



A  Sempra Energy® utility

Application: 02-05-

Exhibit No. (SDG&E-6)

DEMAND RESPONSE PROGRAMS

Annual Summary

2001 Results
May 2002



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**DEMAND REDUCTION
PROGRAMS
ANNUAL SUMMARY**

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A  Sempra Energy™ company

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Table A

General

In response to the energy crisis experienced in California, the Commission directed utilities to develop and implement various demand response programs (DRP) to help alleviate potential problems on the state's electric system in times of increasing demand. The incremental costs associated with the DRP programs were to be tracked in an approved memorandum account, with a review of the memorandum account balance in the Annual Earnings Assessment Proceeding (AEAP). In 2001, SDG&E established the Interruptible Load and Rotating Outage Programs Memorandum Account (ILROPMA) to track its expenditures. The decisions guiding the 2001 programs and expenditures are as follows:

- Decision 01-04-006 directed SDG&E to develop and implement a Base Interruptible Program (BIP), a Voluntary Demand Response Program (VDRP), an Optional Binding Mandatory Curtailment Program (OBMC) and an Air Conditioner Cycling (A/C Cycling) program. D.01-04-006 additionally capped SDG&E's program authorization to a program limit of 250 megawatts and total annual program dollar (base rates and incremental costs) limits of \$25 million across all DRP programs on an aggregate basis.
- Decision 01-07-025, replaced the VDRP with the Demand Bidding Program (DBP).
- D.01-06-009 authorized SDG&E to implement a Rolling Blackout Reduction Program (RBRP) and to track its costs through the memorandum account authorized in D.01-04-006.)
- D. 01-07-029 ordered utilities to report on their DRP programs and directed the review of utility memorandum account balances in the AEAP.
- D. 02-04-060 approved the cancellation of SDG&E's Air Conditioning Cycling program.

In 2001, SDG&E's incremental expenditures totaled \$467,138 for which SDG&E is requesting recovery. The total dollar amount is comprised of \$464,663 incremental program costs and \$2,475 interest accrued on the ILROPMA.

Table A provides a monthly breakdown of demand response program costs, participation and potential load curtailment by program.

Residential Programs

A/C Cycling Program

Description

The objective of the A/C Cycling Program was to achieve electric demand reduction through the cycling of customer air conditioning systems.

2001 Results and Major Accomplishments

SDG&E, as required by D. 01-04-006, evaluated various residential and small commercial customer electric appliances and equipment cycling. Although no funding was authorized by the Commission for implementation of this program, an analysis of the options for implementing such a program was undertaken pursuant to D. 01-04-006. This analytical effort included program research, conducting of customer focus groups and enlisting an outside entity to provide an analysis of program design. SDG&E filed its electric appliance and equipment interruption program in Advice Letter 1320-E on May 1, 2001 for Commission approval. Subsequently, SDG&E proposed In Phase 2 of Rulemaking 00-10-002 to cancel the A/C Cycling program because it duplicated the Smart Thermostat program being implemented pursuant to D. 01-03-073.

In D. 02-04-060, the Commission approved the cancellation of the A/C Cycling program and rejected Advice letter 1320-E.

2001 Program Costs

Authorized	\$0 in current authorized rates. In April 2001 D.01-04-006 ordered analysis of options for this program, subject to an annual cost cap of \$25 million across all demand response programs combined.
Budgeted	\$0
Actual	\$80,292 incremental cost

2002 Program Plans

D. 02-04-060 cancelled the implementation of the A/C Cycling Program in order to focus resources on the Smart Thermostat Program.

Nonresidential Programs

Rolling Blackout Reduction Program (RBRP)

Description

The Rolling Blackout Reduction Program (RBRP) permits SDG&E to call on customer-owned emergency backup generators (BUGs) during a CAISO-declared Stage 3 event to reduce demand that must otherwise be met by system resources. Customers receive an incentive payment of \$0.20 per kWh of actual energy reduction below the 10-day baseline, dependent on at least a 15% load reduction and a minimum of 100kW.

