

From: [Redacted]  
 Sent: 9/23/2011 3:47:22 PM  
 To: Morgenstern, Joy (joy.morgenstern@cpuc.ca.gov)  
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 Lam, Dorris (dorris.lam@cpuc.ca.gov)  
 Bcc:  
 Subject: RE: DR as a resource for the integration of renewable resource (IRR)

Joy,

I just wanted to get back to you to clarify an issue you raised in our meeting yesterday. You mentioned that PeakChoice appeared to contribute only 25 MW in PG&E's 2012-2014 DR portfolio and did not appear to be cost effective. I also left you a voicemail.

Although the combined PeakChoice/DBP program shows August MW of 35.6 to 39 in the cost-effectiveness analysis, PG&E could participate in the CAISO market as a PDR with August MW of 91.9 to 94.6 in PeakChoice/DBP. This is because, the MW of DBP customers that dual-participate in BIP are assigned to BIP for the cost-effectiveness analysis. This makes BIP's cost-effectiveness results look better and makes the PeakChoice/DBP results look worse. The assigning of these MW to a particular DR program is discretionary. Below are the relevant numbers from our Load Impact Filing, which is the basis for our DR application.

|              | Portfolio Adjusted Load Impacts (MW) |             |             | Program Specific Load Impacts (MW) |             |             |
|--------------|--------------------------------------|-------------|-------------|------------------------------------|-------------|-------------|
|              | Aug-12                               | Aug-13      | Aug-14      | Aug-12                             | Aug-13      | Aug-14      |
| PeakChoice   | 27.7                                 | 36.5        | 39.0        | 27.7                               | 92.4        | 91.9        |
| DBP          | 7.8                                  | -           | -           | 66.9                               | -           | -           |
| <b>Total</b> | <b>35.6</b>                          | <b>36.5</b> | <b>39.0</b> | <b>94.6</b>                        | <b>92.4</b> | <b>91.9</b> |

Source: April 1, 2011 Load Impact Filings

However, a major reason PG&E wants to merge the DBP customers into the PeakChoice program is to facilitate participating in the CAISO with all of the DBP MW and not just those that are included in the cost-effectiveness analysis.

This is a reason that PG&E prefers to focus on the cost-effectiveness of its entire DR portfolio. Only at the total DR portfolio level can you see the final result of the interaction of all the DR programs. PeakChoice is the part of the portfolio that allows for PDR bidding (among other things) and by moving DBP into PeakChoice we could bid over 90 MW into the CAISO market as PDR. This should allow us to meet the 10% requirement placed on us by the prior DR Decision.

So, in conclusion, to decide the future of PeakChoice/DBP by looking only at the individual program cost-effectiveness based only on its non-overlapping average 25 MW of load impacts would be omitting the value of bringing all of the DBP MW into the CAISO market as a proxy demand resource. Instead it should be seen as a key part of a DR portfolio of programs that is cost effective (TRC =1) and PeakChoice plays an essential role is providing the portfolio some of the capabilities that it is essential to have.

I'd be happy to discuss this with you more if that would be helpful to you.

Ken

P.S. Here is detail on the PeakChoice/DBP load impacts from Redacted

PG&E has requested in the 2012-2014 DR application to merge DBP and PeakChoice into a single program, while essentially retaining the PeakChoice structure. This will substantially increase the size of the PeakChoice program. When considering the overall size of a program, it is important to consider the difference between program specific and portfolio adjusted load impacts. Portfolio adjusted impacts look at the extreme scenario where every customer under every program is called. This scenario is most appropriately applied to RA and long term planning, but has less relevance for DR market integration.

To ensure consistency in the way ex ante load impacts are reported, the adopted counting rule for dually enrolled customers requires that the dually enrolled MW be assigned to the capacity program rather than the energy program. So, for capacity programs (e.g. BIP) the portfolio adjusted number represents the full potential of the program. For energy programs, the portfolio adjusted number only represents the programs potential under the extreme condition where dually enrolled customers are called under both programs simultaneously. History has shown that his typically isn't the case. The more likely scenario, particularly once DR programs are integrated into the CAISO market, is for an energy program such as PeakChoice to be dispatched more regularly than a reliability program like BIP. So, the program specific number better represents the potential of a program like PeakChoice.

Once DBP and PeakChoice are fully integrated (assuming PG&E's proposal is adopted), the combined size of the program will be 36.5 MW on a portfolio adjusted basis and 94.5 MW on a program specific basis (see tables below). 94.6 MW makes PeakChoice PG&E's third largest event based program in any given August during the next program cycle (after BIP and AMP).

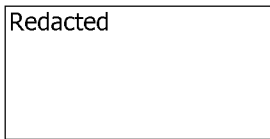
Finally, please note that these program specific ex ante values are consistent with the ex post values we observed in Program Year 2010 (68.2 MW for DBP, 23 MW for PeakChoice, and 91.2 MW total).

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