

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Enhance the Role of
Demand Response in Meeting the State's Resource
Planning Needs and Operational Requirements

R.13-09-011
(Filed September 19, 2013)

**OPENING COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) ON
PROPOSED DECISION APPROVING DEMAND RESPONSE PROGRAM
IMPROVEMENTS AND 2015-2016 BRIDGE FUNDING BUDGET**

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May 5, 2014

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In accordance with Rule 14.3 of the Rules of Practice and Procedures, San Diego Gas & Electric Company ("SDG&E") respectfully submits opening comments in response to Administrative Law Judge Hymes' Proposed Decision ("PD") Approving Demand Response Program Improvements and 2015-2016 Bridge Funding Budget. SDG&E appreciates the efforts of the Commission to issue a timely decision on its demand response program improvement proposals filed March 3, 2014.

I. ERRORS IN THE PROPOSED DECISION IN NEED OF CORRECTION

SDG&E has identified the following two errors in the PD that should be corrected in the final decision:

1. On page 2 of the PD, in section 1, Decision ("D.") 14-01-004 is referenced as the decision which authorizes specific budgets to administer the demand response programs. While D. 14-01-004 did indeed authorize certain budget revisions for 2014, as part of SDG&E's 2014 SONGS augmentation proposals, it was D. 12-04-045 which initially adopted SDG&E's programs and budgets for the current 2012 – 2014 program cycle, and on which SDG&E believes the initial Ruling directing that budget proposals for the 2015 – 2016 bridge years are intended to be based. (DR OIR Ruling issued January 31, 2013, "Assigned Commissioner and Administrative Law

Judge’s Ruling Providing Guidance for Submitting Demand Response Proposals” specifies the budgets be capped at levels previously authorized for 2013 and 2014, pg.

3.) SDG&E believes that the decision reference number should be corrected to reflect the actual Decision which authorized the 2012 – 2014 program budgets.

2. On page 31, table 4, the PD incorrectly states that SDG&E requests authorization to continue the Locational Demand Response Pilot. SDG&E proposed to complete the pilot this year and did not request additional time. SDG&E respectfully requests that the reference to Locational Demand Response Pilot be deleted from the table.

II. THE PROCESS FOR DEVELOPMENT OF A TEMPLATE FOR EXCEPTION REPORTING ON DR EVENTS SHOULD BE CLARIFIED AND REPORTING SHOULD BE REQUIRED MONTHLY INSTEAD OF WEEKLY

SDG&E appreciates the intent behind the order and the Commission’s plan to have stakeholders meet and agree to a template for weekly exception reporting that is reasonable, meaningful, useful to meet the Commission’s objectives, and in place prior to the start of the DR season in 2015. SDG&E believes that weekly reporting is burdensome given the categories of data that are cited on the Attachment A of the PD, the straw man template for reporting to be used as a starting point for discussion. The data being requested there would need to be drawn from several groups across the enterprise and compiled for a weekly report. It is unclear that that data would be meaningful to meet the Commission’s objectives for exception reporting.

SDG&E respectfully requests that the weekly reporting be changed to monthly at the outset since it is not clear from the PD that a weekly window for reports serves the objectives in any more an efficient manner than less frequent reporting, while placing an undue burden on the staff. If it becomes clear in the utilities ongoing experience that weekly would serve the intended purpose better, and the report is effective, then adjustments can be made at that time.

The record today does not indicate that a weekly report is warranted.

SDG&E also submits that the PD has not presented a reasonable process required for arriving at the report template. It is possible for the parties to meet within 30 days (pg. 45) and to include a wide array of stakeholders. It is not clear to SDG&E what process should be followed if the parties are not able to agree in one meeting to a “final” template. Similarly, it is not clear what the utilities are to file within 30 days if there is no agreement, if there is the need for arbitration, or what reasonable extensions or processes may be available to the utilities.

SDG&E believes that a more realistic approach is for the PD to provide that within 30 days of the parties reaching agreement on a proposed reporting template, an advice letter filing be required to present that template to the Commission.

III. ORDERING PARAGRAPH 3 REGARDING THE DEVELOPMENT OF A REPORTING TEMPLATE FOR REPORTING THE UTILITIES’ EXPERIENCE BIDDING INTO THE CAISO MARKET IN 2015-2016 SHOULD BE DELETED

SDG&E submits that Ordering Paragraph (“OP”) 3 regarding the development of a reporting template for reporting the utilities’ experience bidding into the CAISO market in 2015-2016 should be deleted. SDG&E believes that this OP refers to the bidding of Demand Response into the CAISO market by the utilities, but that the reference to DR was inadvertently omitted.

This Ordering Paragraph includes a condensed timeline that may not meet the reporting objectives. SDG&E is unsure how it or the other IOUs may know what a finalized report should include prior to having much experience in bidding DR into the CAISO market prior to the DR cycle in 2015. The Utilities will have limited pilot experience in this arena prior to settling on a report template. Thus, SDG&E proposes that this reporting objective is probably best served by being omitted from the PD, and that the CPUC host workshops after a time period deemed reasonable by the CPUC after the bidding has begun in order to develop a template based on real experience by the utilities, and that they file an advice letter with the template at that time. This

change would not slow down the bidding of demand response into the market. But it does recognize that the designing the reporting on such experience will be best served after there is some experience to describe.