2001 Results and Major Accomplishments

Key activities in 2001 included program design, contract and tariff development, marketing activities including direct customer contact and demand response program seminars, customer enrollment, site surveys, installation of generation output meters, systems and customer communications tests, and ongoing program management. At year-end 34 customers, representing 65 meters and an estimated load reduction of 66.9 MW were enrolled in the program. The load reduction for a particular event under this voluntary program will depend in part on the cost of running the customer's generator, including the price of fuel, and the operation schedule.

2001 Program Costs

Authorized	\$0 in current authorized rates. D.01-06-009 ordered this program to proceed, subject to an annual cost cap of \$25 million across all demand response programs combined.
Budgeted	\$0
Actual	\$228,319 incremental cost

For RBRP, \$439,628 in incremental capital cost was incurred in 2001 for generation output metering and metering communication systems but remained in construction work in process (cwip). Beginning in 2002, this amount will be capitalized and reflected in the ILROPMA. Recovery of these capitalized expenditures will be addressed in the next AEAP filing and subsequent cost of service filing.

2002 Program Plans

D. 02-04-060 extends the RBRP program along with SDG&E's other authorized demand response programs to the conclusion of SDG&E's next Cost of Service proceeding (with completion expected by April 2004). In 2002, SDG&E will ask existing RBRP participants to extend their existing contracts beyond the current expiration date of May 31, 2002. In addition, SDG&E will enroll new customers who qualify for RBRP.

Optional Binding Mandatory Curtailment Program (OBMC)**Description**

The Optional Binding Mandatory Curtailment Program (OBMC) exempts enrolled customers' circuits from rotating outages in return for a commitment to reduce circuit load by 15% from the previous year baseline, and by at least 10% from the 10 day baseline. Customers incur a penalty of \$6 per kWh for failure to achieve committed load curtailment.

2001 Results and Major Accomplishments

Key activities in 2001 included program design, contract and tariff development, marketing activities including direct customer contact and demand response program seminars, customer enrollment, customized systems applications development, systems and customer communications tests, and ongoing program management. Two major customers were enrolled in summer 2001, equivalent to a potential load reduction of 3.4 MW. Although interest was initially high for OBMC because of the appeal of rolling blackout exemption, most San Diego area businesses do not meet the load reduction eligibility requirements. Customer feedback from customers considering the program also indicated that the potential for significant monetary penalties for failure to meet committed curtailment pledges (\$6.00 per kWh during each hour of the rotating outage) was a significant negative factor. SDG&E ended the year with one active customer on the program, equivalent to a potential load reduction of 0.8 MW.

2001 Program Costs

Authorized	\$0 in current authorized rates. In April 2001 D.01-04-006 ordered this program to proceed, subject to an annual cost cap of \$25 million across all demand response programs combined.
Budgeted	\$0
Actual	\$17,260 incremental cost

2002 Program Plans

In 2002, SDG&E will maintain this program by continuing to support existing participants and enroll new customers that qualify for participation.

Voluntary Demand Response Program (VDRP)**Description**

The Voluntary Demand Response Program (VDRP) provided a customer incentive payment of \$0.35 per kWh of demand reduction for participating customers who curtail load subsequent to the utility's demand reduction request on a day-ahead or day-of basis. This program was replaced by the Demand Bidding Program (DBP) on July 20, 2001.

2001 Results and Major Accomplishments

Key activities in 2001 included program design, contract and tariff development, marketing activities including direct customer contact and demand response program seminars, customer enrollment, systems and customer communications tests, and ongoing program management. Through these efforts one customer was enrolled in this program, equivalent to a potential load reduction of 1 MW in 2001, prior to this program's replacement by the Demand Bidding Program (DBP) on July 20, 2001.

2001 Program Costs

Authorized	\$0 in current authorized rates. In April 2001 D.01-04-006 ordered this program to proceed, subject to an annual cost cap of \$25 million across all demand response programs combined.
Budgeted	\$0
Actual	\$7,198 incremental cost

2002 Program Plans

This program was replaced by the Demand Bidding Program (DBP) on July 20, 2001.

