

June 6, 2001

**Advice 2122-E**

(Pacific Gas and Electric Company ID U 39 E)

**Subject:** Real Time Energy Metering Memorandum Account (RTEMMA)

Pacific Gas and Electric Company (PG&E) hereby submits for filing the following changes to its tariff schedules. The revised tariff sheets are attached hereto.

**Purpose**

This advice filing establishes the Real Time Energy Metering Memorandum Account (RTEMMA) in which PG&E will record for future recovery the incremental costs associated with installing, operating, and reading RTEM equipment including any associated taxes, to the extent these costs exceed the funding provided by the California Energy Commission (CEC). PG&E is not requesting actual recovery of the incremental RTEM costs at this time. It is only requesting authority to track those incremental costs in a memorandum account, allowing PG&E an opportunity to request recovery of the costs at a later date.

**Background**

On April 11, 2001, Governor Davis signed into law ABX1-29, which appropriated \$35 million for the CEC to fund the cost of RTEM metering and related information systems for customers with average demand of 200 kW or greater. SBX1-5, which also recently became law, provides additional funding "to implement programs to improve . . . advanced metering of energy usage."

RTEM will provide PG&E's largest customers with more immediate access to usage information allowing them to better monitor their consumption and participate in real time pricing programs. RTEM will also facilitate their participation in load reduction programs, such as the Voluntary Demand Reduction Program (VDRP) and the Independent System Operator's Demand Reduction Program (DRP), both of which are based on usage relative to a rolling average of recent hourly consumption.

PG&E is hopeful that the CEC will cover most, if not all, of the first year costs of installing RTEM equipment and related infrastructure for PG&E's approximately 8,000 customers bundled customers with average demand of 200 kW or greater.<sup>1</sup>

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<sup>1</sup> In its protest to Southern California Edison's May 25, 2001, advice filing, the CEC indicated that the RTEM system proposed for PG&E meets the CEC's criteria for funding.

Approximately 2,100 of these customers already have RTEM equipment and communications installed while the remaining 5,900 customers will require installations of new systems. After the first year, or the beginning of the second year, (which is October 2002), PG&E estimates it will cost approximately \$2.8 million annually in communication, data management, and other expenses, to continue RTEM system functionality for these customers.

PG&E can install all 5,900 new RTEM meters between now and October 31, 2001 and is working with the CEC to commence work as soon as possible. However, PG&E requests that the Commission act on this advice letter at the earliest opportunity to assure that all the necessary funding for this program will be forthcoming. In its resolution approving this advice letter, the Commission should also clearly state that recovery of any amounts recorded in the RTEMMA will not be subject to any existing or future restrictions on post-rate freeze rate recovery, such as those in Decisions (D.) 99-10-057 and D. 00-03-058.

Specifically, PG&E proposes to include in the RTEMMA the revenue requirement associated with the following categories of capital and operations and maintenance (O&M) costs, to the extent they exceed the funding provided by the CEC.<sup>2</sup>

### **Capital Costs**

- Equipment and engineering/installation labor for meters and customer-site communications equipment;
- Servers, workstations, and infrastructure to initiate, process, and transfer daily/hourly meter reads;
- Application software to control the servers, interface with PG&E's billing and customer usage systems, and interface with the customer-interface vendor; and
- Software to provide the customer interface; via a customer-specific website where daily usage data (or hourly, during a curtailment event, for participating customers) is posted which tracks participation in curtailment programs.

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<sup>2</sup> PG&E will be receiving in the RTEMMA the incremental costs incurred in these categories (i. e. costs not covered by the CEC), regardless of whether PG&E or a third party vendor performs these functions. At present, PG&E plans to contract with a third party vendor to most of these functions; however, PG&E will own the meters and PG&E personnel will install and maintain the meters.

### O&M Costs

- Payments to communications providers or other third party vendors and telephone companies for installation of communication systems, and monthly communications fees;
- Software license renewals and server software;
- O&M for RTEM servers and applications programs;
- One-time costs for meter order processing during installation, customer training on web software, and initial billing;
- Meter reading costs, including for any required pick up reads;
- Costs of maintaining or replacing RTEM meters; and
- Costs for customer education.

Once the memorandum account is in place, PG&E will begin recording the revenue requirement associated with these costs and will be permitted to file an application requesting recovery in rates of its reasonably incurred costs, in excess of the funding provided by the CEC.<sup>3</sup> The RTEMMA will accrue the incremental revenue requirement associated with these costs only until the effective date of PG&E's next General Rate Case, at which time, PG&E will begin recovering the costs of the RTEM infrastructure in distribution rates.

PG&E believes authorizing the requested RTEMMA is consistent with the Commission's recent approval of San Diego Gas & Electric Company's (SDG&E) application for a RTEM program.<sup>4</sup> In doing so, the Commission authorized SDG&E to create a memorandum account in which to record the cost for recovery following a reasonableness review. PG&E's request is consistent with the mechanism authorized for SDG&E.

As listed in attached Table of Contents - Preliminary Statement, Part CC, has been added to reflect the establishment of the RTEMMA.

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<sup>3</sup> PG&E will record the O&M costs, plus depreciation, return and taxes associated with the capital costs.

<sup>4</sup> SDG&E's RTEM program, proposed in Application No. 00-07-055, applies to customers with demands of 100 kW and greater. PG&E's program is limited to customers with 200 kW average demand and greater.

