



**Pacific Gas and
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ELECTRONIC DELIVERY

California Energy Commission
Docket Office, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

DOCKET	
08-DR-1	
DATE	JUL 17 2008
RECD.	JUL 17 2008

**Re: Docket No. 08-DR-01, Load Management Proceeding: July 10th
Customer Education Workshop**

Pacific Gas and Electric Company (PG&E) respectfully submits the following comments regarding the Load Management Proceeding: July 10th Customer Education 2008 Workshop.

Thank you for considering our comments. Please feel free to call me at the number above if you have any questions.

Sincerely,

Attachments

Comments of Pacific Gas and Electric Company
Regarding the July 10, 2008 CEC Workshop on Customer Education
Docket 08-DR-01

July 17, 2008

PG&E appreciated the opportunity to participate in the July 10, 2008 CEC workshop on load management issues. A few questions that were raised by the Commission, as well as PG&E's responses, are set forth below.

Question #1:

Commissioners commented on various aspects of matching the costs of power during critical peak times to the price paid by customers on SmartRate (Critical Peak Pricing for residential customers and business customers <200 kW of peak demand). Specifically, they had comments around the SmartRate being perceived by customers as a "penalty rate", that bill protection holds customers harmless, and that discounts during non-peak periods might discourage conservation.

Response: PG&E launched SmartRate in May 2008 to 140,000 eligible residential and small to medium business customers in Kern County. Through the SmartRate program, these customers are being offered new incentives to provide demand response during critical peak periods. SmartRate customers pay a higher price for electric energy during critical peak periods and receive a credit on all other electric energy during June through September. Customers are asked to shift or reduce their electricity usage during the critical peak periods when there is high demand on the system. SmartRate is an overlay on the customer's regular tariff – regardless of whether they are on a flat rate or seasonal or time-of-use pricing. Separately stated SmartRate surcharge and credits are applied after the customer's bill is calculated according to their regular tariff. Therefore, customers who otherwise have time-of-use incentives continue to have those incentives.

The peak price is based on a conservative estimate of the long-term marginal cost of capacity, divided across the number of hours that SmartRate peak prices are expected to be in effect each summer. These are costs that would otherwise be collected in the customer's regular tariff in rates that do not vary for the critical peak periods. Under SmartRate, these costs are essentially focused on critical peak periods and are subtracted out of the standard tariff for rates effective during non-critical peak periods in the months of June through September. This results in discounted off-peak prices relative to the standard tariff, while focusing capacity cost recovery just during the 60 to 75 critical peak hours that are used to design the rate. The resulting discounted non-peak rates and high peak period rate more closely align costs and prices on peak and non-peak days than either seasonal or time-of-use rates and, therefore, do not send a perverse price signal or unreasonably discourage conservation.

For those residential customers participating in the rate, if not more than 4.75% of their total June 1 thru Sep 30 usage occurs during the 15 summer peak day afternoons when SmartRate prices are in effect, there will be no bill change (with bill savings resulting if less than 4.75% is used during SmartRate periods). They can achieve bill savings under the rate by using less than 4.75% of their summer season energy (June 1-Sep 30) during critical peak periods, while their bill would increase if they use more than 4.75% of their total summer season energy during these periods. Some customers will be able to save money under SmartRate because their usage patterns are such that they would already be using somewhat less than 4.75% of their summer season energy during critical peak hours, while others will need to make significant efforts to reduce their usage on critical peak days to be able to save money. PG&E would caution against simply referring to customers in the first group as "free riders," because it could be argued that these are customers who have better-than-average usage profiles and so it could be said that these customers are being charged too much under the standard tariffs. Also, customers in this group could still achieve additional bill savings after signing up for SmartRate, if they take additional steps to further reduce their consumption during critical peak periods.

Bill protection encourages customers to try out SmartRate and applies only through the first full summer that customers are enrolled in SmartRate. In approving the tariff, the CPUC indicated that this feature was very important for the purpose of AB1X compliance, ensuring that customers are able to make informed and educated choices before voluntarily waiving the protections afforded by AB1X.