Demand Bidding Program (DBP)**Description**

The Demand Bidding Program (DBP) is a voluntary program whereby participating customers submit day-ahead bids to curtail load within demand bidding event time blocks. The utility forwards the bids to the Department of Water Resources (DWR). The DWR accepts or rejects the bids and the utility notifies the bidding customers by 5:00 PM for the following day's potential curtailment. This program replaced the Voluntary Demand Response Program (VDRP) in July 2001.

2001 Results and Major Accomplishments

Key activities in 2001 included program design, contract and tariff development, marketing activities including direct customer contact and demand response program seminars, customer enrollment, systems and customer communications tests, and ongoing program management. SDG&E also worked with a third-party software vendor, Apogee, to develop, test and implement bidding software. Through these efforts four customers representing 2.65 MW were enrolled in the summer of 2001. Although SDG&E received and forwarded customer bids to the DWR, no customer bids were accepted by the DWR in 2001. In December SDG&E was notified by the DWR that it was suspending its consideration of DBP bids as of December 15, 2001, to be reactivated in June 2002, or in the event of ISO Stage 2 or Stage 3 emergencies. At year-end, there were three enrolled customers with five total meters, representing 2.3 MW of potential curtailment.

2001 Program Costs

Authorized	\$0 in current authorized rates. D.01-07-025 ordered this program to proceed as a replacement for VDRP, subject to an annual cost cap of \$25 million across all demand response programs combined.
Budgeted	\$0
Actual	\$120,136 incremental cost

D.01-07-025 directed SDG&E to implement the DBP program to replace the VDRP, with program funding by the Department of Water Resources (DWR). D.01-07-025 also ordered SDG&E to track program costs and revenues for the DBP in the memorandum account, in the same manner as the other programs ordered in D.01-04-006. SDG&E Advice Letter 1344-E-A established a DBP account in the Interruptible Load and Rotating Outage Programs Memorandum Account (ILROPMA).

The Commission, in the DWR Revenue Requirement proceeding –(Application 00-11-038), does not authorize the DWR to include the DBP in the DWR revenue requirement. Therefore cost recovery of incremental DBP costs tracked in the ILROPMA is requested in this AEAP proceeding.

2002 Program Plans

In 2002, SDG&E will maintain this program by continuing to support existing participants and enroll new customers that qualify for participation.

Base Interruptible Program (BIP)

Description

The Base Interruptible Program (BIP) provides a monthly incentive payment to customers who commit to curtail at least 15% of load (min. of 100kW) when requested for up to a 4-hour period per day. A \$6 per kWh penalty applies for failure to meet curtailment commitment.

2001 Results and Major Accomplishments

Key activities in 2001 included program design, contract and tariff development, marketing activities including direct customer contact and demand response program seminars, and ongoing program management. No customers enrolled in the BIP program in 2001.

2001 Program Costs

Authorized	\$0 in current authorized rates. In April 2001 D.01-04-006 ordered this program to proceed, subject to an annual cost cap of \$25 million across all demand response programs combined.
Budgeted	\$0
Actual	\$3,112 incremental cost

2002 Program Plans

In 2002, SDG&E plans to request a modification to the baseline amount established in the Schedule BIP tariff to be consistent with PG&E's and SCE's tariffs. This modification is expected to be more attractive to potential program participants. SDG&E will maintain this program by continuing its efforts to enroll new customers that qualify for participation.

Scheduled Load Reduction Program (SLRP)**Description**

The SLRP provides for an incentive of \$0.10 per kWh to customers who commit to scheduled load reductions in four-hour blocks on selected weekdays during the period of June 1 - September 30.

2001 Results and Major Accomplishments

Key activities in 2001 included program design, contract and tariff development, marketing activities including direct customer contact and demand response program seminars, customer enrollment, systems and customer communications tests, and ongoing program management. At year-end the SLRP program had one participating customer, representing one meter with a pledged load reduction of 0.2 MW.

