

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



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



**Pacific Gas and
Electric Company**

Karen A. Tomcala
Vice President
Regulatory Relations

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March 10, 2004

**Advice 2481-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, in Compliance with Decision 04-01-
012**

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.

Purpose

In accordance with Decision (D.) 04-01-012, 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 and expand the expenses recoverable in this preliminary. These incremental expense activities include: (1) Automated Demand Response System Pilot and Enabling Technologies; (2) CPP-V Track A/Enhanced Website Information; (3) San Francisco Co-op Track B; and (4) additional pilot evaluation and customer research activities.

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.

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."

As a result of this ALJ decision, PG&E filed Advice 2455-E, which modified electric Preliminary Statement CS, in accordance with these directives to allow administrative costs within the scope of the ACR to be recorded in the AMDRA. Expenses. These expenses included the cost 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).

Advice 2455-E was approved on February 3, 2004, with an effective date of September 19, 2004.

On January 15, 2004, the Commission issued D.04-01-012, which authorized additional funding to cover costs related to the Statewide Pricing Pilot for year 2004. PG&E is modifying electric Preliminary Statement CS to reflect the recoverable costs for 2004, in compliance with this decision.¹

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 **March 30, 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

¹ SDG&E filed Advice XXXX-E, which recovers the same types of costs PG&E is requesting in its (SDG&E's) preliminary statement for AMDRA. This filing was approved on XXXXXX YY, 2004.

Effective Date

PG&E is requesting an effective date of **January 8, 2004**, which is the date of D.04-01-012.

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. Immeda / srt
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.
21510-E	Electric Preliminary Statement CS – Advanced Metering and Demand Response Account (AMDRA)	21035-E
21511-E	Electric Preliminary Statement CS (Continued)	21036-E
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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.

In addition, pursuant to Decision 04-01-012, the AMDRA will also record the Statewide Pricing Pilot (SPP) 2004 activities, and the administrative costs associated with Phase 2 of Rulemaking 02-06-001.

(N)
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(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 Rulemaking 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.

7. Incremental activities in 2004 as described in Decision 04-01-012 which include: (1) Automated Demand Response System Pilot and Enabling Technologies, (2) CPP-V Track A/Enhanced Website Information, (3) San Francisco Co-op Track B, and (4) Additional Pilot Evaluation and Customer Research Activities.

(N)
|
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(N)

(L)

(Continued)



PRELIMINARY STATEMENT
(Continued)

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

5. ACCOUNTING PROCEDURE: (Cont'd.)

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.

(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)

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:

- (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.



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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
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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
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California Farm Bureau Federation	Korea Elec Power Corp	Wellhead Electric Company
California ISO	Marcus, David	Western Hub Properties, LLC
Calpine	Masonite Corporation	White & Case
Calpine Corp	Matthew V. Brady & Associates	WMA
Calpine Gilroy Cogen	Maynor, Donald H.	
Cambridge Energy Research Assoc	McKenzie & Assoc	
Cameron McKenna	McKenzie & Associates	
Cardinal Cogen	Meek, Daniel W.	
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Childress, David A.	Modesto Irrigation Dist	
City of Glendale	Morrison & Foerster	
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Creative Technology	Pinnacle CNG Company	
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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	