to do so.

In order to maximize the opportunity for customers to participate in the program, enrollment is open to all customers with demands above 20 kW, including bundled utility service customers, Direct Access (DA) customers, and Community Choice Aggregation (CCA) customers. Customers may enroll in the program either individually directly with the Utility, or through a third-party Aggregator/Provider. Participation through a third-party offers the advantage of participating as a member of a diverse customer group, whereby the third-party aggregator/provider combines the load reduction potential of participating customers to provide the utility with a single aggregated capacity bid. Because of the need to arrange demand response load reductions from DA and CCA customers through a Scheduling Coordinator to Scheduling Coordinator trade, DA and CCA customers must make the necessary arrangements through their Energy Service Provider (ESP) to accommodate such trades.

SDG&E's proposed CBP incorporates both a Day-Ahead program option as well as a Day-Of program option in order to provide customers with the flexibility of designating the load reductions they are able to provide with Day-Ahead notice, or on a shorter, Day-Of notice. Customers will be able to designate their day-ahead and day-of capacity nominations, but may not designate the same nominated load under both options. SDG&E believes that providing two options will enable customers to better identify load reductions that they can provide under either scenario, and create a greater opportunity to realize the maximum load reduction potential. Further, SDG&E believes that by

⁴ See A. 05-06-017, Chapter II Prepared Direct Testimony of Susie Sides, Pages SS-21 and SS-22.

⁵ See D. 06-03-024, Appendix A, Page 7 (Amended Settlement of 2006 – 2008 Demand Response Programs, Section E.)

incorporating a Day-Of program option, and preserving the ability to call the program on a short, same day notice basis, the program will be able to provide a valuable resource when faced with temporary, same-day emergencies that may not be known a day in advance.

In addition, SDG&E has designed the proposed program to provide for a variety of program “product types”, each with varying time durations, providing for minimum as well as maximum load reduction periods. As with the Day-Ahead and Day-Of alternatives, the variety of program product types is intended to provide customers with the flexibility of selecting from among a mix of alternatives in identifying the load reduction time frames that best suit their operational and other parameters. By providing such options, SDG&E believes that customers will be better able to align their load reduction capability with their ability and flexibility to deliver load reductions when needed.

Because the maximum potential for extreme load and price conditions that would necessitate the activation of a program event occurs during the summer months, the successor program has been designed to be operational during the months of May through October. The program operational period, or the “Call Window” is during the hours of 11:00 am through 7:00 pm on weekdays, excluding utility holidays. SDG&E has designed the proposed capacity incentive payment amounts to align with both the cost and value to SDG&E of the capacity commitments made by customers under the proposed new program. Because the likelihood of calling a load reduction event under the program is lower in the earlier and latter months of the program operational cycle, the capacity payments for those months are correspondingly lower than in those months where the likelihood of calling load reduction events is much higher.

The fundamental Capacity Bidding Program design elements are discussed in Attachment A.

PROPOSED PROGRAM BUDGET AND FUNDING

1. Proposed Program Budget

SDG&E has developed an estimated budget for the proposed Capacity Bidding Program for years 2007 and 2008, based on an assumption that customer participation will be at the same level as is currently enrolled in the existing CPA DRP program. The proposed budget of **\$2,990,155** also incorporates the fees associated with the use of APX services, as described above. SDG&E’s proposed budget is set forth in the following table:

	2007	2008
Program Administration	\$ 800,642	\$ 652,313
Monitoring & Evaluation	\$ 102,600	\$ 102,600
Meters & Meter Installation	\$ -	\$ -
Meter Telecommunications	\$ -	\$ -
MDO Hardware	\$ -	\$ -
Incentive Payments	\$ 516,000	\$ 816,000
Total	\$ 1,419,242	\$ 1,570,913
2007-2008 TOTAL	\$ 2,990,155	

SDG&E requests herein that the CBP proposed budget of \$2,990,155 be incorporated as an incremental addition to SDG&E's existing 2006 – 2008 demand response program budget of \$52,630,602 adopted by the Commission in D.06-03-024. The incremental budget authorization proposed herein would increase SDG&E's total adopted demand response program budget for the 2006 – 2008 program cycle by \$2,990,155, as shown below:

Program Portfolio Budget Adopted by D. 06-03-024	\$ 52,630,602
Proposed Additional CBP Budget Authorization for CBP	\$ 2,990,155
TOTAL BUDGET	\$ 55,620,757

2. Proposed Additional Demand Response Program Portfolio Funding

SDG&E requests herein incremental demand response program portfolio funding for the proposed CBP of **\$1,080,000**. SDG&E's proposed incremental funding amount of \$1,080,000 is based on the currently-authorized component of SDG&E's allocation of the California Department of Water Resources (DWR) revenue requirement, most recently approved by the Commission in D.05-12-010. Under the current DWR revenue requirement, a total of approximately \$12 million is attributed to the existing CPA DRP Program. Of this total, SDG&E's allocation is \$1,080,000. SDG&E anticipates that a determination of the 2007 DWR revenue requirement, will adjust the amount attributable to the existing CPA DRP program to reflect the termination of that program in 2007. SDG&E's proposal herein for the incremental funding amount of \$1,080,000 is intended to reflect a continuation of its current revenue requirement authorization for the existing CPA DRP program, with those funds being used to implement the proposed CBP.

The incremental proposed funding amount of \$1,080,000 described above represents only partial funding of SDG&E's anticipated incremental budget associated with the proposed CBP. SDG&E intends to evaluate the performance of its currently existing demand response program portfolio over the upcoming summer months and, consistent with the provisions of the Settlement, will file a subsequent proposal to address the additional funding that will be necessary for the proposed CBP above the incremental amount of \$1,080,000 requested herein. An additional \$1,910,155 would be needed to fund the total \$2,990,155 CBP budget. SDG&E anticipates addressing this incremental funding in the update October 31 advice letter.

Although the proposed CBP would not become effective until May, 2007, following the expiration of the existing CPA DRP program, SDG&E anticipates that it will incur start up costs, system development, marketing and other implementation costs in 2006 and 2007, assuming timely approval of the proposed program by the Commission. In order to provide for the most efficient transition from the current CPA DRP program to the new successor program, SDG&E respectfully requests that the Commission issue a Resolution approving this proposal no later than October 31, 2006.

MARKETING AND OUTREACH

In 2007, SDG&E plans to market the proposed CBP in a variety of ways, including, but not limited to, direct mail, customer bill inserts, brochures and fact sheets and other

program collateral, at a total estimated cost of \$800,642. SDG&E also expects to conduct customer informational meetings or workshops to help promote awareness, education and training, and will also provide similar marketing efforts to third-party Aggregator/Providers.

PROGRAM AND BUDGET FLEXIBILITY; DEMAND RESPONSE GOALS

SDG&E proposes to implement the CBP as part of its 2007 – 2008 demand response program portfolio. Accordingly, SDG&E requests that all program and budget flexibility provisions and rules reflected in the Settlement apply to implementation of SDG&E's proposed CBP. The program should be included in the Day-Ahead specified programs budget category adopted by D.06-03-024. Further, SDG&E requests that the demand response load reduction achieved through the proposed Capacity Bidding program during 2007 – 2008 count towards the achievement of SDG&E's 2006 – 2008 program portfolio if and to the extent such goals are adopted by the Commission.

RATEMAKING AND COST RECOVERY

SDG&E proposes no changes to its existing cost recovery mechanism, most recently approved by the Commission in D.06-03-024.⁶ Further, SDG&E requests authorization to incorporate the Capacity Bidding Program into its already existing programs cost recovery mechanism. As reflected in the proposed revisions to Section EE, Advanced Metering and Demand Response Memorandum Account (AMDRMA) of its Electric Department Preliminary Statement contained herein, SDG&E proposes to amend its existing demand response programs cost recovery mechanism to add the proposed CBP to the list of approved programs included within the adopted cost recovery mechanism.

SDG&E's existing cost recovery mechanism for demand response program costs is described in its AMDRMA, as well as in the Cost Recovery section of the "Amended Settlement of 2006 – 2008 Demand Response Program" attached as Appendix A to D. 06-03-024.

DEVELOPMENT OF CAPACITY INCENTIVE PAYMENT AMOUNTS

The proposed CBP capacity incentive payment values for the array of program options and products are based on the California Independent System Operator's (CAISO) FERC "Reliability Capacity Service Tariff" (RCST). Schedule 6 of the RCST Tariff provides a target annual capacity price, capacity availability factors, monthly shaping factors to allocate an annual capacity price number by month, and hourly shaping factors for weekday and weekend hours for each month, to adjust that month's capacity value.

SDG&E adjusted the annual capacity price of \$73/kW-yr at a 95% availability factor using the RCST availability factors to the 100% availability level. The resulting capacity value of \$83/kW-yr was then allocated to months using the RCST monthly shaping factors for each of the program operating months May through October. A monthly capacity value for each hour between the program operating hours of 11:00 a.m. and 7:00 p.m. was derived using the respective allocated monthly capacity value adjusted by the RCST shaping factor for that particular hour. The resulting 6 by 8 array (6 program

⁶ See D. 06-03-024, page 17, and Page 16 of the Amended Settlement of 2006 – 2008 Demand Response Programs.

operating months by 8 program operating hours) of capacity incentive payment values served as the basis for calculating the load reduction product capacity incentive payment values proposed herein.

The various load reduction product capacity incentive payment values for the Day-Ahead program option were calculated using an arithmetic average of the 8 hourly weekday capacity incentive payment values available in the 11:00 a.m. to 7:00 p.m. program operating window. The product capacity incentive payment values for the Day-Of program option were calculated at 120% of the Day-Ahead program option values, reflective of the incremental value to SDG&E of having load reduction nominations available on the much shorter Day-Of basis.

SDG&E believes that this approach to the development of its proposed capacity incentive payment amounts produces a matrix of payment amounts that closely matches the cost and the value to SDG&E of the capacity nominations anticipated under the proposed CBP. Additionally, SDG&E believes that the varying capacity incentive payment amounts provides an appropriate price signal to participating customers to identify and bid their capacity nominations and load reductions at the times when the load reductions are most valuable and useful to both SDG&E and its customers.

SDG&E proposes that the product capacity incentive payment values be subject to periodic revision in order to reflect such factors as changing market prices and program performance. The product capacity incentive payment values reflected herein are exemplary, and subject to revision in the annual update to the DRP portfolio in October, 2006.

Workpapers supporting the derivation of the proposed product capacity incentive payment values are available upon request.

COST EFFECTIVENESS

SDG&E performed a Cost Effectiveness analysis on the proposed CBP for the combined years of 2007 and 2008. Because there is presently no Commission-approved methodology by which the cost effectiveness of demand response programs is measured, at best, the analysis performed by SDG&E provides only a very general indication of the potential true cost effectiveness of the proposed program. Additionally, because the proposed CBP is a voluntary program and is only called when electric system supply and operating conditions warrant, there is uncertainty as to when a program event may be called, how often one might be called, or the duration of a program event in any given season. Further, because of the voluntary nature of demand response programs, some of which have penalty provisions, such as those proposed herein, the exact level of customer response to a program event is uncertain.

Because of these uncertainties, SDG&E calculated a conservative estimate of the cost effectiveness of the proposed CBP using a value of \$85/KW for capacity, with no additional energy savings. The \$85/KW capacity value is the same value that is reflected in the Supplemental Testimony of David Barker, dated August 26, 2005, in SDG&E's Application 05-06-017, which proposed SDG&E's demand response program portfolio for 2006 – 2008. The costs and benefits reflected in SDG&E's analysis herein were calculated on a program year basis. The costs reflected in the analysis reflect SDG&E's estimated program budget proposed herein. The anticipated megawatt

reductions from the proposed program are the same 5 MW level that SDG&E included in A.05-06-017 attributable to the existing CPA DRP program.

The results of SDG&E's cost effectiveness analysis are as follows:

Total Resource Cost Test (TRC): 0.65

Program Administrator Cost Test (PAC): 0.40

The worksheets associated with the cost effectiveness calculations are available upon request.

MEASUREMENT AND EVALUATION

The current Measurement and Evaluation (M&E) of demand response tariffs and programs continues to function under the oversight of the Working Group #2 Measurement and Evaluation subcommittee as directed in D.06-03-024. The process for developing M&E protocols and evaluating cost benefit issues initiated by D.05-11-009 may change the scope and process for demand response M&E in 2007 – 2008, however, M&E is anticipated for the proposed CBP and is added to the scope of this proposal.

SDG&E estimates a total M&E budget of approximately \$205,000 for 2007 – 2008 demand response program evaluation activities.

RELATIONSHIP OF PROPOSED PROGRAM TO RESOURCE ADEQUACY REQUIREMENTS

SDG&E has designed its proposed CBP to be consistent with and to fit within the parameters of the Commission's Resource Adequacy requirements as established by D. 05-10-042 and D.04-10-035. SDG&E's intent is that the capacity nominations and load reductions achieved through the operation of the proposed program count toward the fulfillment of SDG&E's Resource Adequacy requirements.

SDG&E recognizes that the development of the protocols associated with the Resource Adequacy requirements are still being fully developed and finalized, and reserves the right to propose such future revisions to the proposed CBP as may be necessary to allow the program to operate within the parameters of the Resource Adequacy requirements.

EFFECTIVE DATE

SDG&E believes that this filing will require a Resolution and respectfully requests that the Commission issue the Resolution by October 31, 2006.

PROTEST

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date this Advice Letter was filed

with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Jerry Royer (jjr@cpuc.ca.gov) and to Honesto Gatchalian (jni@cpuc.ca.gov) of the Energy Division. A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Monica Wiggins
Regulatory Tariff Manager
8330 Century Park Court, Room 32C
San Diego, CA 92123-1548
Facsimile No. (858) 654-1788
E-mail: mwiggins@semprautilities.com

NOTICE

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in A.05-06-017, by either providing them a copy electronically or by mailing them a copy hereof properly stamped and addressed.

Address changes should be directed to Christina Sondrini by facsimile at (858) 654-1788 or by e-mail to csondrini@semprautilities.com.

