MEETING NOTICE
AND AGENDA

ENERGY WORKING GROUP
The Energy Working Group may take action on any item appearing on this agenda.

Tuesday, January 11, 2005
Noon to 1:30 p.m.

SANDAG, 7th Floor Conference Room
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San Diego, CA 92101

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## ENERGY WORKING GROUP
### Tuesday, January 11, 2005

<table>
<thead>
<tr>
<th>ITEM #</th>
<th>ACTION</th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>Welcome and Introductions</td>
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<tr>
<td>+2.</td>
<td><strong>Comments on the Critical Peak Pricing Tariff Structure</strong></td>
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<td></td>
<td>Attached are draft comments that were prepared after the January 5, 2005 Critical Peak Pricing workshop hosted by SDG&amp;E. These comments reflect some of the issues raised at the workshop and by EWG stakeholders. The EWG should consider comments to be transmitted to SDG&amp;E by the January 20, 2005 tariff submittal deadline.</td>
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<td>3.</td>
<td><strong>Comments and Communications</strong></td>
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<td></td>
<td>Anyone who wants to address the EWG on topics not on the agenda should do so at this time.</td>
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<td>4.</td>
<td><strong>Adjourn</strong></td>
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<td>The next EWG meeting will be held at the regularly scheduled meeting time (January 27, 2005 from 11:30 a.m. to 2 p.m.).</td>
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+ next to an agenda item indicates an attachment.
DRAFT ENERGY WORKING GROUP COMMENTS TO SDG&E REGARDING PROPOSED CRITICAL PEAK PRICING TARIFF STRUCTURE

1 INTRODUCTION

The EWG recognizes the need for a comprehensive strategy to reduce demand that includes all customer segments and approaches. Below we offer comments on the Critical Peak Pricing (CPP) concept and problems we see with adopting this approach. If CPP is the mechanism that CPUC and SDG&E choose to implement, we also offer a set of guiding principles that we believe a CPP tariff would need to incorporate. These recommendations focus on the proposed tariff and its potential impacts to the San Diego region.

2 OVERALL COMMENTS ON CRITICAL PEAK PRICING (CPP) CONCEPT

We do not believe that a punitive tariff, like the CPP described by the CPUC and proposed by SDG&E, is the best mechanism to achieve what we believe to be the desired outcome of the CPUC – to prevent blackouts, to reduce demand at peak times in summer 2005 and to create long-term operational changes in customers.

2.1 Short Term CPP Concept is Flawed

- More time is needed to complete a comprehensive rate analysis and develop a comprehensive solution – The Commission recommends that the “new default rates should be comprehensive, covering both demand and volumetric charges.”¹ The proposed SDG&E CPP tariff does not include a demand element.

- CPP is a short-term hammer but CPUC also seeks a solution to longer-term building management. Twelve events will not change operational behavior.

- A CPP tariff would not encourage customers to invest in long-term efficiency.

- Customers will not have time to complete efficiency projects by Summer 2005

- Rates are already high for large customers. CPP creates an added disincentive for businesses to remain in San Diego.

- A voluntary CPP program was unsubscribed due to lack of incentive and flawed rate structure. Mandatory CPP does not fix the problem. In the SDG&E territory, if customers shift load to off peak periods, they will be penalized by non-coincident demand charges that are higher than peak demand charges.

- CPP does not address the non-coincident demand charge issue – Higher non-coincident demand charges has led to counter-productive consequences such as shifting equipment to peak demand times. Without comprehensive tariff reform, customers will be penalized for shifting off-peak or penalized for staying on peak in the SDG&E service territory.

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¹ Assigned Commissioner and Administrative Law Judge’s Ruling Directing the Filing of Rate Design Proposals for Large Customers, 12-8-04, p. 3.
### SDG&E AL-TOU Tariff (Alternate-Time of Use)

<table>
<thead>
<tr>
<th>Period</th>
<th>Summer</th>
<th>Winter</th>
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</thead>
<tbody>
<tr>
<td>Peak ($/kWh)</td>
<td>0.1149</td>
<td>0.1136</td>
</tr>
<tr>
<td>Semi Peak ($/kWh)</td>
<td>0.0881</td>
<td>0.088</td>
</tr>
<tr>
<td>Off Peak ($/kWh)</td>
<td>0.0874</td>
<td>0.087</td>
</tr>
<tr>
<td>Peak Demand Charge ($/kW)</td>
<td>5.73</td>
<td>3.82</td>
</tr>
<tr>
<td>Coincident Demand Charge ($/kW)</td>
<td>10.59</td>
<td>10.59</td>
</tr>
</tbody>
</table>

### 2.2 Alternative Solutions to Reduce Demand by Summer 2005

- Provide increased rebates and incentives for including demand response, energy efficiency, distributed generation projects that can be completed by June 2005.
- Utilize other mechanisms like PG&E’s E-BIP, which is mentioned in the Ruling.
- Include an incentive rate for customers under 200 kW that would reward customers for not-using rather than penalizing for peak usage.

### 3 COMMENTS ON THE PROPOSED CPP TARIFF

Although we believe that the Critical Peak Pricing (CPP) tariff concept is flawed for the reasons outlined above, if a tariff will be considered, we offer the following recommendations.

A. A CPP tariff should be revenue neutral within a customer class and should strive to make individual customers revenue neutral. All revenue collected under the CPP tariff should be redistributed to customer in the same rate class. Further, a CPP should not increase overall utility revenue.

B. A CPP tariff should be used only in the region with a critical peak situation – If there is a critical peak situation in another region of the state and SDG&E does not have a critical problem, CPP should not be invoked in the San Diego region.

C. Sufficient notification time is necessary. Notice should be given to customers no later than noon the day prior to the critical peak day. The utility must allow sufficient time for customers to react.

D. A CPP tariff should encourage and not penalize self generation like combined heat and power. According to interconnection contract, customers must draw a minimum amount of energy from SDG&E, if they reduce load, they would have to reduce onsite generation production.

E. A CPP rate increase should be applied to the relevant electric bill component. The rate increase could be applied to the transmission/distribution or energy commodity component depending on which contributes most to regional reliability problems. If transmission infrastructure and congestion are the primary problems, then the increase should be applied to T&D rates. This would impact bundled and direct access customers. If the problem is primarily lack of generation, then the increase should be applied to the commodity portion.

F. Customers who reduce consumption during CPP periods should not be penalized by higher CPP rates. Under the proposed CPP tariff, customers would pay an increased rate for all kWh consumption, even if they reduced consumption during a designated critical peak event. A possible solution is to establish a baseline for customers – perhaps the historical average
consumption during CPP 1 and CPP 2. So, any consumption above this level during a CPP period could be charged at the higher rate.

G. A CPP tariff should not disadvantage customers who have already invested in energy efficiency. It will be more difficult for customers who have already invested in energy efficiency and demand reduction, since they will have less load to shed/consumption to reduce.