2001 Program Costs

Authorized	\$0 in current authorized rates. SB X1-5 mandated implementation of the SLRP program. Approval of Advice letter 1324-E-B added SLRP cost tracking to the Interruptible Load and Rotating Outage Programs Memorandum Account, subject to the annual cost cap of \$25 million across all demand response programs combined.
Budgeted	\$0
Actual	\$8,346 incremental cost

2002 Program Plans

In 2002, SDG&E will maintain this program by continuing to support existing participants and enroll new customers that qualify for participation.

TABLE A

**Summary of Operations, Demand Response Programs
Interruption Load and Rotating Outage Programs Memorandum Account (ILROPMA)
2001**

	Number of Total Active Participants	Rate Incentives (\$)	Capital Costs (\$)	Program Costs (\$)	Load Impacts		Dispatch Dates and Notes
					Potential (MW)	Dispatched (MW)	
A/C Cycling							
January	0	\$ -	\$ -	\$ -	0	0	
February	0	\$ -	\$ -	\$ -	0	0	
March	0	\$ -	\$ -	\$ -	0	0	
April	0	\$ -	\$ -	\$ -	0	0	
May	0	\$ -	\$ -	7,413	0	0	
June	0	\$ -	\$ -	47,410	0	0	
July	0	\$ -	\$ -	12,983	0	0	
August	0	\$ -	\$ -	(3,400)	0	0	
September	0	\$ -	\$ -	3,645	0	0	
October	0	\$ -	\$ -	3,951	0	0	
November	0	\$ -	\$ -	4,323	0	0	
December	0	\$ -	\$ -	3,967	0	0	
Total 2001 \$		\$ -	\$ -	\$ 80,292			
RBRP							
January	0	\$ -	\$ -	\$ -	0	0	
February	0	\$ -	\$ -	\$ -	0	0	
March	0	\$ -	\$ -	\$ -	0	0	
April	0	\$ -	\$ -	\$ -	0	0	
May	0	\$ -	\$ -	\$ -	0	0	
June	25	\$ -	\$ -	\$ -	60	60	
July	29	\$ -	\$ -	\$ -	67.6	67.6	
August	35	\$ -	\$ -	\$ -	73.6	73.6	
September	35	\$ -	\$ -	\$ -	73.6	73.6	
October	35	\$ -	\$ -	\$ -	65.6	65.6	
November	37	\$ -	\$ -	\$ -	67.3	67.3	
December	34	\$ -	\$ -	228,319	66.9	66.9	
Total 2001 \$		\$ -	\$ -	\$ 228,319			

TABLE A

**Summary of Operations, Demand Response Programs
Interruption Load and Rotating Outage Programs Memorandum Account (ILROPMA)
2001**

	Number of Total Active Participants	Rate Incentives (\$)	Capital Costs (\$)	Program Costs (\$)	Load Impacts		Dispatch Dates and Notes
					Potential (MW)	Dispatched (MW)	
OBMC							
January	0	\$ -	\$ -	\$ -	0	0	
February	0	\$ -	\$ -	\$ -	0	0	
March	0	\$ -	\$ -	\$ -	0	0	
April	0	\$ -	\$ -	\$ -	0	0	
May	0	\$ -	\$ -	\$ -	0	0	
June	2	\$ -	\$ -	\$ 245	3.4	0	
July	2	\$ -	\$ -	\$ 218	3.4	0	
August	2	\$ -	\$ -	\$ -	2.6	0	
September	2	\$ -	\$ -	\$ 27,846	2.6	0	
October	1	\$ -	\$ -	\$ 6,040	0.8	0	
November	1	\$ -	\$ -	\$ (1,639)	0.8	0	
December	1	\$ -	\$ -	\$ (15,450)	0.8	0	
Total 2001 \$		\$ -	\$ -	\$ 17,260			
VDRP							
January	0	\$ -	\$ -	\$ -	0	0	
February	0	\$ -	\$ -	\$ -	0	0	
March	0	\$ -	\$ -	\$ -	0	0	
April	0	\$ -	\$ -	\$ -	0	0	
May	0	\$ -	\$ -	\$ 345	0	0	
June	1	\$ -	\$ -	\$ -	1	0	
July	1	\$ -	\$ -	\$ 6,853	1	0	Replaced by DBP 7/20/01.
August	na	na	na	\$ -	na	na	
September	na	na	na	\$ -	na	na	
October	na	na	na	\$ -	na	na	
November	na	na	na	\$ -	na	na	
December	na	na	na	\$ -	na	na	
Total 2001 \$		\$ -	\$ -	\$ 7,198			