J. STEVE RAHON
Director – Tariffs & Regulatory Accounts

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. **SAN DIEGO GAS & ELECTRIC**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Margee Moore

Phone #: (858) 654-1748

E-mail: mmoore@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 1799-E

Subject of AL: Proposed Capacity Bidding Program (CBP); Successor Program to California Power Authority
Demand Reserves Partnership (CPA DRP)

Keywords (choose from CPUC listing): Compliance, Demand Response

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

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

D.06-03-024

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL _____

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

Resolution Required? Yes No

Requested effective date: 10/31/06 No. of tariff sheets: 27

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: Preliminary Statement III, Schedule CBP, Rule 30, Forms and TOC

Service affected and changes proposed¹: New Schedule CBP, Rule 30 & forms to implement a Capacity Bidding Program

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

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Ave.,

San Francisco, CA 94102

jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

San Diego Gas & Electric

Attention: Monica Wiggins

8330 Century Park Ct, Room 32C

San Diego, CA 92123

mwiggins@semprautilities.com

¹ Discuss in AL if more space is needed.

General Order No. 96-A, Sec. III. G.
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

ORA

D. Appling
S. Cauchois
J. Greig
R. Pocta
W. Scott

Energy Division

W. Franklin
S. Gallagher
H. Gatchalian
D. Lafrenz
J. Royer

CA. Energy Commission

F. DeLeon
R. Tavares

Alcantar & Kahl LLP

K. Harteloo

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

Braun & Blaising, P.C.

S. Blaising

California Energy Markets

S. O'Donnell
C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

M. Meacham
E. Hull

City of Poway

R. Willcox

City of San Diego

J. Cervantes
G. Lonergan
M. Valerio

Commerce Energy Group

V. Gan

Constellation New Energy

W. Chen

CP Kelco

A. Friedl

Davis Wright Tremaine, LLP

E. O'Neill
J. Pau

Dept. of General Services

C. Torres

Douglass & Liddell

D. Douglass
D. Liddell
G. Klatt

Duke Energy North America

M. Gillette

Dynegy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Policy Initiatives Center (USD)

S. Anders

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell

M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg
J. Heather Patrick
J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard

R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

Pacific Gas & Electric Co.

J. Clark
M. Huffman
S. Lawrie
E. Lucha

Robinsons-May Dept. Stores

R. Britt

R. W. Beck, Inc.

C. Elder

San Diego Regional Energy Office

S. Freedman
J. Porter

School Project for Utility Rate Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Sutherland Asbill & Brennan LLP

K. McCrea

Southern California Edison Co.

M. Alexander

K. Cini

K. Gansecki

H. Romero

TransCanada

R. Hunter

D. White

TURN

M. Florio

M. Hawiger

UCAN

M. Shames

U.S. Dept. of the Navy

K. Davoodi

N. Furuta

J. Perez

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties:

A.05-06-017

ATTACHMENT A

CAPACITY BIDDING PROGRAM DESIGN ELEMENTS

1. Eligible Customers. Participating customers must be commercial, industrial or agricultural accounts, with no residential account participation allowed. DA and CCA customers may also participate in the program, but must make necessary arrangements with their ESP, through a multi-party agreement among the ESP, the third-party Aggregator/Provider and the utility to accommodate the appropriate Scheduling Coordinator-to-Scheduling Coordinator energy trade to deliver the load reduction to the utility.
2. Third-Party Aggregators/Providers. Third-party Aggregator/Providers must execute a service agreement with the utility, and may enroll multiple customers to be combined into one or more groups, or may serve an individual customer. Additionally, multiple service accounts of a customer may be aggregated by the third party Aggregator/Provider. Customers within an aggregated group must be consistent in the characteristics of serving utility, either bundled, DA or CCA load, and load aggregation points all within the serving utility's service territory. Each aggregated group will be treated by the utility in the same manner as set forth in the proposed tariff as an individual customer that enrolls in the program directly with the utility.

SDG&E intends to utilize the services of Automated Power Exchange, Inc. (APX) for the proposed new program, in much the same fashion as APX currently provides services to the existing CPA DRP program. APX would function as the overall coordinator of the individual customers and various third-party Aggregator/Providers that are enrolled in the program, providing such services as a centralized system (and supporting technology infrastructure) for nominations, scheduling and settlement of program incentive payments and, when applicable, performance penalties. Because APX is currently involved with the existing CPA DRP program, and already has in place the systems and interfaces to facilitate the operation of the existing program, SDG&E believes that utilizing APX to help facilitate the transition into the proposed new program will be the most efficient.

3. Products Offered. In order to provide customers with flexibility in adapting their load reduction capabilities to best match their operations, the program offers the following array of load reduction products:
 - a. 1 to 4 hour call option
 - b. 2 to 6 hour call option
 - c. 4 to 8 hour call option

Example: The 4 to 8 hour call option has a minimum duration of 4 hours and a maximum duration of 8 hours. Participants must be available for the maximum number of hours in the call option(s) selected, but a program event may only be

called for a duration as short as the minimum for the product type(s), based on the circumstances of each program event.

Both the Day-Ahead program and the Day-Of program options would incorporate the same array of available program products.

The program design incorporates a maximum number of 24 call hours in any given program operational month.

4. Customer Capacity Payment. Participating customers will be paid a monthly capacity payment for the amount of load reduction they commit to the program. The capacity payment varies by month, as well as by the program option(s) and product type(s) selected by participating customers. The proposed monthly capacity payment amounts have been calculated to reflect the relative value of capacity to the utility over the duration of the program, and by program option and product type. SDG&E proposes that the monthly capacity payment amounts be subject to periodic revision as may be necessary to reflect such items as changing market energy prices, the success or failure of the program to attract participating customers, or other relevant factors. The monthly capacity payment will be paid to participating customers in the month following program operation, and will be subject to adjustment based on actual performance requirements during program events.

The Customer Capacity Payment will be paid to participating customers in the following month for the previous program operating month's participation, and will be subject to performance requirements of meeting at least 90% of scheduled nominations, as well as possible penalties for non-performance. Capacity payments are based on the participant's hourly performance compared to its nomination.

5. Customer Energy Payment. Participating customers will be paid an energy incentive payment based on the amount of energy reduced during program event hours as compared to the customer's baseline energy usage. The hourly energy payment price is variable, and is based on the program's trigger heat rate (15,000 Btu/kWh) multiplied by SDG&E's city gate natural gas price (SDG&E's city gate natural gas price is defined as the California border index price, for the applicable flow date, published by **Platt's Gas Daily** [in the internet publication currently accessed through www.platts.com in the table entitled "Daily Price Survey" under the heading "Midpoint" for SoCal Gas] plus applicable transportation charges for delivery to SDG&E's service territory).

If for any reason, **Platt's Gas Daily** ceases to publish the Midpoint SoCalGas price, then SDG&E will propose a substitute index. Any substitute index or indices must be recognized in the industry as a measure of aggregate daily prices for gas delivered to the various receipt points on the SoCalGas system.

6. Performance and Penalties. Because SDG&E relies upon the load reductions nominated by program participants, delivered load reductions by participating customers below 90% of nominated load reductions will incur a performance penalty. Performance will be determined on an hour-by-hour basis, and is measured for both energy and capacity. Energy performance is measured both

above and below the monthly nominations made by each participant. Hourly energy deliveries (in the form of measured load reductions against the customer-specific baseline amount) above the nominated amount will receive the energy incentive price up to 150% of the nominated amount. Hourly energy deliveries below 100% of nominated amounts are subject to market price adjustments where SDG&E will be made whole by the participating customer repaying SDG&E for undelivered hourly energy at the hourly SP-15 ex post market price. Capacity performance is measured at and below the monthly nominations made by each participating customer. Performance below 50% of a scheduled nomination will incur a penalty. When performance falls below 50% of nominated capacity, the participant will incur a performance penalty calculated by subtracting the percentage of performance of the nominated amount from 50% multiplied by the capacity payment amount. Penalties are calculated on an hourly basis. Performance greater than 50% but below 90% will forfeit the capacity payment for that hour but will not incur a capacity penalty.

7. Customer-Specific Baseline. The customer-specific baseline against which energy reductions during program hours is measured is defined as the three highest peak days of the most recent 10 non-event days. SDG&E has incorporated this baseline definition to be consistent with the customer-specific baseline used for its other demand response programs, in order to establish comparability and consistency among programs. SDG&E recognizes that the determination of the appropriate customer-specific baseline definition is an important policy issue that is currently under evaluation as part of the overall evaluation of demand response programs, and is willing to consider alternative baseline definitions in that perspective. However, SDG&E believes that the determination of the appropriate baseline definition must be addressed in an appropriate proceeding that encompasses the entire portfolio of programs, and not singularly for this proposed Capacity Bidding Program. Further, SDG&E believes that whatever future baseline definition may be established, an important factor in the establishment of the demand response program portfolio is the use of a consistent baseline definition across all programs, where applicable.
8. Nominations. Nominations of capacity reductions are due to SDG&E 35 days prior to each program operating month, with customers and/or third-party aggregator/providers required to submit nominations by program option(s) and product type(s) for the entire program operating month. Additionally, nominations must specify the meters or billing points that will be participating in the nomination for that program month, and must specify the nominations for bundled customers and for DA and CCA customers separately. Once submitted, the nominations would apply to all program hours for the entire program operating month, up to the 24 hour per month program maximum. Third-party aggregator/providers may revise the meters or billing points included in a monthly nomination up to five (5) days before a program operating month, but once submitted, the amount of nominated capacity cannot change for the operating month.
9. Program Trigger. The program trigger for the Day-Ahead program option is based on a Day-Ahead market heat rate of 15,000 Btu/kWh. This market heat rate will be determined from publicly-available natural gas and electricity price

indices and hourly price shaping factors contained in the California Independent System Operator's (CAISO) Reliability Services Capacity Tariff (RCST) on file with the Federal Energy Regulatory Commission (FERC). The Day-Ahead program trigger will also be utilized for any Day-Of program option events. Additionally, the Day-Of program option can also be triggered if unexpected energy supply or local emergency constraints develop after the time by which the Day-Ahead program option can be triggered. Representative conditions that might cause the Day-Of program to be triggered are:

- a. Unexpected high temperatures
- b. Resource limitations
- c. Generating unit outages
- d. Transmission outages
- e. CAISO Warning or Emergency
- f. Utility system emergency

10. Program Trigger Timeline. The Day-Ahead program option will be called not later than 3:00 p.m. on the day prior to the actual demand reduction event. Customers will receive notification via SDG&E's designated Internet website, with additional courtesy notification available through e-mail, pager or telephone. The Day-Of program option will be triggered with a minimum of one (1) hour notice to program participants in advance of the actual load reduction event period.
11. Program Testing. Up to two (2) program test events may be called during each program operating season. These tests are designed to validate the nomination, scheduling and program incentive payment settlement processes, as well as to confirm the ability of participating customers to deliver the nominated load reductions. Test events would operate in the same fashion as actual triggered program events, with the exception that a test event may not necessarily be called based upon the 15,000 Btu/kWh market heat rate trigger. All notification protocols, as well as all applicable incentive payments and penalties, will apply during test events. A program test event may be scheduled on a Day-Ahead or Day-Of program basis.
12. Multiple Demand Response Program Participation. Customers who enroll in the proposed Capacity Bidding Program will not be eligible to participate in any other SDG&E demand response program. Because the proposed program combines elements of virtually all other demand response programs (Day-Ahead, Day-Of, capacity payments and energy payments), participation in other programs simultaneously would essentially result in enrolling the same load reductions in multiple programs, producing duplicative incentive payments, and resulting in the double counting of the same load reduction.

ATTACHMENT B
ADVICE LETTER 1799-E

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 19296-E	PRELIMINARY STATEMENT, III. MEMORANDUM ACCOUNTS, Sheet 54	Revised 19136-E
Original 19297-E	SCHEDULE CBP, CAPACITY BIDDING PROGRAM, Sheet 1	
Original 19298-E	SCHEDULE CBP, CAPACITY BIDDING PROGRAM, Sheet 2	
Original 19299-E	SCHEDULE CBP, CAPACITY BIDDING PROGRAM, Sheet 3	
Original 19300-E	SCHEDULE CBP, CAPACITY BIDDING PROGRAM, Sheet 4	
Original 19301-E	SCHEDULE CBP, CAPACITY BIDDING PROGRAM, Sheet 5	
Original 19302-E	SCHEDULE CBP, CAPACITY BIDDING PROGRAM, Sheet 6	
Original 19303-E	SCHEDULE CBP, CAPACITY BIDDING PROGRAM, Sheet 7	
Original 19304-E	SCHEDULE CBP, CAPACITY BIDDING PROGRAM, Sheet 8	
Original 19305-E	SCHEDULE CBP, CAPACITY BIDDING PROGRAM, Sheet 9	
Original 19306-E	SCHEDULE CBP, CAPACITY BIDDING PROGRAM, Sheet 10	
Original 19307-E	SCHEDULE CBP, CAPACITY BIDDING PROGRAM, Sheet 11	
Original 19308-E	SCHEDULE CBP, CAPACITY BIDDING PROGRAM, Sheet 12	
Original 19309-E	RULE 30, CAPACITY BIDDING PROGRAM, Sheet 1	
Original 19310-E	RULE 30, CAPACITY BIDDING PROGRAM, Sheet 2	
Original 19311-E	RULE 30, CAPACITY BIDDING PROGRAM, Sheet 3	
Original 19312-E	RULE 30, CAPACITY BIDDING PROGRAM, Sheet 4	
Original 19313-E	RULE 30, CAPACITY BIDDING PROGRAM, Sheet 5	
Original 19314-E	RULE 30, CAPACITY BIDDING PROGRAM, Sheet 6	
Original 19315-E	SAMPLE FORMS, Form 142-05300, Sheet 1	
Original 19316-E	SAMPLE FORMS, Form 142-05301, Sheet 1	
Original 19317-E	SAMPLE FORMS, Form 142-05302, Sheet 1	
Original 19318-E	SAMPLE FORMS, Form 142-05303, Sheet 1	
Revised 19319-E	TABLE OF CONTENTS, Sheet 1	Revised 19295-E
Revised 19320-E	TABLE OF CONTENTS, SCHEDULE OF RATES, Sheet 3	Revised 19258-E
Revised 19321-E	TABLE OF CONTENTS, RULES, Sheet 5	Revised 19209-E
Revised 19322-E	TABLE OF CONTENTS, Sheet 8	Revised 19280-E



