

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



February 3, 2004

Advice Letter 2455-E

Ms Anita Smith, Rate Analyst
Pacific Gas and Electric Company
77 Beale Street, Mail Code 10B
San Francisco, CA 94177

Subject: Advanced Metering Infrastructure proceeding – inclusion of recovery of phase 2 administrative costs
in Preliminary Statement CS

Dear Ms Smith:

Advice Letter 2455-E is effective September 19, 2003. A copy of the advice letter is returned
herewith for your records.

Sincerely,

A handwritten signature in cursive script that reads "Paul Clanon".

Paul Clanon, Director
Energy Division



Karen A. Tomcala
Vice President
Regulatory Relations

77 Beale Street, Room 1065
San Francisco, CA 94105

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December 23, 2003

**Advice 2455-E
(Pacific Gas and Electric Company ID U39 E)**

Public Utilities Commission of the State of California (CPUC)

**Subject: Advanced Metering Infrastructure (AMI) Proceeding – Inclusion
of Recovery of Phase 2 Administrative Costs in Electric
Preliminary Statement CS**

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its electric tariffs. The affected tariff sheets are listed on the enclosed Attachment I.¹

Purpose

In accordance with the November 24, 2003 "Assigned Commissioners Ruling and Scoping Memo (Phase 2)" issued in Docket No. R. 02-06-001, PG&E is filing a revision to Electric Preliminary Schedule CS – *Advanced Metering and Demand Response Account (AMDRA)*. The purpose of this filing is to include the incremental, one-time set-up and ongoing Operating and Maintenance (O&M) and - administrative and general (A&G) costs incurred after September 19, 2003 for administrative activities within the scope of Phase 2 of R. 02-06-001.

Discussion

In June 2002, the Commission issued Rulemaking (R.) 02-06-001. The purpose of the rulemaking is to provide a forum to establish comprehensive policies to: (1) develop demand flexibility as a resource to enhance electric system reliability; (2) reduce power purchase and individual consumer costs; and (3) protect the environment. The intended result is that customers will have a diverse array of options and choices through which they can make their demand-responsive resources available to the electric system.

¹ 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.

The rulemaking is divided into multiple phases. Phase 1 covers the Statewide Pricing Pilot (SPP) program and Phase II includes the advanced metering infrastructure (AMI) deployment and associated implementation steps and costs. Pursuant to Decision (D.) 03-03-036 PG&E established the Advance Metering and Demand Response Account (AMDRA). This was accomplished by Advice 2357-E - *Advanced Metering Project – Pilot Program, Residential and Small Commercial Customers*, approved on April 2, 2003, with an effective date of March 18, 2003. The initial scope of the AMDRA allowed recordation of Phase 1 costs.

On September 19, 2003 the ALJ assigned to this rulemaking issued a preliminary draft Phase 2 scoping memo for comment by the parties. The September 19 ruling described Phase 2 as having the primary purpose of developing a methodology for conduct of a business case to determine the cost effectiveness of wide-scale deployment of AMI. With respect to cost recovery for administrative costs associated with participation in Phase 2, the ruling stated:

"For Phase 2 efforts such as the hiring of a consultant or the further development of the AC cycling program proposals, costs, and benefits, we propose that the utilities continue to record and track these administrative costs in their Advanced Metering and Demand Response Accounts."

On November 24, 2003, the ACR was issued. The ACR confirmed the primary focus of Phase 2 as being development of an AMI business case methodology. In addition, the ACR confirmed that other issues will also be within the scope of Phase 2, namely: development of proposals for technologies such as AC Cycling that will interface with AMI; development of a plan by each of the utilities as to how it could achieve the Commission's previously established demand response target of 5 percent by 2007; development of a 2-part RTP tariff; development of uniform policies with respect to so-called ABX 29 metering; and analysis of advanced metering options for agricultural customers. With respect to cost recovery, the Assigned Commissioner confirmed the cost recovery approach of the September 19 ruling:

"As the September 19 Ruling proposed, respondents will continue to record and track the administrative costs associated with Phase 2, to the extent consistent with the scope of the proceeding outlined in today's ruling, in their Advanced Metering and Demand Response Accounts previously established in Phase 1. The full commission must ratify the reasonableness of these expenses prior to authorizing actual cost recovery."

This advice letter is intended to modify PG&E's preliminary statement with respect to the AMDRA in accordance with these directives to allow administrative costs within the scope of the ACR to be recorded in the AMDRA.