TABLE A

**Summary of Operations, Demand Response Programs
Interruption Load and Rotating Outage Programs Memorandum Account (ILROPMA)
2001**

	Number of Total Active Participants	Rate Incentives (\$)	Capital Costs (\$)	Program Costs (\$)	Load Impacts		Dispatch Dates and Notes
					Potential (MW)	Dispatched (MW)	
DBP							
January	0	\$ -	\$ -	\$ -	0	0	
February	0	\$ -	\$ -	\$ -	0	0	
March	0	\$ -	\$ -	\$ -	0	0	
April	0	\$ -	\$ -	\$ -	0	0	
May	0	\$ -	\$ -	\$ -	0	0	
June	0	\$ -	\$ -	\$ -	0	0	
July	0	\$ -	\$ -	\$ -	0	0	
August	4	\$ -	\$ -	\$ -	2.7	0	Replaced VDRP 7/20/01.
September	4	\$ -	\$ -	\$ 12,934	2.7	0	
October	3	\$ -	\$ -	\$ 5,789	2.3	0	
November	3	\$ -	\$ -	\$ 21,626	2.3	0	
December	3	\$ -	\$ -	\$ 79,787	2.3	0	
Total 2001 \$		\$ -	\$ -	\$ 120,136			
BIP							
January	0	\$ -	\$ -	\$ -	0	0	
February	0	\$ -	\$ -	\$ -	0	0	
March	0	\$ -	\$ -	\$ -	0	0	
April	0	\$ -	\$ -	\$ -	0	0	
May	0	\$ -	\$ -	\$ -	0	0	
June	0	\$ -	\$ -	\$ -	0	0	
July	0	\$ -	\$ -	\$ -	0	0	
August	0	\$ -	\$ -	\$ -	0	0	
September	0	\$ -	\$ -	\$ 12,734	0	0	
October	0	\$ -	\$ -	\$ 2,183	0	0	
November	0	\$ -	\$ -	\$ (1,207)	0	0	
December	0	\$ -	\$ -	\$ (10,598)	0	0	
Total 2001 \$		\$ -	\$ -	\$ 3,112			

TABLE A
Summary of Operations, Demand Response Programs
Interruption Load and Rotating Outage Programs Memorandum Account (ILROPMA)
2001

SLRP	Number of Total Active Participants	Rate Incentives (\$)	Capital Costs (\$)	Program Costs (\$)	Load Impacts		Dispatch Dates and Notes
					Potential (MW)	Dispatched (MW)	
January	0	\$ -	-	-	0	0	
February	0	\$ -	-	-	0	0	
March	0	\$ -	-	-	0	0	
April	0	\$ -	-	-	0	0	
May	0	\$ -	-	-	0	0	
June	0	\$ -	-	-	0	0	
July	1	\$ -	-	-	0.2	0	
August	1	\$ -	-	-	0.2	0	
September	1	\$ -	-	-	0.2	0	
October	1	\$ -	-	-	0.2	0	
November	1	\$ -	-	-	0.2	0	
December	1	\$ -	-	8,346	0.2	0	
Total 2001 \$		\$ -	-	8,346			

Total 2001 incremental cost memo account for above programs: \$ 464,663
Total 2001 memo account interest for above programs: \$ 2,475
Total 2001 memo account cost for above programs incl. interest: \$ 467,138

Notes regarding Table A:

- 1) Irregularity of month-to-month 2001 cost figures reflects accounting system time lags and end of year program reconciliations.
- 2) Capital costs remained in construction work in process (CWIP) through Dec 01, beginning to be capitalized and entered into memorandum account in 2002.