PRELIMINARY STATEMENT

Sheet 54

III. MEMORANDUM ACCOUNTS

EE. ADVANCED METERING AND DEMAND RESPONSE MEMORANDUM ACCOUNT (AMDRMA)
(Continued)

5. Accounting Procedure (Continued)

e. An entry equal to expenditures for demand response programs, as approved in D.05-01-056, D.05-04-053, and D.06-03-024, including all program O&M, M&E, and capacity incentive costs. An entry shall include capital costs incurred including depreciation, return on investment, and related taxes. The AMDRMA shall include UDC's expenses incurred to develop, implement and evaluate, or incurred in a reasonable anticipation of implementation of the following customer programs:

- 20/20 Program for C&I Customers between 20 and 300 kW including Direct Access Customer Incentives as provided for in D.05-01-056
- 20/20 Program for C&I Customers greater than 200 kW
- Base Interruptible Program
- Technical and Technology Assistance Programs
- Community Partnership Program
- Emerging Markets
- Circuit Saver Program
- Demand Bidding Program
- Demand Bidding-Emergency
- Rolling Blackout Reduction Program
- CPA Demand Reserve Partnership
- Customer Education, Awareness and Outreach
- Residential Smart Thermostat Pricing Program
- Emergency Critical Peak Pricing (CPP-E)
- Voluntary Critical Peak Pricing (CPP-V)
- Flex Your Power Now (FYPN)
- Statewide Pricing Pilot Program (SPP)
- Automated Demand Response System (ADRS)
- Capacity Bidding Program
- Other programs and activities as outlined in D. 06-03-024, including On-Bill Financing, Competitive Bid, Cost Benefit Framework, Annual Report, Market Research, and IT

f. An entry equal to O&M and capital-related expenses incurred by the Utility for electric resource contracts costs, including applicable incentive payments as authorized in D.04-06-011 and D.06-03-024. This includes contracts with Comverge and Celerity as approved by D.04-06-011.

g. An entry equal to the interest on the average of the balance at the beginning of the month and the balance after the above entries in a thru e at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

6. Disposition: At the end of each year, the balance in the AMDRMA shall be transferred to the Rewards and Penalties Balancing Account (RPBA), or another balancing account as may be directed by the Commission for future rate recovery. For the RPBA, the Utility will file an advice letter to make this change in October of each year, with rates effective the following January 1st. The October filing will also request rate recovery of the un-depreciated capital additions through an increase to SDG&E's revenue requirement.

(Continued)

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SCHEDULE CBP

CAPACITY BIDDING PROGRAM

APPLICABILITY

The Capacity Bidding Program ("Program") is a voluntary demand response program that offers customers various product options by which participants can earn incentive payments in exchange for reducing energy consumption when requested by the Utility. This schedule is available to commercial and industrial Utility customers, greater than 20 kW, receiving Bundled Utility service, Direct Access ("DA") service or Community Choice Aggregation ("CCA") service, and being billed on a Utility commercial, industrial or agricultural rate schedule. Service on this rate schedule must be taken in combination with the customer's otherwise applicable rate schedule. This schedule is also available to "Aggregators", defined herein as a third party entity that combines the loads or one or more Utility customer service accounts for the purpose of participating under this schedule. "Participant" as used in this schedule shall mean Utility customers participating in the Program or Aggregators participating in the Program.

TERRITORY

Within the entire territory served by the Utility.

RATES

All charges and provisions of a participating customer's otherwise applicable rate schedule shall apply. All charges and provisions of a customer participating through an Aggregator shall apply. The tables below set forth the rates that will be paid to Participants under this schedule for each Product type:

1. Load Reduction Incentive Payment, Day-Ahead Program Option (\$/kW-month):

Product	May	Jun	Jul	Aug	Sep	Oct
1 to 4 hours	5.37	7.35	13.54	15.11	9.77	4.71
2 to 6 hours	5.51	7.54	14.07	15.63	10.06	4.81
4 to 8 hours	5.65	7.76	14.71	16.23	10.49	4.94

2. Load Reduction Incentive Payment, Day-Of Program Option (\$/kW-month):

Product	May	Jun	Jul	Aug	Sep	Oct
1 to 4 hours	6.44	8.82	16.25	18.13	11.72	5.65
2 to 6 hours	6.61	9.04	16.89	18.75	12.07	5.78
4 to 8 hours	6.79	9.31	17.66	19.48	12.59	5.93

3. Energy Usage Reduction Incentive Payment, All Program Options (cents/kWh):

The applicable rate to be applied in calculating the Energy Usage Reduction Incentive Payment is generally the daily Utility city gate natural gas price multiplied by the Program dispatch heat rate of 15,000 Btu/kWh for each kilowatt hour of energy reduction during Events. See Energy Usage Reduction Incentive Payment Special Condition 6.b., for a further description of the calculation of the Energy Usage Reduction Incentive Payment, the development of the payment amount, and any payment amount adjustments.

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SCHEDULE CBP

CAPACITY BIDDING PROGRAM

SPECIAL CONDITIONS

1. Definitions: The Definitions of terms used in this schedule are found either herein or in Rule 1, Definitions.
2. Qualifying Customer: Service under this schedule is available to all non-residential time-of-use metered customers with demand in excess of 20 kW who elect to participate. Customers electing to participate in the Program must meet and comply with all of the requirements for such participation as set forth in this Schedule. Participating customers must have the required metering and operable communications equipment installed prior to and while participating in the Program. See Metering Requirement Special Condition 13, for additional details. Participating customers must have the required notification equipment in place prior to participation in the Program. See Event Notification/Communication Special Condition 8, for additional details.
 - a. Aggregators: Customers may participate in the Program via an approved Aggregator, appointed by such customer, to act on behalf of such customer with respect to all aspects of the Program, including but not limited to: (i) the receipt of notices from the Utility under the Program, (ii) the receipt of any payments from the Utility under the Program, and (iii) the payment of any amounts due from such customer, if any, to the Utility. In the event customers elect to participate in the Program via an Aggregator, such participation, and such Aggregator's participation in the Program, are subject to the terms and conditions of this schedule and Rule 30, Aggregators for the Capacity Bidding Program (CBP). Customers participating in the Program may designate only one Aggregator at a time for each participating meter and may change such designation only after the expiration of the Minimum Term in respect of such participating meter (unless terminated earlier, as set forth in Term, Special Condition 19). Prior to any changes in the designation or any termination of an Aggregator, a customer shall deliver to the Utility a "Notice to Add, Change or Terminate an Aggregator for Capacity Bidding Program" (Form 142-05302) notifying the Utility of such change or termination.
 - b. Direct Access and Community Choice Aggregation Customers: DA and CCA customers enrolling in the Program must enroll through an Aggregator and must first make the necessary arrangements with their Energy Service Provider ("ESP"). DA and CCA customers must arrange for a Scheduling Coordinator to Scheduling Coordinator ("SC-to-SC") trade with the Utility's Scheduling Coordinator ("SC") in order to facilitate the delivery of nominated capacity amounts and the provision of load reductions during Events. DA and CCA customers are responsible for the following:
 - i. The SC-to-SC trade must be submitted in a timeframe that complies with the California independent System Operator's ("CAISO") requirements.
 - ii. All additional costs incurred by the Utility if the DA or CCA customer's SC fails to submit an SC-to-SC trade, or if the SC-to-SC trade is not accepted by the CAISO because of an action or inaction of the DA or CCA customer's SC.

(Continued)

2P15

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SCHEDULE CBP

CAPACITY BIDDING PROGRAM

SPECIAL CONDITIONS (Continued)

3. Program Operation: Participants may nominate from among the following product types ("Products") under the Program:

<u>Day-Ahead Products</u>	<u>Minimum Duration per Event</u>	<u>Maximum Duration per Event</u>	<u>Maximum Cumulative Event Duration Per Operational Month</u>	<u>Maximum Events Per Day</u>
1-4 Hour	1 hour	4 hours	24	1
2-6 Hour	2 hours	6 hours	24	1
4-8 Hour	4 hours	8 hours	24	1

<u>Day-Of Products</u>	<u>Minimum Duration per Event</u>	<u>Maximum Duration per Event</u>	<u>Maximum Cumulative Event Duration Per Operational Month</u>	<u>Maximum Events Per Day</u>
1-4 Hour	1 hour	4 hours	24	1
2-6 Hour	2 hours	6 hours	24	1
4-8 Hour	4 hours	8 hours	24	1

Participants may nominate a different Product for each month of the Program's operational season (as set forth below), and any combination of Products for each such operational month in respect of the Nominated Load Reduction for such operational month. Each nominated Product must specify the portion of Nominated Load Reduction associated thereto without overlap between nominated Products for such operational month.

The Program's operational season is from May 1 through October 31.

Each operational month of the Program begins and ends at the beginning and ending of such calendar month.

The Program's operational days are Monday through Friday during the Program's operational season, excluding Utility holidays, as defined in Rule 1.

The Program's operational hours are from 11:00 a.m. to 7:00 p.m. during each of the Program's operational days.

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SCHEDULE CBP

CAPACITY BIDDING PROGRAM

SPECIAL CONDITIONS (Continued)

3. Program Operation: (Continued)

a. Interruptible Period: Each interruptible period ("Event") shall be the period of time during which the Utility has informed the Participant to curtail energy consumption by use of a communications process utilizing equipment described in the Event Notification/Communication Special Condition 8.

b. Interruptible Period Termination: An Event will terminate upon notification by the Utility that the Event has ended, provided that an Event shall not continue longer than the duration prescribed therefore for the Product nominated by the Participant as described in the table above.

c. Load Reduction Nominations:

i. Generally: Participants must submit monthly nominations for the reduction of load ("Load Reduction Nominations") to the Utility not later than 5 calendar days prior to each Program operational month. If the 5th calendar day prior to the operating month falls on a weekend or holiday, the nomination must be submitted by the preceding Friday. All Load Reduction Nominations must allocate the amount of load reduction nominated among each Product nominated for such operational month (such nominated amount, the "Nominated Load Reduction"), without overlap of such Nominated Load Reduction among any such selected Product during such operational month. All Load Reduction Nominations are fixed for their associated operational month, but may change from operational month to operational month. Participants may not submit Load Reduction Nominations unless all requirements specified in this schedule have been met.

ii. Additional Aggregation Requirements: Load Reduction Nominations submitted by Aggregators must differentiate the amount of Nominated Load Reduction for each nominated Product therein between Bundled customers and DA/CCA customers. A participating customer may be included in only one Aggregator's aggregated customers for a given operational month. No later than five (5) calendar days prior to the first day of the operational month, each Aggregator must specify which participating customers are to be included in each Product set forth in such Aggregator's Load Reduction Nomination for that operational month. The aggregated group of participating customers for each nominated Product will be used to determine the Baseline (see Customer-Specific Baseline Special Condition 5) and associated Program performance during that operational month.

d. Cancellation of Nominations: Any changes or cancellations of Load Reduction Nominations for an operating month must be submitted by the Participant to the Utility not later than five (5) calendar days prior to such operating month. If such fifth (5th) calendar day prior to such operating month falls on a weekend or holiday, such change or cancellation must be submitted by the preceding Friday. If a Participant fails to nominate a load reduction for a Product for a particular operational month, then the default Nominated Load Reduction therefore shall be zero (0).

(Continued)

4P15

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SCHEDULE CBP

CAPACITY BIDDING PROGRAM

SPECIAL CONDITIONS (Continued)

3. Program Operation: (Continued)

- e. Third-Party Coordinators: Utility may contract with one or more third parties ("Coordinators") to assist Utility in the administering, coordination and/or scheduling of the Program and may designate such Coordinators as the sole point of contact in respect of such services by notifying the applicable Participants of such designation.
- f. Program Triggers: The Utility may call an Event whenever the Utility's electric system supply portfolio reaches a resource dispatch equivalence of 15,000 Btu/kWh heat rate, or as Utility system conditions warrant.

4. Program Availability: An Event may be called during the Program's operational season, operational days and operational hours as defined above. The Program shall be limited as to its availability to Participants based on any limitations that the Utility has in getting communications systems in place. The Utility will staff as quickly as practical to provide this service to as many Participants as quickly as practical so long as communications are in place before service commences.

a. Limitation of Interruptible Periods: Events shall be limited as follows:

- i. Day Ahead: For Participants selecting Day-Ahead Products, Events shall be called by the Utility with notice to such Participants not later than 3:00 p.m. on the day prior to the Event day. When the Event day is a Monday, notice shall be provided to Participants by not later than 3:00 p.m. on the preceding Friday. The Events shall not exceed the maximum duration (in hours) corresponding with the Product nominated by the Participant as set forth in the table above. The maximum cumulative duration of an Event during any operational month shall not exceed 24 hours.
- ii. Day Of: For Participants selecting Day-Of Products, Events shall be called by the Utility with notice to such Participants not later than one (1) hour prior to the commencement of the Event. The Events shall not exceed the maximum duration (in hours) corresponding with the Product nominated by the Participant as set forth in the table above. The maximum cumulative duration of an Event during any operational month shall not exceed 24 hours.

5. Customer Specific Baseline: In order to participate in the Program, Participants must have a valid baseline ("Baseline") for each Product nominated each day of an operational month, which Baseline must be established not later than 5 calendar days prior to the first day of such operational month of the Program. Baselines shall be established as follows:

- a. Participating Customers: For customers enrolled in the Program directly with the Utility, the Baseline for any given operational day is defined as the average consumption for the hours of 11 a.m. to 7:00 p.m. for the three (3) highest days from within the immediately preceding ten (10) similar non-holiday week days prior to the Event. The baseline will exclude weekends, holidays, and days when a customer was paid to reduce load, when load reductions were requested or when rotating outages are called.

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SCHEDULE CBP

CAPACITY BIDDING PROGRAM

SPECIAL CONDITIONS (Continued)

5. Customer Specific Baseline: (Continued)

b. Aggregators: For Aggregators, the Baseline for each Product nominated for any given operational day is based on such Product's associated aggregated group of customers on such operational day, and is determined as follows: The hourly load profile for such aggregated group on such day is determined by summing the hour by hour interval metering data for each customer of such group (other than customers who have nominated (whether by election or by default) no (or zero) load reduction for such Product on such operational day), and the Baseline for such aggregated group in respect of such Product is the hourly average of the three (3) highest energy usages in the immediate past ten (10) similar days for such calculated load profile. The three (3) highest energy usage days are those days with the highest kilowatt hour (kWh) usages for such aggregated group between the hours of 11:00 a.m. and 7:00 p.m. The past ten (10) similar days will include Monday through Friday, excluding Utility holidays, and will additionally exclude days when a customer in such aggregated group was paid an incentive to reduce load on an interruptible or other curtailment program, or days when rotating outages were called.

6. Incentive/Energy Payment and Non-Performance Penalties:

a. Load Reduction Incentive Payment:

- i. If the Utility does not call an Event during an operational month, the amount of the Load Reduction Incentive Payment for such operational month is calculated by summing, for each Product nominated in such operational month, the product of the Nominated Load Reduction for such nominated Product and the Load Reduction Incentive Payment rate as set forth in the table above for such nominated Product.
- ii. If the Utility calls one or more Events during an operational month, the amount of the Load Reduction Incentive Payment for such operational month is calculated by summing the Adjusted Event Capacity Payment Amounts for each Product nominated in such operational month, which is calculated as follows: The "Unadjusted Event Capacity Payment Amount" for each Product nominated in such operational month is equal to the product of the Nominated Load Reduction for such nominated Product and the Load Reduction Incentive Payment rate as set forth in the table above for such nominated Product, divided by the number of Event hours called during such operational month, and the "Adjusted Event Capacity Payment Amount" for each such Product nominated in such operational month is calculated based on the Actual Load Reduction (as defined in the Actual Load Reduction Special Condition7) for such Product in such operational month:

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6P14

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SCHEDULE CBP

CAPACITY BIDDING PROGRAM

SPECIAL CONDITIONS (Continued)

6. Incentive/Energy Payment and Non-Performance Penalties: (Continued)

<u>Actual Load Reduction for such Product</u>	<u>Adjusted Event Capacity Payment Amount for such Product</u>
More than 100 percent of Nominated Load Reduction for such Product	Payment equal to 100 percent of Unadjusted Event Capacity Payment Amount for such Product
90 – 100 percent of Nominated Load Reduction for such Product	Payment calculated by prorating between 90 and 100 percent of Unadjusted Event Capacity Payment Amount for such Product
50 – 89 percent of Nominated Load Reduction for such Product	0
0 – 49 percent of Nominated Load Reduction for such Product	Penalty (i.e. negative amount) calculated by prorating between 50 and 0 percent of Unadjusted Event Capacity Payment Amount for such Product
Less than 0 percent of Nominated Load Reduction for such Product	Penalty (i.e. negative amount) equal to 50 percent of Unadjusted Event Capacity Payment Amount for such Product

If the Load Reduction Incentive Payment amount as calculated above yields an amount less than zero (i.e. a penalty amount), then such penalty amount shall be payable by Participant to the Utility in accordance with the Disbursement of Payments Special Condition 6.c. below.

b. Energy Usage Reduction Incentive Payment:

- i. If the Utility does not call an Event in respect of a Product during an operational month, no monthly Energy Usage Reduction Incentive Payment in respect of such Product is payable for such operational month.
- ii. If the Utility calls one or more Events during an operational month in respect of a Product, the amount of monthly Energy Usage Reduction Incentive Payment for such Product is equal to the Actual Load Reduction for such Product times a 15,000 Btu/kWh heat rate times the Utility's delivered natural gas price ("Delivered Natural Gas Price") for each operational day of each such Event (which Delivered Natural Gas Price is determined by the posted California Border Natural Gas Index Price plus the cost of applicable transportation to the Utility's service territory, and adjusted as follows:

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SCHEDULE CBP

CAPACITY BIDDING PROGRAM

SPECIAL CONDITIONS (Continued)

6. Incentive/Energy Payment and Non-Performance Penalties: (Continued)

b. Energy Usage Reduction Incentive Payment: (Continued)

ii. (Continued)

(a) Shortfall Energy Amount: In the event of a Shortfall Energy Amount (as defined in the Actual Load Reduction Special Condition 8) in respect of such Product for such operational month, the monthly Energy Usage Reduction Incentive Payment amount for such Product will be reduced by an amount equal to the product of such Shortfall Energy Amount and the greater of (i) the Energy Usage Reduction Incentive Payment Price or (ii) the CAISO hourly SP15 ex-post energy price for each Event hour. If such calculation of Energy Usage Reduction Incentive Payment amount for such Product yields an amount less than zero (i.e. a penalty amount), then such penalty amount shall be payable by Participant to the Utility in accordance with the Disbursement of Payments Special Condition 6c.

(i) the Utility's Delivered Natural Gas Price is not in the right units. EURP price and ISO ex-post are both in \$/MWh.

(b) Excess Energy: In the event that the Actual Load Reduction for such Product during an Event in such operational month exceeds the Nominated Load Reduction for such Product in such operational month (such excess amount, "Excess Energy Amount"), then the Energy Usage Reduction Incentive Payment amount for such Product will be increased by an amount equal to the product of such Excess Energy Amount and the Utility's Delivered Natural Gas Price during the Event; provided, however, that, for purposes of calculating the Energy Usage Reduction Incentive Payment amount, the Excess Energy Amount for a Product cannot exceed 50 percent of the Nominated Load Reduction for such Product.

c. Disbursement of Payments:

i. Customers: For customers participating directly with the Utility, the CBP incentive will be calculated based on the customer's Actual Load Reduction. In no case will a customer receive a credit payment for a given hour if it does not meet the minimum energy reduction threshold, as nominated in the monthly Load Reduction Nomination. The billing and payment of Load Reduction Incentive Payments and Energy Usage Reduction Incentive Payments, as well as all other amounts, charges, penalties and fees due and payable in respect of this Program, to or from customers participating in the Program directly with the Utility will be made in the course of customer's normal billing for services with the Utility consistent with Utility's tariffs.

ii. Aggregators: The billing and payment of Load Reduction Incentive Payments and Energy Usage Reduction Incentive Payments, as well as all other amounts, charges, penalties and fees due and payable under this schedule, Rule No. 30 or the Aggregator Contract, to or from Aggregators are set forth in Rule No. 30.

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SCHEDULE CBP

CAPACITY BIDDING PROGRAM

SPECIAL CONDITIONS (Continued)

6. **Incentive/Energy Payment and Non-Performance Penalties:** (Continued)

- d. **Failure to Pay:** In the event a participating customer fails to pay any amounts to the Utility as and when due, the rules governing such failure to pay, and the Utility's and such customer's rights and obligations therewith, as set forth in the Utility's tariff will apply. The Aggregator Contract will set forth the rights and obligations of the Utility and the Aggregator party thereto in respect of any failure to pay amounts as and when due to the Utility.
- e. **Customer Liability for Aggregator Failure to Pay.** If, due to a Shortfall Energy Amount which results in a penalty to be paid by an Aggregator to Utility in respect of Load Reduction Incentive Payments and/or Energy Usage Reduction Incentive Payments, such Aggregator fails (or is deemed to have failed) to fully pay to Utility such penalty amounts, and any security provided by such Aggregator is insufficient to cover such outstanding penalty amounts, then each customer represented by such Aggregator under the applicable Aggregator Contract will be liable for its pro rata share of such outstanding penalty amounts, which pro rata share will be based upon such customer's contribution to such Shortfall Energy Amount.

7. **Actual Load Reduction:** A Participant's "Actual Load Reduction" during an Event for each Product nominated by such Participant is equal to:

- a. In the case that such Participant is a customer participating directly with the Utility, the extent that the actual energy usage of such customer during such Event for such Product is less than such customer's Baseline for such Product.
- b. In the case that such Participant is an Aggregator, the extent that the actual energy usage of the aggregated group of customers during such Event for such Product is less than such aggregated group of customer's Baseline for such Product.

In the event the Actual Load Reduction for such Product during an Event in such operational month is less than the Nominated Load Reduction for such Product in such operational month, such deficient amount is the "Shortfall Energy Amount" for such Product in such operational month.

8. **Event Notification/Communication:** Participants must, at their own expense, have access to the Internet and an e-mail address to receive Event notifications via the Internet. In addition, Participants must have, at their own expense, an alphanumeric pager that is capable of receiving a text message sent via the Internet. Participants will be notified via the Utility's designated Internet website. As a courtesy, notification may also be given via pager, e-mail, or cellular telephone; however, the official notification shall be posted to the Utility's designated Internet website in accordance with the time parameters set forth herein. No Participant may participate in the program until all of these requirements have been met.

9. **Event Cancellation:** Once an Event has been initiated in accordance with the provisions herein, the Event will not be cancelled; however, the Event may be terminated as provided in the Interruptible Period Termination Special Condition 3.b.

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SCHEDULE CBP

CAPACITY BIDDING PROGRAM

SPECIAL CONDITIONS (Continued)

10. Contract Requirement: Participating customers and Aggregators must execute all applicable agreements prescribed by the Utility prior to participation under this schedule. Necessary agreements may include the following:

- a. For Utility customers, a Capacity Bidding Program Customer Contract (Form 142-05300) ("Customer Contract");
- b. For Aggregators, an Aggregator Agreement for Capacity Bidding Program (CBP) (Form 142-05301) ("Aggregator Contract").

11. Multiple Program Participation: Customers participating in the Capacity Bidding Program are not eligible to participate in any other utility demand response program.

12. Termination of Schedule: This schedule is in effect until modified or terminated through the Utility's Demand Response Programs portfolio Application proceeding, or through the annual program evaluation and modification process most recently adopted by the Commission in D. 06-03-024.

13. Metering Requirement: Each participating customer must have an approved interval meter and approved meter communications equipment installed and read by SDG&E. The Utility must have access to the customer's meter data on a daily basis for a period of no less than ten (10) calendar days to establish a valid customer specific baseline.

An approved interval meter is capable of recording usage in 15-minute intervals and being read remotely by the Utility.

For customers with billed maximum demand of 20 kW or greater during one of the past 12 billing months, the Utility will, if required, provide and install the metering and communication equipment at no cost to the customer.

14. Utility Testing: At the Utility's discretion, up to two (2) Events may be called during each operational season for the purpose of testing of the Program ("Test Events"). All notification protocols, as well as all applicable payments and penalties, will apply during Test Events. The only difference between a Test Event and an actual Event is the absence of the prerequisite trigger condition of 15,000 Btu/kWh heat rate criteria. A Test Event may be scheduled on a day-ahead or a day-of basis on any applicable weekday, within the operational parameters contained herein.

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SCHEDULE CBP

CAPACITY BIDDING PROGRAM

SPECIAL CONDITIONS (Continued)

15. Utility Reporting: The Utility will provide the Commission with a periodic report on the performance results of this schedule. The report may contain information on individual Participant performance, which will be provided to the Commission under applicable confidentiality protections. Participants must agree to allow the Utility, the California Energy Commission ("CEC") and their respective agents, employees, contractors, representatives and designees to conduct a site visit for measurement and evaluation, and agree to complete any surveys needed to evaluate the Program. Furthermore, Participants shall provide all load data and background information, under appropriate confidentiality protections needed to complete this evaluation. The data may also be made available to academic researchers, under appropriate confidentiality protections, to facilitate the understanding of demand response.

16. Failure to Reduce Energy: A failure to comply with an Event will result in the applicable penalty provisions (including the payment therefore by the Participant incurring such penalty) being applied as described herein.

17. Emergency Generation Limitations: Participating customers may achieve energy reductions by operating backup or onsite standby generation. The customer will be solely responsible for meeting all environmental, legal and other regulatory requirements for the operation of such generation. Notwithstanding all other applicable Utility Rules and Tariffs, such customer may synchronize and operate its own standby generation in parallel with the electric system up to 60 cycles to minimize service interruption during the transfer of electric service between the Utility electric system and the customer's back-up or standby generation. Such operation shall only occur during the period starting 15 minutes prior to and ending 15 minutes after an Event defined in this Schedule. Such customer must receive approval of their interconnection plans from Utility prior to operation of their generator in parallel with Utility's system. In no event shall such customer operate its own standby generation in parallel with the Utility electric system during Utility service interruptions.

Upon termination or expiration of the term of this schedule or associated Customer Contract, such customer agrees to either (i) dismantle all equipment necessary for customer's own standby generation to synchronize and operate in parallel with the Utility electric system for the purpose of electric service transfer from the Utility electric system to such customer's own standby generation, or (ii) purchase and install a generator output meter meeting Utility's standards and either comply with applicable tariffs or take service under a contract.

18. Dispute Resolution: Any dispute arising from the provision of service under this schedule or other aspects of the Program will be handled as provided for in the Utility's Rule 10, Disputes.

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SCHEDULE CBP

CAPACITY BIDDING PROGRAM

SPECIAL CONDITIONS (Continued)

19. Term: Except as set forth below, each Participant must remain in the Program for a minimum of 12 calendar months ("Minimum Term") unless (a) the Program expires earlier, or (b) such Participant's Program contract with the Utility (that is, the Customer Contracts in the case of customers and Aggregator Contracts in the case of Aggregators) expires or terminates earlier. After the expiration of the Minimum Term, Participants may terminate its Program contract with the Utility and its participation in the Program by submitting to the Utility written notification of such termination, which termination shall be effective on the date that is the later of (i) the beginning of the calendar month that is immediately after the expiration of the Minimum Term, and (ii) the beginning of the calendar month that is closest to but at least thirty (30) calendar days after the Utility receives such notification.

