Pacific Gas and Electric Company

Daniel H. Kim
Manager
State Agency Relations

Pacific Gas and Electric Company
1415 L Street, Suite 280
Sacramento, CA 95814

916.386.5703
Fax: 916.386.5720

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

Re: Docket No. 08-DR-01, Load Management Proceeding: June 10th Rate Design, Incentives, and Market Integration Workshop

Pacific Gas and Electric Company (PG&E) respectfully submits the following comments regarding the Load Management Proceeding: June 10th Rate Design, Incentives, and Market Integration 2008 Workshop.

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

Sincerely,

Dan Kim

Attachments

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

PG&E appreciates the opportunity to participate in the June 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:

Commissioner Pfannenstiel commented on the "overlay" approach that PG&E currently uses to offer CPP rates to residential customers, where separately stated CPP surcharges and credits are applied after the customer's bill is calculated according to their regular tariff.

Answer: The overlay approach has been used for the last five years for PG&E's large customer CPP rates, and was also tested for residential and small commercial customers in the Statewide Pricing Pilot (SPP) experiment, which PG&E relied on in developing its new SmartRate tariffs for these customers.

The overlay approach has two primary advantages. First, a single set of overlay rates can be developed for each principal customer class (e.g., Residential, Small Commercial, etc.). This makes it possible to develop much clearer communications materials for customers, because it avoids the need for explaining "similar but different" price signals that might apply under the numerous existing rate options that already apply within each customer class.

Second, the overlay approach avoids creating new arbitrage or free-ridership issues - where a customer's enrollment decisions would be motivated by structural differences between the standard and dynamic pricing tariffs, rather than by the dynamic price signals alone.

For example, replacing the standard five-tiered residential tariff with an untiered optional dynamic pricing tariff could produce bill savings of $100 or more each month for the highest-usage residential customers, and these savings would be realized irrespective of whether they responded to the dynamic price signals. At the same time, lower-usage Tier 1 and Tier 2 customers would face cost increases of as much as 25 or 40 percent as a result of moving to an un-tiered tariff – and would thus have little or no opportunity to realize savings even after undertaking aggressive response to the dynamic pricing signals.

Taken together, these significant advantages afforded by the overlay approach far outweigh the small additional complexity in explaining how the new tariffs are structured.

Question #2:

Commissioner Pfannenstiel commented on the overall level of customer response to, and enrollment under, TOU rates, particularly among small and medium-sized commercial customers.

Answer: PG&E would like to supplement its comments at the workshop with the observation that all of its non-residential tariffs are based on rates that vary by season, and also note that nearly all of its commercial customers with demands of at least 20 kW take service under tariffs that include maximum demand charges.

For example, summer season usage under PG&E's small general service tariff, Schedule A-1, is billed at rates that are nearly 50 percent higher than the corresponding winter season charges (18 cents per kWh versus 13 cents). Similarly, customers taking service under PG&E's medium general service tariff, Schedule A-10, pay volumetric charges that vary between the summer and winter seasons and also pay maximum demand charges, which are assessed at almost $9.00 per kW during the summer and $5.00 per kW during the winter.

Thus, the rates offered even under these two "non-time-varying" tariffs do communicate significant information about the differing cost of energy by time of year, and the rates under Schedule A-10 also afford significant price signals for customers to flatten their load shapes and to reduce load during those periods when their demands are highest.

Question #3:
The Commission asked presenters to opine on what kind of load management standards should apply as a result of this proceeding.

Answer: On the issue of rate design goals, PG&E believes that the Commission should submit any comments and/or suggestions to the PUC for its review and consideration, thereby ensuring coordination between the agencies on this issue. This is consistent with the Commission's authority in Section 25403 and in the January 2, 2008, Order Instituting Informational and Rulemaking proceeding, for the load management proceeding.

Furthermore, as we discussed in our presentation, PG&E believes that customer choice and customer education are important principles in any CPP or RTP rate design program.

On the issue of infrastructure standards, PG&E supports the need to ensure a large market opportunity with standardized, interoperable products. Furthermore, it is critical to avoid hedging strategies by implementing "back-up to back-up" measures that have the potential to add costs, confuse manufacturers, and introduce delays as manufacturers will be tempted to "wait out" until a clear market and specifications emerge.

Another key issue is that any goal and/or standard for load management should be applied universally to both the private and public utilities.

While this is by no means a comprehensive list of goals, we appreciate the opportunity to provide these initial, preliminary comments.

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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.