In addition to the specific costs now permitted to be recorded in the AMDRA, PG&E proposes that the following costs also be recorded in the AMDRA: the incremental² O&M and A&G costs incurred after September 19, 2003 (the date of the proposed scoping memo authorizing cost recovery) of developing and analyzing proposals for and participating in Phase 2 of R. 02-06-001 within the scope of the November 24, 2003 Assigned Commissioner's Ruling and Scoping Memo (Phase 2) issued in that docket. PG&E proposes that accounting be accomplished as follows:

- c. "A debit entry equal to PG&E's incremental O&M and A&G expenses, including costs of consultants, and costs of workshop participation, incurred after September 19, 2003 of developing and analyzing proposals for and participating in Phase 2 of R. 02-06-001 within the scope of the November 24, 2003 Assigned Commissioner's Ruling and Scoping Memo (Phase 2) issued in that docket, including:
 1. Development of an advanced metering infrastructure (AMI) business case methodology, including development of costs and benefits and methodologies to evaluate the costs and benefits.
 2. Development of technology options, such as A/C Cycling, and how they interface with AMI.
 3. Development of PG&E's plan (both for 2004 and post-2004 proposals and activities) for achieving the Commission's 5 % demand response target in 2007, including analysis of the feasibility of achieving the target, PG&E's position on modification of existing programs, and preliminary identification of new programs."

The list above does not include costs related to development of real time pricing (RTP) tariffs and programs for large customers. Development of tariffs and programs for large customers is already mentioned in PG&E's AMDRA. PG&E expects to spend part of or its entire share of the joint utility program cost for 2003 (D. 03-06-032, Attachment B) in 2004.

Cost Cap

The ACR established no cost cap on amounts that can be recorded in the AMDRA for Phase 2 activities. The amounts recorded will be subject to the full

² PG&E continues to use the definition of incremental costs contained in D. 03-03-036, Section IV.C, namely "The respondent IOUs request authority to (1) establish regulatory accounts to record incremental one-time and ongoing program costs not currently covered in rates; (2) use established balancing accounts to recover under-collected revenues; and (3) use established balancing accounts to recover customer incentive payments."

Commission ratifying the reasonableness of these expenses prior to authorizing actual cost recovery. The advice filing is not intended to change the applicability of the previous cost cap imposed in D. 03-03-036 on Phase 1 costs to be recorded in the AMDRA.

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

Protests

Anyone wishing to protest this filing may do so by sending a letter by **January 11, 2004**, which is 20 days from the date of filing. The protest should be based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

IMC Branch Chief – Energy Division
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov

Protests also should be sent by e-mail and facsimile to Mr. Jerry Royer, Energy Division, as shown above, and by U.S. mail to Mr. Royer at the above address.

The protest should be sent via both e-mail and facsimile to PG&E on the same date it is mailed or delivered to the Commission at the address shown below.

Pacific Gas and Electric Company
Attention: Brian K. Cherry
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177
Facsimile: (415) 973-7226
E-mail: RxDd@pge.com

Effective Date

PG&E is requesting an effective date of **September 19, 2003**, which is the date of the ALJ Ruling setting forth the kinds of allowable Phase 2 costs to be recorded in the AMDRA.

Notice

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this

advice letter is being sent electronically and via U.S. mail to parties shown on the attached list, and the service list parties for Rulemaking (R.) 02-06-001. Address changes should be directed to Sandra Ciach at (415) 973-7572. Advice letter filings can also be accessed electronically at:

<http://www.pge.com/tariffs>

Karen A. Jumala
Vice President - Regulatory Relations

Attachments

cc: Service List R. 02-06-001

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
21035-E	Electric Preliminary Statement CS – Advanced Metering and Demand Response Account (AMDRA)	19875-E
21036-E	Electric Preliminary Statement CS (Continued)	New
21037-E	Table of Contents – Preliminary Statements (Continued)	20863-E
21038-E	Table of Contents	20864-E



PRELIMINARY STATEMENT

CS. ADVANCED METERING AND DEMAND RESPONSE ACCOUNT (AMDRA)

1. PURPOSE: The purpose of the Advanced Metering and Demand Response Account (AMDRA) is to record and recovers the incremental, one-time set-up and ongoing Operating and Maintenance (O&M) and Administrative and General (A&G) expenses incurred to develop and implement, or in reasonable anticipation of implementing (i.e., all development and implementation costs incurred after January 1, 2003), the demand response programs adopted in Phase 1 and Phase 2 of the Advanced Metering, Demand Response, and Dynamic Pricing Proceeding. The authorization for recovery in Phase 1 is pursuant to Ordering Paragraph 8 of Decision 03-03-036 and in Phase 2 is pursuant to the Assigned Commissioner's Ruling and Scoping Memo, date November 24, 2003. (T)
|
(T)
(N)
2. APPLICABILITY: The AMDRA applies to all customer classes, except for those specifically excluded by the Commission.
3. REVISIONS: The revision dates applicable to the AMDRA shall be upon approval of the annual advice filing referenced below or as otherwise ordered by the Commission.
4. RATES: The current AMDRA does not have a rate component.
5. ACCOUNTING PROCEDURE: PG&E shall maintain the AMDRA by making entries to this account at the end of each month as follows:
 - a. A debit entry equal to the UDC's incremental one-time "set up" and ongoing O&M and A&G expenses incurred to develop and implement, or incurred in reasonable anticipation of implementing, the following programs being developed in R.02-06-001: (1) the statewide pricing pilot (SPP) for small customers (under 200 kW), and (2) demand response tariffs and programs for large customers (greater than 200 kW), including:
 1. Market research prerequisite to SPP implementation;
 2. Development of rate, information, and technology treatments for various SPP cells;
 3. Sample design for various SPP cells;
 4. Miscellaneous pilot design refinement and implementation activities;
 5. Development of systems for billing and implementing tariffs and programs for large customers; and
 6. Miscellaneous large customer tariff refinement and implementation activities reasonably necessary to ensure timely implementation of large customer tariffs and programs approved in the Phase 1 decision.
 - b. A debit entry equal to the interest on the average of the balance at the beginning of the month and the balance after the above entry 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, H.15, or its successor.

PG&E shall file an annual advice letter, which shall include a summary of the entries to this account and a proposal for the disposition of the debit balance in the account.

(Continued)



PRELIMINARY STATEMENT
(Continued)

CS. ADVANCED METERING AND DEMAND RESPONSE ACCOUNT (AMDRA) (Cont'd.)

5. ACCOUNTING PROCEDURE: (Cont'd.)

- c. A debit entry equal to PG&E's incremental O&M and A&G expenses, including costs of consultants, and costs of workshop participation, incurred after September 19, 2003, of developing analyzing proposals for and participating in Phase II of Rulemaking (R.) 02-06-001 within the scope of the November 24, 2003 Assigned Commissioner's Ruling and Scoping Memo (Phase II) issued in Docket R.02-06-001, including: (N)

 - (1) Development of an advance metering infrastructure (AMI) business case methodology, including development of costs and benefits and methodologies to evaluate the costs and benefits.
 - (2) Development of technology options, such as Air-Conditioning (A/C) Cycling, and how they interface with AMI.
 - (3) Development of PG&E's plan (both for 2004 and post-2004 proposals and activities) for achieving the Commission's 5 percent demand response target in 2007, including analysis of the feasibility of achieving the target, PG&E's position on modification of existing programs, and preliminary identification of new programs. (N)



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**PG&E Electric Advice Filing List
General Order 96-A, Section III(G)**

ABAG Power Pool
Aglet Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alcantar & Elsesser
Anderson Donovan & Poole P.C.
Applied Power Technologies
APS Energy Services Co Inc
Arter & Hadden LLP
Avista Corp
Barkovich & Yap, Inc.
BART
Bartle Wells Associates
Blue Ridge Gas
Bohannon Development Co
BP Energy Company
Braun & Associates
C & H Sugar Co.
CA Bldg Industry Association
CA Cotton Ginners & Growers Assoc.
CA League of Food Processors
CA Water Service Group
California Energy Commission
California Farm Bureau Federation
California ISO
Calpine
Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
Cardinal Cogen
Cellnet Data Systems
Childress, David A.
City of Glendale
City of Healdsburg
City of Palo Alto
City of Redding
CLECA Law Office
Constellation New Energy
CPUC
Creative Technology
Crossborder Inc
CSC Energy Services
Davis, Wright Tremaine LLP
Davis, Wright, Tremaine, LLP
Defense Fuel Support Center
Department of the Army
Department of Water & Power City
Dept of the Air Force
DGS Natural Gas Services
DMM Customer Services
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America

Duncan, Virgil E.
Dutcher, John
Dynergy Inc.
Ellison Schneider
Energy Law Group LLP
Enron Energy Services
Exeter Associates
Foster, Wheeler, Martinez
Franciscan Mobilehome
Future Resources Associates, Inc
GLJ Energy Publications
Goodin, MacBride, Squeri, Schlotz &
Grueneich Resource Advocates
Hanna & Morton
Heeg, Peggy A.
Hogan Manufacturing, Inc
House, Lon
Imperial Irrigation District
Integrated Utility Consulting Group
International Power Technology
J. R. Wood, Inc
JTM, Inc
Kaiser Cement Corp
Korea Elec Power Corp
Marcus, David
Masonite Corporation
Matthew V. Brady & Associates
Maynor, Donald H.
McKenzie & Assoc
McKenzie & Associates
Meek, Daniel W.
Meyer, Joseph
Mirant California, LLC
Modesto Irrigation Dist
Morrison & Foerster
Morse Richard Weisenmiller & Assoc.
New United Motor Mfg, Inc
Norris & Wong Associates
North Coast Solar Resources
Northern California Power Agency
PG&E National Energy Group
Pinnacle CNG Company
PPL EnergyPlus, LLC
Price, Roy
Product Development Dept
Provost Pritchard
R. M. Hairston & Company
R. W. Beck & Associates
Recon Research
Regional Cogeneration Service
RMC Lonestar
Sacramento Municipal Utility District
SCD Energy Solutions
Seattle City Light

Sempra
Sempra Energy
Sequoia Union HS Dist
SESCO
Sierra Pacific Power Company
Silicon Valley Power
Simpson Paper Company
Smurfit Stone Container Corp
Southern California Edison
SPURR
St. Paul Assoc
Stanford University
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tansev and Associates
Tecogen, Inc
TFS Energy
TJ Cross Engineers
Transwestern Pipeline Co
Turlock Irrigation District
United Cogen Inc.
URM Groups
Utility Cost Management LLC
Utility Resource Network
Wellhead Electric Company
Western Hub Properties, LLC
White & Case
WMA