In the event of termination of an Aggregator Contract between an Aggregator and Utility, the customers whom such Aggregator represented under such Aggregator Contract will have fourteen (14) days from the date of receipt of notice of such termination by Utility in which to continue their participation in the Program in respect to the represented service meters through another Aggregator or directly with Utility without the designation of an Aggregator. Customers electing the foregoing must submit a "Notice to Add, Change or Terminate an Aggregator" (Form 142-05302) setting forth their election. If such customer does not submit such form by such 14-day period, such customer will be deemed to have elected to continue its participation in the Program with respect to such service meters directly with the Utility without being represented by an Aggregator.

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RULE 30

CAPACITY BIDDING PROGRAM

This Rule shall apply to Aggregators (referred to herein as "Aggregator" or "Aggregators"), who contract with the Utility to perform functions on behalf of customers related to participation in the Utility's Capacity Bidding Program ("Program"). Aggregators shall manage Program enrollment for customers and ensure customer compliance with applicable tariff and contract requirements. Aggregators are required to sign an Aggregator Agreement for Capacity Bidding Program (Form 142-05301) (the "Aggregator Contract") with the Utility and, as part of such agreement, shall act on behalf of customers with respect to the receipt of incentive payments from and the payment of charges to the Utility under the Program. This Rule shall also apply to the Utility's customers participating in the Utility who have designated an Aggregator to act on their behalf.

Aggregators are appointed by individual customers participating in the Program pursuant to the "Notice to Add, Change or Terminate Aggregator for Capacity Bidding Program" (Form 142-05302) submitted by such customers to the Utility.

The specific requirements of individual customers participating in the Program are further described in Schedule CBP and each such customer's Capacity Bidding Program Customer Contract (Form 142-05300) ("Customer Contract"). A customer's participation in the Program through the use of an Aggregator is subject to the terms and conditions of Schedule CBP and this Rule.

A. GENERAL

1. Eligibility and Application for Aggregator Status

- a. Aggregators are required to complete an Aggregator Contract with the Utility and to furnish all financial information required by the Utility to ensure that the Aggregator is able to perform its obligations under the Aggregator Contract and this Rule.
- b. Aggregators approved by the Utility may market the Program to customers eligible to participate in the Program. Aggregators must enter into and maintain signed contracts with each eligible customer electing to participate in the Program through Aggregator ("Aggregator/Customer Contracts"), whereby such customer authorizes Aggregator, as its representative, to receive incentive payments and to pay penalty charges on behalf of such customer in accordance with Schedule CBP. Each Aggregator/Customer Contract must contain the following:
 - (i) provisions reasonably satisfactory to the Utility allowing the Utility to test load control and meters and to audit meter data;
 - (ii) an acknowledgement to the Utility by the customer party thereto that (A) the Utility shall not be liable under any circumstances for the failure by their Aggregator, or by any other party, to pay to such customer any amounts that their Aggregator under the Program, and (B) in accordance with Schedule CBP, such customer may be liable for amounts due and owing by such Aggregator in the event Aggregator fails to make payment of such amounts to the Utility pursuant to the Aggregator Contract with the Utility; and

(Continued)

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RULE 30

CAPACITY BIDDING PROGRAM

A. GENERAL (Continued)

1. Eligibility and Application for Aggregator Status (Continued)

b. (Continued)

(iii) a waiver of any and all claims by the customer party thereto as against the Utility with respect thereto.

Further, each Aggregator/Customer Contract must contain a provision whereby the customer party thereto acknowledges and agrees that the Utility has the right to terminate its Aggregator Contract with the Aggregator if the Aggregator fails to pay customer in accordance with the terms of such Aggregator/Customer Contract. Any Aggregator/Customer Contract that fails to include the provisions above will be considered void, and any such Aggregator/Customer Contract will be deemed a material breach of the Aggregator Contract to which such Aggregator is a party.

c. Utility shall have the right to, and Aggregators shall permit Utility to, audit and review each Aggregator/Customer Contracts to which such Aggregators are a party. Notwithstanding the foregoing, the Utility shall not be responsible for monitoring, auditing, reviewing or enforcing such Aggregator/Customer Contracts.

d. Once an Aggregator has entered into an Aggregator/Customer Contract with an eligible customer, Aggregator shall deliver a "Notice by Aggregator to Add or Delete Customers" (Form 142-05303) adding such customer. Aggregator must notify Utility of any removal of customers from its representation by delivering to Utility the same "Notice by Aggregator to Add or Delete Customers" (Form 142-05303), removing such customer. Aggregator's delivery of such notice is a condition precedent to both Aggregator's representation of such customer and Aggregator's termination of its representation of such customer, as the case may be. Aggregator acknowledges that each customer it represents is subject to the terms and conditions of Schedule CBP.

e. Aggregators must ensure that each customer whom it represents in the Program (i) has entered or enters into a Customer Contract with Utility, (ii) has completed a "Notice to Add, Change or Terminate an Aggregator for Capacity Bidding Program" (Form 142-05302) designating such Aggregator, and (iii) has completed, executed and delivered all such documents, instruments, consents and agreements as may be required for such customer's participation in the Program and for the designation of such Aggregator (including, without limitation, an "Authorization To: Receive Customer Information or Act on a Customer's Behalf" .

f. Each Aggregator must provide a certification satisfactory to the Utility that none of the customers it represents will receive duplicative benefit from participating in multiple demand reduction programs. The certification must include names, locations and meter numbers of all such customers so that the Utility can confirm or verify with the Commission or other appropriate entity that no customer listed by such Aggregator is receiving any such duplicative benefit.

(Continued)

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N

N

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RULE 30

CAPACITY BIDDING PROGRAM

A. GENERAL (Continued)

1. Eligibility and Application for Aggregator Status (Continued)

g. Aggregators shall also meet and comply with all of the requirements and obligations for "Aggregators" as set forth in Schedule CBP and in their Aggregator Contracts with the Utility.

2. Rates

a. Load Reduction Incentive Payments and Energy Usage Reduction Incentive Payments (each as defined in Schedule CBP) and any other charges or fees due to each Aggregator on account of the customers such Aggregator represents shall be paid by Utility in accordance with the rates and amounts therefore as set forth in Schedule CBP.

b. To the extent the calculation of Load Reduction Incentive Payments and/or Energy Usage Reduction Incentive Payments results in a penalty payment to the Utility from an Aggregator, then the payment of such penalty, and any other charges or fees to Utility from such Aggregator, shall be paid by such Aggregator in accordance with the rates and amounts therefore set forth in Schedule CBP.

3. Fees, Surcharges and Taxes

Applicable taxes will be added to all billings, including any other fees, surcharges and taxes applicable within the city of political subdivision where the electricity is actually used.

4. Release of Customer Information

The Utility must receive a signed "Authorization To: Receive Customer Information or Act on a Customer's Behalf" from a customer participating in the Program via an Aggregator prior to the release of such customer's usage data to such Aggregator. Subject to customer authorization, for each request to release customer usage data, the Utility will provide a maximum of the then most recent twelve (12) months of the customer's electric usage data (or all data available if the customer has less than twelve (12)-months' usage history) to the customer or to the Aggregator. If a customer, or the Aggregator, requests this historic usage data more than two (2) times per year for a specific customer account, the Utility shall have the ability to assess a processing charge if approved by the Commission.

(Continued)

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N



RULE 30

CAPACITY BIDDING PROGRAM

B. ESTABLISHMENT OF AGGREGATOR'S ABILITY TO PERFORM

1. Participation in the Program

Prior to, and as a condition to, the Aggregator's execution of an Aggregator Contract, the Aggregator shall be required to furnish the Utility with financial information satisfactory to the Utility, as requested by the Utility, in order for the Utility to determine whether the Aggregator is able to perform its obligations under the Aggregator Contract and the Program. Based on the Utility's valuation of such information, Utility may require security in an amount to be determined by the Utility. In the event the Utility determines that a financial change has or could adversely affect the creditworthiness of the Aggregator, or if the Aggregator does not provide the requested financial information or required security deposit, the Utility may terminate the Aggregator Contract to which such Aggregator is a party and such Aggregator's participation in the Program immediately or require the Aggregator to provide additional security.

All information provided by the Aggregator to the Utility will remain strictly confidential.

2. Security

The Utility may require, on a case by case basis, that the Aggregator provide adequate security in order to participate, or continue to participate, in the Program. Such security may be in one of the following forms, in the amounts to be determined by the Utility:

- a. Cash Deposit – Deposits will earn interest at the 3-month commercial paper rate.
- b. Letters of Credit – Irrevocable and renewable standby Letters of Credit issued by a major U.S. financial institution acceptable to the Utility.
- c. Surety Bonds – Renewable surety bonds in a form acceptable to the Utility, which are issued by a major insurance company acceptable to the Utility.
- d. Guarantees – Guarantors must furnish financial information as requested by the Utility and have credit standards acceptable to the Utility. Guarantees must be accompanied by other forms of security equal to at least 20% of the credit requested. "Other forms of security deposit" shall include those items outlined above and any other form and amount of collateral to which the Utility, in its sole discretion, agrees in writing.

If the Utility determines that security is required, it is due and payable upon demand prior to the commencement of the Aggregator's participation in the Program. All forms of security shall be retained as long as the Aggregator is participating in the Program.

(Continued)

4P14

Advice Ltr. No. 1799-E

Decision No. 06-03-024

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Jun 1, 2006

Effective _____

Resolution No. _____

N
N
N
N
N



RULE 30

CAPACITY BIDDING PROGRAM

C. BILLING AND PAYMENT TERMS

1. Billing and Payment Terms for Aggregator Payments

Subject to Paragraph C.2, the Utility shall pay the Aggregator any Load Reduction Incentive Payments and/or Energy Usage Reduction Incentive Payments due to the Aggregator under the Program within 90 days after the end of the calendar month in which such payment accrued.

2. Billing and Payment Terms for Charges Payable by Aggregator

Any and all amounts and penalties due to the Utility from an Aggregator shall offset any payments due to such Aggregator in respect of such month. In the event that any portion of such amounts or penalties due to the Utility in a particular month exceeds the payments payable to the Aggregator for such month, the Utility shall bill the Aggregator for such excess amount. The bill shall be due and payable by the Aggregator upon receipt.

3. Method of Payment

All payments will be submitted electronically or by wire transfer unless otherwise agreed to by the Utility.

4. Late Payment

The Utility's bill to an Aggregator will be considered past due if it is not paid within 15 calendar days after transmittal. Such Aggregator will be unable to add eligible customers until late payments are cured.

If an Aggregator pays late 3 or more times by 7 days or less, or pays late one or more times by greater than 7 days in any contiguous 12-month period, then, in addition to all other rights of the Utility resulting from such late payments (or any non-payments), the Utility may require full collateral in the form of cash, irrevocable standby letter of credit, security bond or any other security instrument deemed appropriate by the Utility. If such collateral is requested and not provided by the Aggregator to the Utility, the Aggregator's Aggregator Contract and its participation will be subject to termination by the Utility.

D. TERMINATION OF AGGREGATOR CONTRACT

Upon termination of the Aggregator Contract between the Utility and the Aggregator:

1. Termination notices will be sent to the Aggregator and to each of the customers whom the Aggregator represents under such Aggregator Contract;
2. All fees, charges and other obligations of the Aggregator to Utility shall be immediately due and payable without further notice of demand; and
3. At the time of termination, if the Aggregator has not paid Utility billings, any security provided by Aggregator shall be applied to recoup unpaid bills.

(Continued)

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RULE 30

CAPACITY BIDDING PROGRAM

E. ARBITRATION OF DISPUTES

The terms and conditions of the Aggregator/Customer Contract between the Aggregator and a customer are independent of the Utility. Any disputes arising between Aggregator and such customer shall be handled between those parties.

If a customer disputes a Utility bill, the disputed amount will be deposited with the California Public Utilities Commission (hereinafter referred to as "Commission") pending resolution of the dispute under the existing Commission procedures for resolving such disputes with the Utility. If a customer has a billing dispute with its Aggregator, the customer will remain obligated to pay Utility charges in a timely manner. The Aggregator shall not withhold payment of any such Utility charges pending resolution of any such disputes. If an Aggregator disputes a Utility bill, the disputed amount will be deposited with the Commission pending resolution of the dispute under existing Commission procedures. No termination of participation in the Program will occur for this dispute while the Commission is hearing the matter, provided that the Aggregator has deposited the full amount in dispute with the Commission or with the Utility.

F. UTILITY SERVICES

The Utility shall continue to read customer meters and provide customers with all other regular utility services.

(Continued)

6P16

Advice Ltr. No. 1799-E

Decision No. 06-03-024

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Jun 1, 2006

Effective _____

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N
N
N
N



San Diego Gas & Electric Company
San Diego, California

Original Cal. P.U.C. Sheet No. 19315-E

Canceling _____ Cal. P.U.C. Sheet No. _____

SAMPLE FORMS

Sheet 1

Form 142-05300

CAPACITY BIDDING PROGRAM CUSTOMER CONTRACT

(06/06)

(See Attachment)

(Continued)

1P8

Advice Ltr. No. 1799-E

Decision No. 06-03-024

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Jun 1, 2006

Effective _____

Resolution No. _____

N
N

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N
N



Capacity Bidding Program Customer Contract

This Customer Contract ("Contract") is made and entered into by and between the following parties:

San Diego Gas & Electric Company, a California corporation, hereinafter referred to as "SDG&E" and _____, hereinafter referred to as "Customer", and jointly, or individually, referred to as "Parties" or "Party".

I. RECITALS

WHEREAS, Customer is herein requesting to take service pursuant to Schedule CBP, the Capacity Bidding Program ("Program"), a copy of which is attached hereto as Attachment C and incorporated herein by reference. Capitalized terms used herein but not defined herein shall have their meanings ascribed thereto in Schedule CBP.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

II. ELIGIBILITY

As a condition to participating in the Program, Customer shall meet the eligibility and qualification requirements set forth in Schedule CBP.