This advice filing will not increase any rate or charge; cause the withdrawal of service, or conflict with any schedule or rule.

### **Protests**

Anyone wishing to protest this advice filing may do so in writing, sent via U.S. mail or facsimile, by **June 26, 2001**, which is within 20 days of this filing. Protests should be mailed to:

IMC Program Manager  
Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue, Room 4002  
San Francisco, California 94102  
Facsimile: (415) 703-2200

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Jerry Royer, Energy Division, at the address as shown above. It is also request that a copy of the protest be sent via postal mail and facsimile to Pacific Gas and Electric Company on the same date it is mailed or delivered to the Commission at the address shown below.

Pacific Gas and Electric Company  
Attention: Les Guliasi  
Director, Regulatory Relations  
77 Beale Street, Mailcode B10C  
P.O. Box 770000  
San Francisco, California 94177  
Facsimile: (415) 973-7226

There are no restrictions as to who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

### **Effective Date**

PG&E requests that the Commission approve this advice filing at its **July 12, 2001**, Commission Decision Conference.

### **Notice**

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter is being sent electronically and sent via U.S. mail to parties shown on the attached list and to the service list for Application (A.) 00-11-038. Address change requests should be directed to Nelia Avendano at (415) 973-3529.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing open for public inspection at PG&E's corporate headquarters.

PG&E reserves all legal rights to challenge the decisions or statutes under which it has been required to make this advice filing, and nothing in this advice filing constitutes a waiver of such rights. Also, PG&E reserves any additional legal rights to challenge the requirement to make this advice filing by reason of its status as a debtor under Chapter 11 of the Bankruptcy Code, and nothing in this advice filing constitutes a waiver of such rights.

Vice President – Regulatory Relations

Attachments

cc: Service List – A.00-11-038



PRELIMINARY STATEMENT  
(Continued)

CC. REAL TIME ENERGY METERING MEMORANDUM ACCOUNT (RTEMMA)

1. PURPOSE: The purpose of the RTEMMA is to record PG&E's operating and maintenance expenses and capital-related revenue requirements associated with the real time energy metering (RTEM) equipment and related infrastructure only to the extent those costs are not reimbursed under the California Energy Commission's (CEC's) metering programs approved by ABX1-29. In ABX1-29 signed into law by Governor Davis, the CEC will provide certain funding for the purchase of real time meters and related infrastructure in order to facilitate energy conservation and help alleviate the state energy crisis. The operating and maintenance costs shall include, but not be limited to, payments to communications and other vendors and telephone companies for installation and communication fees, software server software, RTEM servers and application program costs, meter order processing costs during installation and customer training, meter reading costs, costs of maintaining or replacing RTEM meters, and customer education costs. Capital related costs shall include, but not be limited to, equipment and engineering/installation labor for meters and communications equipment, servers, workstations and infrastructure to initiate, process, and transfer meter reads, applications software, and other third-party software. PG&E will record costs to the RTEMMA until it begins recovering these costs in its next General Rate Case. (N)
2. APPLICABILITY: The RTEMMA shall apply to all customer classes, unless any classes are specifically excluded by the Commission.
3. REVISION DATE: Disposition of amounts in this account shall be determined in the Revenue Adjustment Proceeding (RAP), or any other proceeding as authorized by the Commission.
4. RTEMMA RATE: The RTEMMA does not have a rate component.
5. ACCOUNTING PROCEDURE: PG&E shall maintain the RTEMMA by making entries at the end of each month as follows:
  - a. A debit entry equal to the amounts recorded in PG&E's Operations and Maintenance, and Administrative and General Expense Accounts that were incurred as a result of RTEM and were not otherwise reimbursed under the CEC's ABX1-29 and metering programs. (N)

(Continued)



PRELIMINARY STATEMENT  
(Continued)

CC. REAL TIME ENERGY METERING MEMORANDUM ACCOUNT (RTE MMA) (Cont'd.)

5. ACCOUNTING PROCEDURE: (Cont'd.)

- b. A debit entry for capital-related revenue requirements, if any, for RTE MMA, which were not reimbursed under the CEC's ABX1-29 metering programs, equal to:
  - 1) Depreciation expense on the average of the beginning and the end-of-month balance of plant installed associated with RTE MMA, at one-twelfth of the annual depreciation rates approved by the CPUC for these plant accounts; plus
  - 2) The return on investment on the average of the beginning and the end-of-month balance of plant installed associated with RTE MMA, at one-twelfth of the annual rate of return on distribution investment last adopted for PG&E's Electric Department by the CPUC; less
  - 3) The return on the average of beginning and end-of-month accumulated depreciation, and on average accumulated net of deferred taxes on income resulting from the normalization of federal tax depreciation, at one-twelfth the annual rate of return on distribution investment last adopted for PG&E Electric Department by the CPUC.
- c. A debit entry equal to federal and state taxes based on income associated with item 5.b. above, calculated at marginal tax rates currently in effect. This will include all applicable statutory adjustments.  
  
For federal and state taxes, this will conform to normalization requirements as applicable. Interest cost will be at the percentage of net investment last adopted by the CPUC with respect to PG&E.
- d. A debit entry equal to the monthly property taxes on the plant installed.
- e. A debit entry equal to the interest on the average of the balance at the beginning of the month and the balance after the entries above at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, G.13 or its successor.

(N)  
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(N)



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