



**Pacific Gas and
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ELECTRONIC DELIVERY

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Re: **Docket No. 08-DR-01, Load Management Proceeding: May 27th AMI Workshop**

Pacific Gas and Electric Company (PG&E) respectfully submits the following comments regarding the Load Management Proceeding: May 27, 2008 AMI Workshop.

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

Sincerely,

Daniel H. Kim

Attachments

Comments of Pacific Gas and Electric Company
Regarding the May 27, 2008 CEC Workshop on AMI
Docket 08-DR-01
June 3, 2008

PG&E appreciates the opportunity to participate in the May 27, CEC workshop on load management issues. A few questions that were raised by the Commission and interested parties, as well as PG&E's responses, are set forth below.

Question #1:

At the workshop, Commissioner Pfannenstiel asked PG&E about providing interval data on paper bills (in addition to making it available online) to customers who request it.

Answer: PG&E expects to provide limited initial supplementary information to customers on their paper bills, in part because full interval data will not be used for billing purposes until real-time pricing (RTP) programs become available. The supplementary information needed to support currently - authorized Critical Peak Pricing (CPP) rates is relatively modest, because there will be a limited number of days when special CPP prices are in effect. This issue may need to be revisited as future RTP programs are implemented, although such costs could be reduced by adopting an approach where the most detailed forms of customer load information are deferred to Internet-based forms of presentment.

Based on recent customer research, approximately 66% of PG&E customers already answer affirmatively when asked, "Do you use the Internet?" Moreover, approximately 900,000 of PG&E's customers have already adopted "e-billing" as an alternative to conventional paper bills. These levels of Internet adoption and comfort with electronic bill presentment can be weighed as future pricing programs are developed and the need for printed summary information versus more complete Internet-based information is evaluated.

Question #2:

How much would typical customers need to conserve in energy in order to make the advanced meters cost effective for that typical customer? Commissioner Rosenfeld asked PG&E to quantify the expected percentage increase in customer bills as a way of predicting how much energy an average customer would need to save in order for that customer to save money.

Answer: The percentage increase in PG&E's overall annual system average rate will never be more than 1.5 percent due to the combined revenue requirements of the existing SmartMeter Program (SMP) and the proposed SMP upgrade. This is the approximate impact on system average rates for those years when the revenue requirement impacts will be at their highest levels. Even after factoring in differences in individual customer rate impacts, both across and within rate classes, very few customers should ever have

individual average rate impacts attributable to SMP and the upgrade project of more than 2.5 percent.

This means that, even before considering bills savings opportunities under new dynamic pricing programs, most customers should be able to begin realizing bill savings by reducing their energy usage by approximately 2.5 percent, while the average customer should never need to reduce their usage by more than 1.5 percent. Again, these estimates are for the limited number of years during which the impact on the electric revenue requirement and system average rates are at their highest levels. In most years and for most customers, even a 1.5 percent reduction in overall use should result in reduced bills.

These figures are well below the levels of conservation seen in studies of energy use where customers are able to receive real-time feedback within the home. The attached link is to a frequently cited paper by Sarah Darby of the Environmental Change Institute at Oxford University, which found that customer feedback can play a significant role in raising energy awareness and bringing about reduced consumption:

Making it obvious: designing feedback into energy consumption

Sarah Darby – Environmental Change Institute, University of Oxford

http://www.electriscave.co.uk/cms/thesite/public/uploads/uploadsbank/1112705999_390.pdf

Question #3:

Whether PG&E has allocated costs, or revenue requirements, consistent with how benefits flow to each customer class. At the workshop, DRA's representative questioned how PG&E has proposed to allocate program costs across customer classes. In particular, DRA asked whether the costs are consistent with how benefits flow to each customer class.

Answer: PG&E has not proposed allocating costs based on any class-level analysis of the benefits of either the SMP or the proposed SMP upgrade. The primary basis used for cost allocation in CPUC ratemaking is not benefit realization but rather cost causation. Accordingly, PG&E has based its proposed cost allocation methods for these projects on well-established distribution system cost allocators, based on the reasoning that metering and meter-related equipment will account for by far the largest share of total program costs and that such costs have long been recovered by CPUC ratemaking practice through distribution rates.

This general approach was authorized by the CPUC for the SMP costs as determined in Ordering Paragraph 2 of Decision 06-07-027. PG&E has followed the same approach in developing its recommended cost allocation proposal for the SMP upgrade.

As for benefits, any benefits that would accrue as a result of conservation and/or demand response would flow back to ratepayers as a result of bill reductions in the near term and be reflected in the ERRA balancing account. In the longer term as customers groups respond to dynamic pricing signals, their allocation of generation costs would be less. (Additional savings due to reduced operating costs such as meter reading expenses will flow back to ratepayers through the distribution component of their rates. Moreover, all

ratepayers will also realize additional, non-monetary benefits resulting from factors such as improved outage detection and restoration.)

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In conclusion, PG&E wishes to reiterate its appreciation for the opportunity to participate in the workshop and to provide these comments. PG&E looks forward to future, fruitful discussions on these important issues.