III. TERM

This Contract shall become effective when signed by both Parties, and remains effective unless terminated sooner by the terms herein. Customer must remain in the Program for a minimum of twelve (12) calendar months ("Minimum Term"), unless (a) the Program or this Contract expires earlier or (b) as set forth in Section VI below. After the expiration of the Minimum Term, Customer may terminate this Contract and its participation in the Program by submitting to SDG&E written notification of such termination, which termination shall be effective on the date that is the later of (i) the beginning of the calendar month that is immediately after the expiration of the Minimum Term, and (ii) the beginning of the calendar month that is closest to but at least thirty (30) calendar days after SDG&E receives such notification. Any such notification shall be delivered to SDG&E at the following address: SDG&E, 8306 Century Park Court, CP 42K, San Diego, CA 92123.

IV. MONTHLY NOMINATION

Customer shall submit monthly Load Reduction Nominations whereby Customer shall nominate the amount of load reduction for each operational month of the term and shall allocate such Nominated Load Reduction among one or more Products, all as set forth in and in accordance with Schedule CBP. Customer commits to reduce energy use as nominated by Customer pursuant to each such monthly Load Reduction Nomination.

V. PAYMENT

The Parties shall invoice one another, and make such payments to one another, as set forth in and in accordance with Schedule CBP.

VI. AGGREGATOR

Customer may, at any time, elect to participate in the Program via an Aggregator by submitting a "Notice to Add, Change or Terminate a Third-Party Aggregator for Capacity Bidding Program" (Form 142-05301) and designating an Aggregator therein. Customer must remain in the Program and with such designated Aggregator for the Minimum Term unless and until (a) the Program or this Contract expires or terminates prior to the

expiration of the Minimum Term or (b) the Aggregator Contract to which such designated Aggregator is a party with SDG&E terminates prior to the expiration of the Minimum Term, in which case the provisions of Rule 30 providing for such early termination of such Aggregator Contract shall control. Any change or termination of a designation of an Aggregator shall become effective the following month after receipt of a "Notice to Add, Change or Terminate an Aggregator for Capacity Bidding Program" (Form 12-05301) setting forth such change or termination.

Participation in the Program via an Aggregator, including the designation and termination of such Aggregator and its services, shall be subject to the terms and conditions of Schedule Capacity Bidding Program (CBP) and Electric Rule 30, Aggregators for Capacity Bidding Program.

SDG&E must receive a signed "Authorization To: Receive Customer Information or Act on a Customer's Behalf" from Customer prior to releasing Customer's electric usage data to any designated Aggregator. Subject to Customer authorization, for each request to release customer-specific electric usage data, SDG&E will provide a maximum of the most recent twelve (12) month's customer electric usage data (or all data available if Customer has less than twelve (12) month's usage history) to Customer, or such designated Aggregator. If Customer, or its designated Aggregator, requests this historic usage more than two (2) times per year for a specific service account, SDG&E shall have the ability to assess a processing charge if approved by the Commission.

To the extent Customer's designated Aggregator fails (or is deemed to have failed) to make a payment of any penalty amounts owed by such Aggregator to SDG&E in connection with the Program, Customer will be liable for its pro rata share any such amount, which pro rata share shall be based upon Customer's contribution to the Shortfall Energy Amount related to such failure.

VII. ASSIGNMENT

Customer shall not assign this Contract without prior written consent of SDG&E.

VIII. DISPUTE RESOLUTION

Any dispute that cannot be resolved between the Parties shall be settled by the means set forth in Schedule CBP. In any action in litigation to enforce or interpret any of the terms of this Contract, the prevailing party shall be entitled to recover from the unsuccessful party all costs, expenses (including expert testimony) and reasonable attorneys fees (including fees and disbursements of in-house and outside counsel) incurred therein by the prevailing party.

IX. DISCLAIMER OF WARRANTY

No promise, representation, warranty, or covenant not included in this Contract has been, or is relied on by either Party. Each Party has relied on its own examination of this Contract, the counsel of its own advisors, and the warranties, representations, and covenants in the Contract itself.

X. LIMITATION OF SDG&E'S LIABILITY

The limitations of liability set forth below in this Section X shall not apply to errors or omissions caused by willful misconduct, fraudulent conduct, or violations of law.

In no event shall SDG&E, its shareholders, directors, employees, agents or subcontractors (including, without limitation, suppliers of the Utility System) (collectively "SDG&E Parties") be liable to Customer for any claims, losses, liabilities or damage (including direct, indirect, consequential, special, incidental, or punitive damages under any other theories including, but not limited to, tort, contract, breach of warranty or strict liability) for (i) the design, manufacture, installation, operation, maintenance, performance or demonstration of the Utility System, or (ii) the acts or omissions of, or the performance or non-performance under any agreement with Customer by, any Aggregator designated by Customer pursuant to Section VI above. The "Utility System" includes any metering, meter communication equipment, Internet communication software, energy demand management software and related goods and services. SDG&E shall not be responsible for any business loss, actual or implied, as a result of the partial or complete failure of the Utility System to operate.

XI. COMPLIANCE WITH LAWS

The Parties shall comply with, and this Contract shall be subject to, the terms and conditions of Schedule CBP, and all applicable local, state and federal rules, regulations and laws, including, without limitation, if Customer designates an Aggregator pursuant to Section VI above, Rule 30, Aggregators for Capacity Bidding Program (CBP).

XII. COMMISSION CONTINUING AUTHORITY

This Contract shall at all times be subject to the Commission and to any changes or modification that the Commission may, from time to time, direct in the exercise of its jurisdiction.

Notwithstanding any other provision of this Contract, either Party shall have the right to unilaterally file with the Commission, pursuant to the Commission's rules and regulations, an application for a change in rates, charges, classification, or any rule, regulation, or agreement relating thereto.

XIII. CONTACT INFORMATION

Customer's contact information for purposes of Customer's participation in the Program (including, without limitation, for purposes of Event notification) is set forth in Attachment A attached hereto and incorporated herein by reference.

XIV. ESSENTIAL CUSTOMER DECLARATION

I hereby state that I am the _____ (title) of _____ (company), and am authorized to make this declaration on behalf of my company at the following location:

Address _____

City _____

State California Zip _____

To the best of my knowledge, I understand that my company is considered an essential customer at the location stated above under the California Public Utilities Commission's rules and is exempt from rotating outages. I declare that I have voluntarily elected to participate in an SDG&E interruptible program for all or part of my electrical load based on adequate back-up generation or other means to interrupt load when requested by SDG&E, while continuing to meet my essential needs. I acknowledge that I have not committed more than 50% of my average peak load under the interruptible program.

IN WITNESS WHEREOF, SDG&E and Customer have executed this Contract:

Customer	San Diego Gas & Electric Company
By _____	By _____
Title _____	Title _____
Date _____	Date _____

The following attachments are attached hereto and incorporated by reference:
Attachment A: Customer Contact Information
Attachment B: Customer Account Information
Attachment C: Schedule CBP

ATTACHMENT A
Capacity Bidding Program
Customer Contact Information

Primary Contact:

Name: _____
Title: _____
Mailing Address: _____

Telephone Number: _____
Pager Number: _____
Email Address: _____

Secondary Contact:

Name: _____
Title: _____
Mailing Address: _____

Telephone Number: _____
Pager Number: _____
Email Address: _____

Additional Contact:

Name: _____
Title: _____
Mailing Address: _____

Telephone Number: _____
Pager Number: _____
Email Address: _____

Additional Contact:

Name: _____
Title: _____
Mailing Address: _____

Telephone Number: _____
Pager Number: _____
Email Address: _____

Additional Contact:

Name: _____
Title: _____
Mailing Address: _____

Telephone Number: _____
Pager Number: _____
Email Address: _____

ATTACHMENT B
Capacity Bidding Program
Customer Account Information

Site #1

Account Name _____
Account Number _____
Site Address _____
Existing Electric Meter Number _____

Site #2

Account Name _____
Account Number _____
Site Address _____
Existing Electric Meter Number _____

Site #3

Account Name _____
Account Number _____
Site Address _____
Existing Electric Meter Number _____

Site #4

Account Name _____
Account Number _____
Site Address _____
Existing Electric Meter Number _____

Site #5

Account Name _____
Account Number _____
Site Address _____
Existing Electric Meter Number _____

Attach additional Customer Account Information sheets to this contract if required. (Sheet ____ of ____)

ATTACHMENT C
Capacity Bidding Program
Schedule CBP



San Diego Gas & Electric Company
San Diego, California

Original Cal. P.U.C. Sheet No. 19316-E

Canceling _____ Cal. P.U.C. Sheet No. _____

SAMPLE FORMS

Sheet 1

Form 142-05301

N
N

AGGREGATOR AGREEMENT FOR CAPACITY BIDDING PROGRAM (CBP)

(06/06)

N
N

(See Attachment)

N

(Continued)

1P8

Advice Ltr. No. 1799-E

Decision No. 06-03-024

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Jun 1, 2006

Effective _____

Resolution No. _____

AGGREGATOR AGREEMENT
FOR CAPACITY BIDDING PROGRAM (CBP)

This Aggregator Agreement for Capacity Bidding Program (“Agreement”) is made and entered into this _____ day of _____, 200__ (the “Effective Date”), by and between San Diego Gas & Electric Company (“Utility”), a corporation organized and existing under the laws of the State of California, and _____ (“Aggregator”), a _____ organized and existing under the laws of the State of _____. Utility and Aggregator may sometimes be referred to herein as a “Party” and collectively as the “Parties”.

WHEREAS, the California Public Utilities Commission (“CPUC”) has authorized the Capacity Bidding Program (CBP) (“Program”) as set forth in Schedule CBP, which is attached hereto as Attachment A and incorporated herein by this reference, whereby Utility pays participating Utility customers monthly incentive payments in return for pre-determined load reduction; and

WHEREAS, the CPUC has authorized the participation of third-party aggregators to aggregate the load reductions of one or more participating Utility customers, and Aggregator desires to participate in the Program as such a third-party aggregator, subject to the applicable Utility tariff rules and rate schedules.

NOW, THEREFORE, in consideration of the mutual undertakings set forth below, the Parties agree as follows:

I. AGGREGATOR STATUS

1.1 Status. Aggregator’s status under this Agreement shall be as an “Aggregator” under Schedule CBP and Electric Rule 30, which is attached hereto as Attachment B and incorporated herein by this reference. Aggregator shall be subject to, and shall comply with, all applicable tariff rules and regulations (which rules and regulations are hereby incorporated herein as an integral part of this Agreement), including, but not limited to, the rates, terms and conditions set forth in Rule 30 and Schedule CBP, as such rules and regulations may be amended from time to time.

1.2 Eligibility. As a condition to participating in the Program as an “Aggregator,” Aggregator shall meet the eligibility and qualification requirements set forth in Rule 30.

1.3 Definitions. Except where explicitly defined herein, the capitalized terms used in this Agreement shall have the meanings set forth in Rule 30 or Schedule CBP.

II. REPRESENTATIONS

2.1 Representations and Warranties. Each Party represents, warrants and covenants, individually for itself, as follows:

2.1.1 Such Party is and shall remain in compliance with all applicable laws and tariffs, including applicable CPUC requirements.

2.1.2 Each person executing this Agreement for such Party has the full power and authority to execute and deliver this Agreement and bind the entity on whose behalf this Agreement is executed.

2.1.3 The execution, delivery and performance of this Agreement have been duly authorized by all necessary action by such Party, and this Agreement constitutes such Party's valid and binding obligation, enforceable against such Party in accordance with its terms.

2.1.4 All duties under this Agreement shall be performed by such Party in accordance with applicable recognized professional standards.

2.2 Additional Representations of Aggregator.

2.2.1 With each submission of a "Notice by Aggregator to Add or Delete Customers" (Form 142-05303), which is attached hereto as Attachment C and incorporated herein by reference, adding a customer with respect to a service account to its representation, Aggregator represents and warrants, at the time of submission thereof and from time to time until Aggregator submits such notice for the removal of such customer from its representation, that:

(a) Such customer is otherwise eligible to participate in the Program and has elected to participate in the Program through Aggregator;

(b) Such customer has (i) entered into a Customer Contract (Form 142-05300) with Utility, (ii) completed a "Notice to Add, Change or Terminate a Third-Party Aggregator for Capacity Bidding Program" (Form 142-05302) and delivered such notice to Utility, and (iii) completed, executed and delivered to Utility all such other documents, instruments, consents and agreements as any be required for such participation in the Program and for the designation of such Aggregator (including, without limitation, an "Authorization To: Receive Customer Information or Act on a Customer's Behalf"; and

(c) Aggregator has entered into an Aggregator/Customer Contract with such customer consistent with the requirements of this Agreement.

2.2.2 With each submission of a "Notice by Aggregator to Add or Delete Customers" (Form 142-05303) dropping a customer with respect to a service account from its representation, Aggregator represents and warrants that:

(a) Such customer has elected, or has been deemed to have elected, to terminate its participation in the Program through Aggregator with respect to such service account; and

(b) Such customer has (i) completed a "Notice to Add, Change or Terminate an Aggregator for Capacity Bidding Program" (Form 142-05302) and delivered such notice to Utility, and (ii) delivered all such other documents, instruments, consents and agreements as any be required for terminating Aggregator's representation of such customer in the Program with respect to such service account.

III. SECURITY

Aggregator acknowledges that it has provided, prior to the execution of this Agreement, any and all financial information of Aggregator required by Utility. Aggregator acknowledges that Aggregator shall have a continuing obligation to provide such additional financial information to Utility upon the Utility's written request. Concurrently with the execution of this Agreement, and from time to time thereafter, Aggregator shall deliver any security required by Utility pursuant to Rule 30. Additionally, Aggregator represents and warrants that there has been no materially adverse change in its financial

position from the date of the latest available and provided financial statements to the date hereof. In the event that (a) Utility determines that a material financial change in Aggregator has adversely affected Aggregator's creditworthiness subsequent to the execution of this Agreement, or (b) Aggregator does not provide the financial information or security requested by Utility, Utility may terminate this Agreement as of the day written notice is given or require Aggregator to provide additional security as provided in Rule 30.