IV. SDG&E HAS NOT REQUESTED ADDITIONAL FUNDING FOR ITS NEW CONSTRUCTION DEMAND RESPONSE PILOT (NCDRP).

SDG&E requested in its proposal to continue the NCDRP into the bridge years. As SDG&E explained, this funding was approved in February of 2013 which gave the program a late start. Additionally, there are, as stated in SDG&E's proposal, a number of factors which presented themselves as challenges in getting this pilot begun in the current DR cycle. They included the downturn in the real estate and new construction industries, and the long lead times needed in order to identify and complete new construction projects within the cycle's calendar. (See, SDG&E 2015-2016 demand response program proposals and responses to additional information requested pursuant to the Assigned Commissioner and Administrative Law Judge's Ruling Providing Guidance for Submitting Demand Response Programs, at pp. 14-15, filed March 3, 2014 in R. 13-09-011.) However, SDG&E requested authority in its proposal to continue the New Construction Demand Response Pilot in 2015-2016 as currently described in its previously filed Program Implementation Plan primarily because the new construction industry is gaining momentum again in San Diego's territory and, if a project is identified now, in 2014, it would have through 2016, which is a timeframe more likely to be successful for a construction project. SDG&E did not request any additional funding incremental to what was approved for 2013-2014; rather only to use the funds that were already approved, and be able to access those funds through the bridge years. The PD errs in its reference to SDG&E having requested additional funding.

Page 33 of the Proposed Decision expounds on this, and states as follows:

Given the late start of the pilot, we will allow it to extend into the 2015-2016 program cycle but with its current budget. We have no information regarding the success of the program and therefore cannot justify additional funding. We deny the request for 2015-16 funding for the New Construction Demand Response Pilot.

Additionally, on page 32 of the PD, paragraph 1, the budget of \$39,121,940 is approved for SDG&E's total. This total does not include any budget for NCDR for 2015- 2016. In Appendix "A," SDG&E has proposed to revise the requested budget for NCDR based on two thirds of the total 2012-2014 authorized budget in the amount of \$750,667. Again, this would not constitute new funding, only the same amount as was previously authorized. The Commission may recall that SDG&E in its DR cost recovery mechanism does not collect its DR funding in rates until it is spent. So the majority of these funds have been neither spent nor collected in years 2012-2014.

It appears to SDG&E, upon reading the discussion on page 33 regarding this program, that the PD would approve the request to continue the pilot exactly as requested; i.e., with no additional funding approved, but the same funds are to be given to it as previously approved. The budget and funding table in the PD also seems to indicate the Commission's approval of the pilot continuing. However, Ordering Paragraph 11(d) states that the request to continue the NCDRP is denied. The PD is correct in asserting that no information has been provided regarding the success of the program. Instead, SDG&E's pleading described the challenges faced by the program given the factors, and that no project has been designated as a site for the program heretofore.

In order to be consistent within the PD, SDG&E respectfully requests that Ordering Paragraph 11.d. be deleted. Ordering Paragraph 10.a. would now additionally refer, by implication, to the NCDRP as being approved as part of the 2015-2016 bridge years.

V. SDG&E's PROPOSED DEMAND BIDDING PROGRAM INCENTIVE CHANGES SHOULD BE ADOPTED

SDG&E has requested changes to its Demand Bidding Program. This request is discussed at page 41 of the PD, which would deny SDG&E's request for increased incentives. Although SDG&E's Demand Bidding Programs differs from the other utilities' programs in various ways, they also have many similarities. SDG&E's Day Ahead incentive should not significantly differ from those of the other utilities. Both SCE's and PG&E's Demand Bidding programs offer the same incentive, or 50 cents/kWh (equivalent to \$500/MWh). On this basis, the request of SDG&E's customer to have the incentive for this program increased is reasonable. Continued participation in Demand Response by this customer is important and SDG&E submits that the proposed increase represents a reasonable adjustment that would maintain the program's cost effectiveness and would be consistent with the other utilities programs. SDG&E also believes it is reasonable to value our Day of Demand Bidding Product higher than the Day Ahead program to reward those customers' flexibility. SDG&E therefore requested \$600/MWh (.60 cents/kWh) because it is fundamentally a more valuable DR product to the utility and to the CAISO markets. The proposed change represents a 20% increase in incentive levels which is consistent with the incremental incentive difference in Capacity Bidding Program's Day Of versus its Day Ahead product. SDG&E believes this change adequately values the impact of a Day Of program versus a Day Ahead program.

Therefore, SDG&E respectfully requests that the Commission reconsider its denial regarding the request for Demand Bidding Program increased incentives. SDG&E requests that Ordering Paragraph 11(a) be deleted. SDG&E also requests that Demand Bidding's increased

incentives be approved, and thereby included, by implication, in Ordering Paragraph 10(c). No changes to OP 10(c) are needed to reflect the incentives' approval.

