

January 22, 2001

**ADVICE 2166-G-A/1890-E-A**

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California:

As directed in Resolution (R.) E-3685, dated December 21, 2000, Pacific Gas and Electric Company (the Company) hereby supplements Advice 2166-G/1890-E, filed July 12, 1999, which described a proposed new category of non-tariffed products and services, "Third-party Meter Reading Services" as provided in Affiliate Transaction Rule VII.E.

Advice 2166-G/1890-E proposed to offer the following Third-party Meter Reading products and services:

1. Reading (data collection and transfer) of third-party meters, including incidental on-site meter access maintenance and provision of information regarding non-incident maintenance to third parties when work may be required at their meter locations;
2. Consulting related to meter reading services.

Attachment A to this filing includes the specific supplemental information concerning pricing methods and cost allocations for Third-party Meter Reading Services required by R. E-3685.

The Company will only offer Third-party Meter Reading Services at its discretion, subject to the following conditions:

1. The Company has adequate resources to undertake this offering;
2. The Company can successfully negotiate with customers a price that covers all costs of providing such services, as well as an adequate profit margin, in accordance with this supplemental advice filing.

If either of these conditions is not met, the Company will not offer these services.

Resolution E-3685 provides that the Company may begin offering these services 30 days after receipt of this supplemental advice filing, **February 21, 2001**, unless the Energy Division advises the Company that its supplemental advice filing is deficient.

In accordance with R. E-3685, the Company is mailing copies of this advice filing to the utilities and interested parties shown on the attached list and on all interested parties in OIR 97-04-011/OII 97-04-012. Address change requests should be directed to Nel Avendano at (415) 973-3529.

Vice President – Regulatory Relations

Attachments

cc: Service List – OIR 97-04-011/ OII 97-04-012

Golden State Flow Measurement  
8157 Belvedere Ave. Suite 100  
Sacramento, CA 95826

CWS Utility Services  
1720 N. First St.  
San Jose, CA 95112-4598

PHASER Advanced Metering Services,  
c/o Sean P. Beatty, Esq.  
Cooper, White & Cooper, LLP  
201 California Street, 17th Floor  
San Francisco, CA 94111

Chris King  
Chief Executive Officer, Utility.com  
828 San Pablo Avenue  
Albany, CA 94706

Ed Todd, City Manager  
City of Dinuba  
405 East El Monte Way  
Dinuba, CA 93618

Carlos S. Lopez, Public Works Director  
City of Gonzales  
P.O. Box 647  
Gonzales, CA 93926

Office of the City Manager, City of Santa Rosa  
100 Santa Rosa Avenue  
P.O. Box 1678  
Santa Rosa, CA 95402-1678

Valerie Armento, City Attorney  
City of Sunnyvale  
456 West Olive Way  
Sunnyvale, CA 94086

**Pricing Methods and Cost Allocation Methodology for Proposed Non-tariffed Product and Service Category N.C.13: Third-party Meter Reading Services**

**I. Clarification of Pricing Methods**

The price that Pacific Gas and Electric Company (“the Company”) will charge any particular customer for Third-party Meter Reading Services will include the following elements:

1. The full incremental costs of offering these services to the particular customer using the same methodology it now uses to track and report the costs of existing non-tariffed products and services. