

PUBLIC UTILITIES COMMISSION

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May 13, 2004

Advice Letter 2481-E/2481-E-A

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

Subject: Revision to Preliminary Statement part CS, Advanced Metering and Demand Response Account

Dear Ms Smith:

Advice Letter 2481-E/2481-E-A is effective March 10, 2004. 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

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April 21, 2004

**Advice 2481-E-A
(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 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. This filing supplements Advice 2481-E - *Advanced Metering Infrastructure (AMI) Proceeding – Inclusion of Recovery of Administrative Costs in Electric Preliminary Statement CS*.

Purpose

In accordance with the November 24, 2003 "Assigned Commissioner's Ruling and Scoping Memo (Phase 2)" issued in Docket No. R. 02-06-001 (the November 24, ACR), and as requested by Energy Division staff, 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 for ongoing administrative activities connected with 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.

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The rulemaking is divided into multiple phases. Phase 1 covers the Statewide Pricing Pilot (SPP) program and Phase 2 includes 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, approved April 2, 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."

The November 24 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."

On December 23, 2003, PG&E filed Advice 2455-E 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 November 24 ACR to be recorded. This Advice was approved on February 3, 2004.

On February 19, 2004, the "Joint Assigned Commissioner and Administrative Law Judge's Ruling Providing Guidance for the Advanced Metering Infrastructure Business Case Analysis" (the Joint Ruling) was issued, giving policy direction

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regarding the minimum level of system functionality that should be supported by advanced metering infrastructure, which customer classes should be included in the AMI analysis, and the the costs to be included in an analysis.

After discussion with Energy Division staff, to better reflect the intent of the Commission regarding cost recovery for ongoing administrative activities related to R. 02-06-001, PG&E now proposes to further amend the AMDRA by adding a new section to allow recordation in AMDRA of PG&E's incremental O&M and A&G costs incurred (1) in developing the business case analysis contemplated in the November 24, 2003 ACR and the Joint Ruling and (2) pre-planning evaluation and assessment activities carried out in reasonable anticipation of deployment of advanced metering systems under the timeframe of the proposed schedule discussed by Energy Division and California Energy Commission staff in the workshops held in this proceeding on March 29 and 30, 2004. PG&E proposes to add a new paragraph to the AMDRA to accomplish the accounting as follows:

"A debit entry equal to PG&E's incremental O&M and A&G expenses, including costs of consultants and internal staff, incurred in (1) developing an advanced metering infrastructure (AMI) business case analysis as contemplated by the November 24, 2003 Assigned Commissioner's Ruling and Scoping Memo (Phase 2) and the February 19, 2004 Joint Assigned Commissioner and Administrative Law Judge's Ruling issued in R. 02-06-001, and as discussed in subsequent workshops facilitated by CPUC and CEC staff, and (2) pre-planning evaluation and assessment activities carried out in reasonable anticipation of deployment of AMI systems under the time frame in the proposed schedule discussed by the CPUC and CEC staff in the workshops held in R. 02-06-001 on March 29 and 30, 2004, including, without limitation:

1. All activities reasonably necessary for the development of an AMI business case analysis such as:
 - a. Determination of all internal and external costs associated with different AMI rollout scenarios, including: issuance and analysis of requests for proposals (RFPs) for AMI technology acquisition; AMI technology evaluation; evaluation of information technology (IT) costs; evaluation of costs of interfacing AMI with utility systems; and development of computer models to analyze costs and financing.
 - b. Estimation of utility operational benefits of AMI deployment under different rollout scenarios.
 - c. Estimation and valuation of demand response benefits under different rollout scenarios including

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development of suitable computer models.

- d. Continued costs of workshop participation related to AMI analysis and deployment.

2. Activities associated with pre-AMI deployment evaluation and planning. These activities would assess functional and technical system requirements for infrastructure, communication systems, internal system integration, as well as other potential rollout requirements.

PG&E will provide the Energy Division with a bi-monthly update report of the costs being recorded for items 1 and 2 above.”

Cost Cap

The amounts recorded will be subject to the 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 **May 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.

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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 administrative 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 R. 02-06-001. Address changes should be directed to Sharon Tatai at (415) 973-2788 (skt2@pge.com). Advice letter filings can also be accessed electronically at:

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


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.
21565-E	Electric Preliminary Statement CS – Advanced Metering and Demand Response Account (AMDRA)	21511-E
21566-E	Electric Preliminary Statement CS (Continued)	New
21567-E	Table of Contents – Rate Schedules (Continued)	21512-E
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PRELIMINARY STATEMENT
(Continued)

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

5. ACCOUNTING PROCEDURE: (Cont'd.)

b. 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: (T)

- (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.

c. A debit entry equal to PG&E's incremental O&M and A&G expenses, including costs of consultants and internal staff, incurred in: (1) developing an advanced metering infrastructure (AMI) business case analysis as contemplated by the November 24, 2003 Assigned Commissioner's Ruling and Scoping Memo (Phase 2) and the February 19, 2004 Joint Assigned Commissioner and Administrative Law Judge's Ruling issued in R.02-06-001, and as discussed in subsequent workshops facilitated by CPUC and CEC staff, and (2) pre-planning evaluation and assessment activities carried out in reasonable anticipation of deployment of AMI systems under the time frame in the proposed schedule discussed by the CPUC and CEC staff in the workshops held in R.02-06-001 on March 29 and 30, 2004, including, without limitation: (N)

- (1) All activities reasonably necessary for the development of an AMI business case analysis such as:
 - (a) Determination of all internal and external costs associated with different AMI rollout scenarios, including: issuance and analysis of requests for proposals (RFPs) for AMI technology acquisition; AMI technology evaluation; evaluation of information technology (IT) costs; evaluation of costs of interfacing AMI with utility systems; and development of computer models to analyze costs and financing.
 - (b) Estimation of utility operational benefits of AMI deployment under different under different rollout scenarios.
 - (c) Estimation and valuation of demand response benefits under different rollout scenarios including development of suitable computer models.
 - (d) Continued costs of workshop participation related to AMI analysis and deployment.
- (2) Activities associated with pre-AMI deployment evaluation and planning. These activities would assess functional and technical system requirements for infrastructure, communication systems, internal system integration, as well as other potential rollout requirements.

PG&E will provide the Energy Division with a bi-monthly update report of the costs being recorded for items 1 and 2 above. (N)



Pacific Gas and Electric Company
San Francisco, California

Original
Cancelling

Original

Cal. P.U.C. Sheet No.
Cal. P.U.C. Sheet No.

21565-E
21511-E

PRELIMINARY STATEMENT
(Continued)

Advice Letter No. 2481-E-A
Decision No. 03-03-036,04-01-012

Issued by
Karen A. Tomcala
Vice President
Regulatory Relations

Date Filed April 21, 2004
Effective _____
Resolution No. _____

51261



PRELIMINARY STATEMENT
(Continued)

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

5. ACCOUNTING PROCEDURE: (Cont'd.)

d. 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.

(L)

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.

(L)



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

ABAG Power Pool	Duncan, Virgil E.	Sempra Energy
Aglet Consumer Alliance	Dutcher, John	Sequoia Union HS Dist
Agnews Developmental Center	Dynegy Inc.	SESCO
Ahmed, Ali	Ellison Schneider	Sierra Pacific Power Company
Alcantar & Elsesser	Energy Law Group LLP	Silicon Valley Power
Anderson Donovan & Poole P.C.	Enron Energy Services	Simpson Paper Company
Applied Power Technologies	Exeter Associates	Smurfit Stone Container Corp
APS Energy Services Co Inc	Foster, Wheeler, Martinez	Southern California Edison
Arter & Hadden LLP	Franciscan Mobilehome	SPURR
Avista Corp	Future Resources Associates, Inc	St. Paul Assoc
Barkovich & Yap, Inc.	GLJ Energy Publications	Stanford University
BART	Goodin, MacBride, Squeri, Schlotz &	Sutherland, Asbill & Brennan
Bartle Wells Associates	Grueneich Resource Advocates	Tabors Caramanis & Associates
Blue Ridge Gas	Hanna & Morton	Tansev and Associates
Bohannon Development Co	Heeg, Peggy A.	Tecogen, Inc
BP Energy Company	Hogan Manufacturing, Inc	TFS Energy
Braun & Associates	House, Lon	TJ Cross Engineers
C & H Sugar Co.	Imperial Irrigation District	Transwestern Pipeline Co
CA Bldg Industry Association	Integrated Utility Consulting Group	Turlock Irrigation District
CA Cotton Ginners & Growers Assoc.	International Power Technology	United Cogen Inc.
CA League of Food Processors	J. R. Wood, Inc	URM Groups
CA Water Service Group	JTM, Inc	Utility Cost Management LLC
California Energy Commission	Kaiser Cement Corp	Utility Resource Network
California Farm Bureau Federation	Korea Elec Power Corp	Wellhead Electric Company
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Calpine Corp	Matthew V. Brady & Associates	WMA
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Cambridge Energy Research Assoc	McKenzie & Assoc	
Cameron McKenna	McKenzie & Associates	
Cardinal Cogen	Meek, Daniel W.	
Cellnet Data Systems	Mirant California, LLC	
Childress, David A.	Modesto Irrigation Dist	
City of Glendale	Morrison & Foerster	
City of Healdsburg	Morse Richard Weisenmiller & Assoc.	
City of Palo Alto	New United Motor Mfg, Inc	
City of Redding	Norris & Wong Associates	
CLECA Law Office	North Coast Solar Resources	
Constellation New Energy	Northern California Power Agency	
CPUC	PG&E National Energy Group	
Creative Technology	Pinnacle CNG Company	
Crossborder Inc	PPL EnergyPlus, LLC	
CSC Energy Services	Price, Roy	
Davis, Wright Tremaine LLP	Product Development Dept	
Davis, Wright, Tremaine, LLP	Provost Pritchard	
Defense Fuel Support Center	R. M. Hairston & Company	
Department of the Army	R. W. Beck & Associates	
Department of Water & Power City	Recon Research	
Dept of the Air Force	Regional Cogeneration Service	
DGS Natural Gas Services	RMC Lonestar	
DMM Customer Services	Sacramento Municipal Utility District	
Downey, Brand, Seymour & Rohwer	SCD Energy Solutions	
Duke Energy	Seattle City Light	
Duke Energy North America	Sempra	