VI. SDG&E RESPECTFULLY REQUESTS CORRECTIONS AND CLARIFICATIONS ON THE ATTACHED SDG&E BUDGET TABLE FOUND IN THE PD ENTITLED "ATTACHMENT 3"

SDG&E requests corrections in the budget table found in the PD, entitled "Attachment 3". If the New Construction Demand Response Pilot was approved to continue during the 2015-2016 bridge funding years and the preferred methodology is to use two-thirds of the three year budget for 2012-2014, then the correct amount SDG&E should receive for the NCDRP would be \$750,667. Likewise, should the NCDR Pilot be approved at this level, then the correct total Authorized 2015 – 2016 Budget will be \$39,872,607. Updates will need to be made on page 32 in the Proposed Decision and on page 48 in Ordering Paragraph 13 to reflect the corrected amounts.

Additionally, through Appendix "A" to these Comments, SDG&E submits a revised Attachment 3 from the PD that reflects changes SDG&E believes to be small mathematical errors. The bottom row of the budget table titled "TOTAL" has revised numbers for "Authorized 2012-2014," "Estimated 2013-2014," and "Authorized 2015 – 2016," due to the changes in the table. The new total amount for the "Estimated 2013-2014" column is \$40,990,351 and is based on a formula to be consistent with the worksheet.

The 2012 – 2014 DR authorized budget for CAT 7 (MEO) was \$6,750,000 including \$1,000,000 for Flex Alerts. SDG&E is not requesting any budget for Flex Alerts in the bridge cycle, which brings the total MEO to \$5,750,000.

VII. CONCLUSION

SDG&E appreciates the opportunity to submit the forgoing comments.

Dated this 5th of May, 2014

Respectfully submitted

By */s/ Thomas R. Brill*

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Appendix “A”

Proposed Revisions to Attachment 3

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Budget for San Diego Gas & Electric

PROGRAM	AUTHORIZED 2012- 2014	ESTIMATED 2013-2014	REQUESTED 2015- 2016	AUTHORIZED 2015- 2016
BIP	\$4,014,000	\$2,676,000	\$2,956,077	\$2,676,000
CAT 1	\$4,014,000	\$2,676,000	\$2,956,077	\$2,676,000
DBP	\$0	\$1,755,808	\$1,755,810	\$1,755,808
CBP	\$11,789,000	\$7,859,333	\$8,191,338	\$7,859,333
PeakTime Rebate	\$485,000	\$323,333	\$323,290	\$323,333
CAT 2	\$12,274,000	\$9,938,474.67	\$10,270,438	\$9,938,475
	\$0	\$0	\$0	\$0
CAT 3	\$0	\$0	\$0	\$0
ET	\$2,111,000	\$1,407,333	\$1,410,970	\$1,407,333
SCTD	\$9,464,167	\$6,309,445	\$8,189,652	\$6,309,445
TI	\$8,973,000	\$5,982,000	\$5,571,418	\$5,982,000
CAT 4	\$20,548,167	\$13,698,778	\$15,172,040	\$13,698,778
Locational DR	\$433,000	\$0	\$0	\$0
New Construction	\$1,126,000	\$0 \$750,667	\$974,236	\$750,667
CAT 5	\$1,559,000	\$1,039,333	\$974,236	\$0
EMV	\$5,115,000	\$3,410,000	\$3,439,462	\$3,410,000
DR Research	\$600,000	\$400,000	\$400,000	\$400,000
CAT 6	\$5,715,000	\$3,810,000	\$3,839,462	\$3,810,000
CEAO	\$1,100,000	\$733,333	\$0	0
OLM	\$0 \$4,650,000	\$0 \$3,100,000	\$0	0
LME0	\$5,750,000 \$0	\$3,833,333 \$0	\$3,698,170	\$3,698,170
CAT 7	\$6,850,000 <u>\$5,750,000</u>	\$4,566,667 \$3,833,333	\$3,698,170	\$3,698,170

PROGRAM	AUTHORIZED 2012-2014	ESTIMATED 2013-2014	REQUESTED 2015-2016	AUTHORIZED 2015-2016
Regulatory Policy	\$2,231,000	\$1,487,333	\$1,531,077	\$1,531,077
IT	\$5,410,000	\$3,606,667	\$1,769,440	\$1,769,440
CAT 8	\$7,641,000	\$5,094,000	\$3,300,517	\$3,300,517
IDSM	\$984,359	\$0	\$0	0
CAT 9	\$984,359	\$0	\$0	\$0
PLS	\$3,000,000	\$2,000,000	\$2,000,000	\$2,000,000
CAT 10	\$3,000,000	\$2,000,000	\$2,000,000	\$2,000,000
TOTAL	\$62,585,526 \$61,485,526	\$41,723,684 \$40,990,351	\$42,210,940	\$39,121,940 \$39,872,607

* DBP budget was approved in D1304017 for 2013-2014 budgets only.