IV. BILLING AND PAYMENT

4.1 Billing and Payment Terms. During the term of this Agreement, each Party shall make the payments or credits to the other Party, and in such amounts, as provided in Schedule CBP.

4.2 Billing Address. Statements, invoices and billings shall be by first class U.S. mail to the following addresses:

If to Aggregator:

If to Utility:

San Diego Gas & Electric Company
Billing Collections Manager

4.3 Payment Address. Payments shall be submitted electronically or by wire transfer to the following accounts:

If to Aggregator:

If to Utility:

4.4 Disputed Bills or Charges. Aggregator agrees to resolve any disputed bills and/or charges in accordance with Rule 30.

V. TERM

This Agreement shall become effective on the date that this Agreement is signed by both Parties ("Effective Date"), and remains effective unless terminated sooner by the terms herein. The term of this Agreement shall continue for at least twelve (12) calendar months after the Effective Date ("Minimum Term"), unless (a) the Program expires earlier (which is expected to occur on December 31, 2008 unless the Program is extended by the CPUC), or (b) this Agreement terminates earlier as set forth in this

Agreement. After the expiration of the Minimum Term, either Party may terminate this Agreement by written notification to the other Party of such termination, which termination shall be effective on the date that is the later of (i) the beginning of the calendar month that is immediately after the expiration of the Minimum Term, and (ii) the beginning of the calendar month that is closest to but at least thirty (30) calendar days after the non-terminating Party receives such notification.

VI. EVENTS OF DEFAULT

- 6.1 Events of Default. An “Event of Default” shall mean:
- (a) if Aggregator defaults on the due and timely payment of monies when the same shall become due and payable, and such default shall continue for a period of seven (7) days after written notice thereof by Utility to Aggregator; or
 - (b) if Aggregator defaults in the performance or observance on its part of any other covenant, obligation or agreement contained in this Agreement to be performed by Aggregator (other than the payment of monies, which is governed by clause (a) above), and such default shall continue for a period of sixty (60) days after written notice thereof to Aggregator by Utility; provided, however, that if such default shall be such that it cannot be remedied by Aggregator within such sixty (60) day period, it shall not constitute an Event of Default if corrective action to cure such default is commenced by Aggregator within such sixty (60) day period and Aggregator diligently pursues the cure of such default until the default is remedied; or
 - (c) if Aggregator (i) makes an assignment or any general arrangement for the benefit of creditors, or (ii) files a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it which is not dismissed within thirty (30) days of such filing.
- 6.2 Remedies. If an Event of Default occurs and is continuing, Utility may terminate this Agreement and exercise any other remedies available to it at law, in equity, by statute or otherwise, subject, however, to the dispute resolution procedures set forth in Section 11.4 below. In addition, if an Event of Default for the payment of monies occurs and is continuing where Aggregator is the Defaulting Party, then the Utility may make a draw under any security provided by Aggregator for any such outstanding amounts due and payable from Aggregator.
- 6.3 Remedies Not Exclusive. No remedy by the terms of this Agreement conferred upon or reserved to Utility is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute.
- 6.4 Rights and Responsibilities Following Termination. The Parties’ rights and responsibilities following termination of this Agreement are set forth in Rule 30.

VII. LIMITATION OF LIABILITY

Utility's liability to Aggregator for any loss, cost, claim, injury, liability or expense, including reasonable attorneys' fees, relating to or arising from any act or omission in Utility's performance of this Agreement shall be limited to the amount of direct damage actually incurred. In no event shall Utility be liable to Aggregator for any indirect, special, consequential or punitive damages of any kind whatsoever, whether in contract, tort or strict liability. In addition, in no event shall Utility, its shareholders, directors, employees, agents or subcontractors (including, without limitation, suppliers of the Utility System) (collectively "Utility Parties") be liable to Aggregator for any claims, losses, liabilities or damage (whether direct, indirect, consequential, special, incidental, or punitive damages under any other theories including, but not limited to, tort, contract, breach of warranty or strict liability) for (i) the design, manufacture, installation, operation, maintenance, performance or demonstration of the Utility System, or (ii) the acts or omissions of, or the performance or non-performance of, Aggregator or any customer under any Aggregator/Customer Contract to which such customer is party. The "Utility System" includes any metering, meter communication equipment, Internet communication software, energy demand management software and related goods and services. Utility shall not be responsible for any business loss, actual or implied, as a result of the partial or complete failure of the Utility System to operate.

VIII. INDEMNIFICATION

8.1 **Indemnification of Utility.** To the fullest extent permitted by law, Aggregator shall indemnify, defend and hold harmless Utility, and its current and future parent company, subsidiaries, affiliates and their respective shareholders, officers, directors, employees, agents, representatives, successors and assigns (collectively, the "Indemnified Parties"), from and against any and all claims, actions, suits, proceedings, losses, liabilities, penalties, fines, damages, costs or expenses, including without limitation reasonable attorneys' fees (a "Claim"), resulting from (a) any breach of the representations, warranties, covenants and obligations of Aggregator under this Agreement, (b) any act or omission of Aggregator, whether based upon Aggregator's negligence, strict liability or otherwise, in connection with the performance of this Agreement, or (c) any third party claims of any kind, whether based upon negligence, strict liability or otherwise, arising out of or connected in any way to Aggregator's performance or nonperformance under this Agreement. This indemnification obligation shall not apply to the extent that such injury, loss or damage is caused by the willful misconduct of Utility or Utility's sole negligence.

8.2 **Defense of Claim.** If any Claim is brought against the Indemnified Parties, Aggregator shall assume the defense of such Claim, with counsel reasonably acceptable to the Indemnified Parties, unless in the opinion of counsel for the Indemnified Parties a conflict of interest between the Indemnified Parties and Aggregator may exist with respect to such Claim. If a conflict precludes Aggregator from assuming the defense, then Aggregator shall reimburse the Indemnified Parties on a monthly basis for the Indemnified Parties' defense costs through separate counsel of the Indemnified Parties' choice. If Aggregator assumes the defense of the Indemnified Parties with acceptable counsel, the Indemnified Parties, at their sole option and expense, may participate in the defense with counsel of their own choice without relieving Aggregator of any of its obligations hereunder.

8.3 **Survival.** Aggregator's obligation to indemnify Utility under this Section 8 shall survive the termination of this Agreement.

IX. NOTICES

9.1 **Mailing Address.** Except for statements, invoices and bills, which shall be submitted pursuant to Section 4 above, any formal notice, request, or demand concerning this Agreement shall be

given in writing by Utility or Aggregator, and shall be (a) mailed by first-class mail, (b) mailed by registered, certified or other overnight mail, (c) delivered in hand, or (d) faxed with confirmation as set forth below, to the other party as indicated below, or to such other address as the parties may designate by written notice.

If to Aggregator:

Fax : _____

If to Utility:

Fax : _____

9.2 Notices. Notices delivered by hand shall be deemed received when delivered. Notices sent by facsimile shall be deemed received upon receipt but must be confirmed by mail within seventy-two (72) hours. Notices delivered by first class mail shall be deemed received forty-eight (48) hours (not including weekends and holidays) after deposit, postage prepaid, in the U.S. mail, or if certified, registered or overnight mailing is used, as acknowledged by the signed receipt of mailing.

X. CONFIDENTIALITY

10.1 Confidentiality. Aggregator shall not disclose any Confidential Information obtained pursuant to this Agreement to any third party, including any affiliates of Aggregator, without the express prior written consent of Utility. As used herein, the term “Confidential Information” means proprietary business, financial and commercial information pertaining to Utility, customer names and other information related to customers, including energy usage data (“Customer Information”), any trade secrets and any other information of a similar nature, whether or not reduced to writing or other tangible form. Confidential Information shall not include: (a) information known to Aggregator prior to obtaining the same from Utility; (b) information in the public domain at the time of disclosure by Aggregator; (c) information obtained by Aggregator from a third party who did not receive the same, directly or indirectly, from Utility; or (d) information approved for release by express prior written consent of an authorized representative of Utility.

10.2 Use of Confidential Information. Aggregator hereby agrees that it shall use the Confidential Information solely for the purpose of performing under this Agreement. Aggregator agrees to use at least the same degree of care Aggregator uses with respect to its own proprietary or confidential information, which in any event shall result in a reasonable standard of care to prevent unauthorized use or disclosure of the Confidential Information.

10.3 Authorized Disclosure. Notwithstanding any other provisions of this Section 10, Aggregator may disclose any of the Confidential Information in the event, but only to the extent, that, based upon advice of counsel, Aggregator is required to do so by the disclosure requirements of any law, rule, regulation or any order, decree, subpoena or ruling or other similar process of any court, governmental agency or regulatory authority. Prior to making or permitting any such disclosure, Aggregator shall provide Utility with prompt written notice of any such requirement so that Utility (with

Aggregator's assistance if requested by Utility) may seek a protective order or other appropriate remedy.

10.4 Term. The confidentiality provisions set forth in this Section 10 shall remain in full force and effect with respect to any Confidential Information until the date that is ten (10) years after the date of disclosure of such Confidential Information; provided, further, that such confidentiality provisions shall remain in full force and effect with respect to any Customer Information in perpetuity.

10.5 Remedies. The Parties acknowledge that the Confidential Information is valuable and unique, and that damages would be an inadequate remedy for breach of this Section 10 and the obligations of Aggregator are specifically enforceable. Accordingly, the Parties agree that in the event of a breach or threatened breach of this Section 10 by Aggregator, Utility, its parent company(ies), subsidiaries and/or affiliates, who shall be third party beneficiaries of this Agreement, shall be entitled to seek an injunction preventing such breach, without the necessity of proving damages or posting any bond. Any such relief shall be in addition to, and not in lieu of, monetary damages or any other legal or equitable remedy available to Utility, its direct and indirect parent company(ies), subsidiaries or affiliates.

XI. MISCELLANEOUS

11.1 Assignment. This Agreement, and the rights and obligations granted and/or obtained by Aggregator hereunder, shall not be further transferred or assigned by Aggregator without the prior written consent of Utility. Any assignment in violation of this Section 11.1 shall be void.

11.2 Independent Contractor. Aggregator shall perform its obligations under this Agreement as an independent contractor, and no principal-agent or employer-employee relationship or joint venture or partnership shall be created with Utility.

11.3 Choice of Law. This Agreement shall be carried out and interpreted under the laws of the State of California, without regard to any conflict of law principles thereof. Except for matters and disputes with respect to which the CPUC is the proper venue for dispute resolution pursuant to applicable law or this Agreement, the federal and state courts located in San Diego County, California shall constitute the sole proper venue for resolution of any matter or dispute hereunder. The Parties submit to the exclusive jurisdiction of such courts with respect to such matters and disputes.

11.4 Resolution of Disputes. Any dispute arising between the Parties relating to the interpretation of this Agreement or to the performance of a Party's obligations hereunder shall be reduced to writing and referred to the Parties' designated representative for resolution. The Parties shall be required to meet and confer in an effort to resolve any such dispute. Any dispute or need for interpretation arising out of this Agreement which cannot be resolved after discussion between the Parties shall be submitted to the CPUC for resolution. If Aggregator disputes a Utility bill, the resolution of such dispute shall be as set forth in Rule 30.

11.5 Waiver. Any failure or delay by either party to exercise any right, in whole or part, hereunder shall not be construed as a waiver of the right to exercise the same, or any other right, at any time thereafter.

11.6 Governmental Actions. This Agreement shall be subject to the continuing jurisdiction of the CPUC and all orders, rules, regulations, decision or actions of any governmental entity (including a court) having jurisdiction over Utility or this Agreement. The Agreement is subject to such changes or modifications by the CPUC as it may direct from time to time in the exercise of its jurisdiction.

11.7 Entire Agreement. This Agreement, including the Attachments listed below, sets forth the entire understanding of the Parties as to the subject matter hereof, and supersedes any prior discussions, offerings, representations or understanding (whether written or oral), and shall only be superseded by an instrument in writing executed by both Parties. This Agreement shall not be modified by course of performance, course of conduct or usage of trade.

Attachment A: Schedule Capacity Bidding Program (CBP)

Attachment B: Rule 30 – Aggregators for Capacity Bidding Program (CBP)

Attachment C: Notice by Aggregator to Add or Delete Customers

11.8 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

11.9 Headings. The headings contained in this Agreement are solely for the convenience of the Parties and shall not be used or relied upon in any manner in the construction or interpretation of this Agreement.

IN WITNESS WHEREOF, the authorized representatives of Utility and Aggregator have executed this Agreement as of the Effective Date.

UTILITY:

SAN DIEGO GAS & ELECTRIC COMPANY

AGGREGATOR:

By: _____

By: _____

Signature: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Title: _____

ATTACHMENT A

Schedule Capacity Bidding Program (CBP)

ATTACHMENT B

Rule 30 – Aggregators for Capacity Bidding Program (CBP)

ATTACHMENT C

Notice by Aggregator to Add or Delete Customers



San Diego Gas & Electric Company
San Diego, California

Original Cal. P.U.C. Sheet No. 19317-E

Canceling _____ Cal. P.U.C. Sheet No. _____

SAMPLE FORMS

Sheet 1

Form 142-05302

NOTICE TO ADD, CHANGE OR TERMINATE AGGREGATOR
FOR CAPACITY BIDDING PROGRAM

(06/06)

(See Attachment)

N
N

N
N
N

N

1P7

Advice Ltr. No. 1799-E

Decision No. 06-03-024

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Jun 1, 2006

Effective _____

Resolution No. _____



Notice to Add, Change or Terminate Aggregator for Capacity Bidding Program

Instructions: Customers participating in the Capacity Bidding Program must use this form to officially notify San Diego Gas & Electric Company (SDG&E) of your intent to add, change or terminate a designated Third-Party Aggregator. Type or print the information requested in the appropriate boxes, sign it, then submit it to SDG&E's Demand Response Programs Department. The Form must be submitted by U. S. mail, fax or e-mail; however, SDG&E may require that you mail the original as soon as possible, if you have faxed or e-mailed the Form.

Fax to: Demand Response Programs
 Attn: CBP-DRP Manager
 858-654-1298

Mail signed original to: Demand Response Programs
 Attn: CBP-DRP Manager
 San Diego Gas & Electric Company
 8306 Century Park Court CP42K
 San Diego, CA 92123

E-mail: drp@semprautilities.com

SDG&E may give notice of its receipt of this Form to Aggregator.

Customer Name:

Customer Account Number(s):

Aggregator:
 Specify Add/Change or Termination:

Effective date:

With respect to the addition or change of an Aggregator, Customer hereby designates the above named Aggregator to act as its Aggregator pursuant to applicable SDG&E tariff rules and rate schedules and the written contract between Customer and such Aggregator. Customer understands that notification of the designation of the Aggregator to represent Customer in the Capacity Bidding Program must also be submitted by the Aggregator in order for such designation to become effective.

Customer understands that this designation may be changed or terminated by Customer, in its sole discretion, by providing official written notice of change or termination to SDG&E.

A copy of this notice is being sent to the other party. Such designation shall be subject to the Aggregator complying with applicable tariff and contractual provisions. This request is submitted by the following:

Signature: Date:
 Name:
 Title:
 Company:



San Diego Gas & Electric Company
San Diego, California

Original Cal. P.U.C. Sheet No. 19318-E

Canceling _____ Cal. P.U.C. Sheet No. _____

SAMPLE FORMS

Sheet 1

Form 142-05303

N
N

NOTICE BY AGGREGATOR TO ADD OR DELETE CUSTOMERS

(06/06)

N

(See Attachment)

N

N

1P7

Advice Ltr. No. 1799-E

Decision No. 06-03-024

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Jun 1, 2006

Effective _____

Resolution No. _____



San Diego Gas & Electric

8330 Century Park Court • SAN DIEGO, CA 92123 • (800) 411-SDGE (7343)

Notice by Aggregator to Add or Delete Customers

Instructions: Aggregators, use this form to officially notify San Diego Gas & Electric Company (SDG&E) of your intent to add or delete SDG&E customers from your Capacity Bidding Program portfolio. Send the completed notice to the SDG&E Demand Response Programs Department by US.mail or fax, however, the original must be mailed as soon as possible if the notice was faxed.

Fax to: Demand Response Programs
Attn: CBP-DRP Manager
858-654-1298

Mail signed original to: Demand Response Programs
Attn: CBP-DRP Manager
San Diego Gas & Electric Company
8306 Century Park Court CP42K
San Diego, CA 92123

E-mail: drp@semprautilities.com

SDG&E may verify the information on this notice with the affected Customer(s).

Aggregator Company Name:

Aggregator Code:

Additions will be effective as indicated on this notice. Deletions will be effective at the end of the current calendar month in which this notice is received.

month/day/year

Effective Add or Delete date:

By signing this form, Aggregator and Customer hereby notify SDG&E and understand that the Aggregator has the authority to act on behalf of the Customer at all times for the Service Agreements shown below subject to the applicable terms and conditions of SDG&E's Schedule CBP and the Aggregator Agreement.

Aggregator understands that the Customer, in its sole discretion, may terminate this designation by providing written notice to SDG&E. The termination will be effective at the end of the current calendar month in which the written notice is received by SDG&E.

Customer Name:

Title:

Signature:

Date:

Aggregator Name:

Title:

Signature:

Date:

Notice by Aggregator to Add/Delete Customers
Please Print or Type Clearly

Aggregator Name: _____

	Add/ Delete	Customer Name	SDG&E Customer Account Number	Electric Meter Number	Service Address
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					



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Attachment 3

Budgets and

Estimated Load Reductions (MW)

Budget - 2006

	O&M	Capital	M&E	Incentives	Total
<u>Day-Ahead</u>					
Voluntary CPP	\$253,897	\$42,422	\$82,158	\$0	\$378,477
DBP	\$600,881	\$162,766	\$82,158	\$250,000	\$1,095,806
CPA DRP	\$135,932	\$0	\$63,019	\$0	\$198,952
Peak Day 20/20	\$602,526	\$148,679	\$82,158	\$0	\$833,363
Sub-total: Day-Ahead Programs	\$1,593,236	\$353,868	\$309,493	\$250,000	\$2,506,597
<u>Day-Of Programs</u>					
DBP-E	\$85,948	\$0	\$50,648	\$150,000	\$286,596
BIP	\$208,775	\$0	\$50,648	\$168,000	\$427,424
CPP-E	\$119,884	\$65,793	\$50,648	\$0	\$236,326
Res Smart Thermostat	\$449,819	\$484,328	\$176,687	\$0	\$1,110,834
Sub-total: Day-Of Programs	\$864,425	\$550,122	\$328,632	\$318,000	\$2,061,179
<u>Technical Assistance and Technology Incentives</u>					
Technical Assistance	\$1,162,159	\$0	\$37,889	\$750,000	\$1,950,049
Technology Incentives	\$451,403	\$0	\$44,269	\$6,179,097	\$6,674,768
Sub-total: TA and TI	\$1,613,562	\$0	\$82,158	\$6,929,097	\$8,624,817
<u>Customer Education, Awareness & Outreach</u>					
Customer Education, Awareness & Outreach	\$2,518,960	\$121,082	\$164,316	\$0	\$2,804,358
Flex Your Power Now!	\$597,089	\$0	\$82,158	\$0	\$679,247
Emerging Markets	\$657,527	\$8,484	\$0	\$0	\$666,011
Community Outreach	\$247,805	\$0	\$44,269	\$0	\$292,073
Circuit Savers	\$351,573	\$0	\$44,269	\$0	\$395,842
Sub-total: Customers Education, Awareness & Outreach	\$4,372,953	\$129,567	\$335,012	\$0	\$4,837,531
<u>Other Programs</u>					
Statewide Pricing Pilot (SPP)	\$93,564	\$0	\$0	\$0	\$93,564
ADRS	\$68,262	\$0	\$0	\$0	\$68,262
On-Bill Financing	\$139,874	\$0	\$0	\$0	\$139,874
Competitive Bid	\$149,448	\$0	\$0	\$0	\$149,448
Sub-total: Other Programs	\$451,147	\$0	\$0	\$0	\$451,147
<u>Additional Activities</u>					
Cost Benefit Framework	\$0	\$0	\$82,158	\$0	\$82,158
Annual Report	\$0	\$0	\$27,837	\$0	\$27,837
Market Research	\$141,431	\$0	\$163,848	\$0	\$305,279
IT	\$136,709	\$2,075,306	\$0	\$0	\$2,212,015
Sub-total: Additional Activities	\$278,140	\$2,075,306	\$273,843	\$0	\$2,627,289
Total: All Programs	\$9,173,464	\$3,108,862	\$1,329,138	\$7,497,097	\$21,108,560

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Budget - 2007

	O&M	Capital	M&E	Incentives	Total
<u>Day-Ahead</u>					
Voluntary CPP	\$272,200	\$0	\$82,987	\$0	\$355,188
DBP	\$525,835	\$0	\$82,987	\$296,000	\$904,823
CPA DRP	\$0	\$0	\$0	\$0	\$0
Peak Day 20/20	\$573,284	\$0	\$82,987	\$0	\$656,272
Sub-total: Day-Ahead Programs	\$1,371,320	\$0	\$248,962	\$296,000	\$1,916,282
<u>Day-Of Programs</u>					
DBP-E	\$88,182	\$0	\$51,312	\$300,000	\$439,494
BIP	\$229,624	\$0	\$51,312	\$336,000	\$616,936
CPP-E	\$69,864	\$0	\$51,312	\$0	\$121,176
Res Smart Thermostat	\$0	\$0	\$0	\$0	\$0
Sub-total: Day-Of Programs	\$387,671	\$0	\$153,936	\$636,000	\$1,177,606
<u>Technical Assistance and Technology Incentives</u>					
Technical Assistance	\$1,178,758	\$0	\$38,221	\$750,000	\$1,966,979
Technology Incentives	\$457,882	\$0	\$44,766	\$7,241,254	\$7,743,902
Sub-total: TA and TI	\$1,636,640	\$0	\$82,987	\$7,991,254	\$9,710,882
<u>Customer Education, Awareness & Outreach</u>					
Customer Education, Awareness & Outreach	\$3,046,898	\$0	\$165,975	\$0	\$3,212,873
Flex Your Power Now!	\$597,089	\$0	\$82,987	\$0	\$680,076
Emerging Markets	\$650,978	\$0	\$0	\$0	\$650,978
Community Outreach	\$215,883	\$0	\$44,766	\$0	\$260,650
Circuit Savers	\$353,284	\$0	\$44,766	\$0	\$398,051
Sub-total: Customers Education, Awareness & Outreach	\$4,864,132	\$0	\$338,495	\$0	\$5,202,627
<u>Other Programs</u>					
Statewide Pricing Pilot (SPP)	\$1,161	\$0	\$0	\$0	\$1,161
ADRS	\$0	\$0	\$0	\$0	\$0
On-Bill Financing	\$139,874	\$0	\$0	\$0	\$139,874
Competitive Bid	\$152,706	\$0	\$0	\$0	\$152,706
Sub-total: Other Programs	\$293,740	\$0	\$0	\$0	\$293,740
<u>Additional Activities</u>					
Cost Benefit Framework	\$0	\$0	\$82,987	\$0	\$82,987
Annual Report	\$0	\$0	\$28,169	\$0	\$28,169
Market Research	\$145,108	\$0	\$88,458	\$0	\$233,566
IT	\$0	\$0	\$0	\$0	\$0
Sub-total: Additional Activities	\$145,108	\$0	\$199,614	\$0	\$344,722
Total: All Programs	\$8,698,612	\$0	\$1,023,994	\$8,923,254	\$18,645,860

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Budget - 2008

	O&M	Capital	M&E	Incentives	Total
<u>Day-Ahead</u>					
Voluntary CPP	\$277,311	\$0	\$83,808	\$0	\$361,119
DBP	\$530,772	\$0	\$83,808	\$328,000	\$942,580
CPA DRP	\$0	\$0	\$0	\$0	\$0
Peak Day 20/20	\$579,698	\$0	\$83,808	\$0	\$663,505
Sub-total: Day-Ahead Programs	\$1,387,781	\$0	\$251,423	\$328,000	\$1,967,204
<u>Day-Of Programs</u>					
DBP-E	\$90,384	\$0	\$51,968	\$450,000	\$592,352
BIP	\$232,461	\$0	\$51,968	\$420,000	\$704,429
CPP-E	\$70,557	\$0	\$51,968	\$0	\$122,525
Res Smart Thermostat	\$0	\$0	\$0	\$0	\$0
Sub-total: Day-Of Programs	\$393,402	\$0	\$155,904	\$870,000	\$1,419,306
<u>Technical Assistance and Technology Incentives</u>					
Technical Assistance	\$1,195,168	\$0	\$38,549	\$750,000	\$1,983,717
Technology Incentives	\$464,270	\$0	\$45,259	\$4,428,688	\$4,938,217
Sub-total: TA and TI	\$1,659,438	\$0	\$83,808	\$5,178,688	\$6,921,934
<u>Customer Education, Awareness & Outreach</u>					
Customer Education, Awareness & Outreach	\$2,757,036	\$0	\$167,615	\$0	\$2,924,651
Flex Your Power Now!	\$597,089	\$0	\$83,808	\$0	\$680,896
Emerging Markets	\$651,827	\$0	\$0	\$0	\$651,827
Community Outreach	\$219,584	\$0	\$45,259	\$0	\$264,842
Circuit Savers	\$354,972	\$0	\$45,259	\$0	\$400,231
Sub-total: Customers Education, Awareness & Outreach	\$4,580,508	\$0	\$341,940	\$0	\$4,922,448
<u>Other Programs</u>					
Statewide Pricing Pilot (SPP)	\$0	\$0	\$0	\$0	\$0
ADRS	\$0	\$0	\$0	\$0	\$0
On-Bill Financing	\$139,874	\$0	\$0	\$0	\$139,874
Competitive Bid	\$155,919	\$0	\$0	\$0	\$155,919
Sub-total: Other Programs	\$295,792	\$0	\$0	\$0	\$295,792
<u>Additional Activities</u>					
Cost Benefit Framework	\$0	\$0	\$83,808	\$0	\$83,808
Annual Report	\$0	\$0	\$28,497	\$0	\$28,497
Market Research	\$148,736	\$0	\$88,458	\$0	\$237,193
IT	\$0	\$0	\$0	\$0	\$0
Sub-total: Additional Activities	\$148,736	\$0	\$200,762	\$0	\$349,498
Total: All Programs	\$8,465,657	\$0	\$1,033,837	\$6,376,688	\$15,876,182

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Estimated Load Reduction (MW)

	2006	2007		2008	
		A.05-06-017	Proposed	A.05-06-017	Proposed
Day-Ahead					
Voluntary CPP	13	17	20	21	25
DBP	31	37	37	43	43
CPA DRP	5	5	0	5	0
Capacity Bidding Program (*)	0	0	20	0	25
Peak Day 20/20	29	37	49	45	63
Sub-total: Day-Ahead Programs	78	96	126	114	156
Day-Of Programs					
DBP-E	6	12	Combined with DBP	18	Combined with DBP
BIP	8	10	10	11	12
CPP-E	4	5	5	6	6
Res Smart Thermostat	2	0	2	0	0
Summer Saver	10	19	38	30	42
Clean Gen	25	25	25	25	25
Peak Gen	60	60	60	60	60
Sub-total: Day-Of Programs	115	131	140	150	145
Technical Assistance and Technology Incentives:	50	90	91	120	121
Total:	243	317	357	384	422
(*) 6/1/06 filed AL 1799-E proposing CBP. Approval is pending.					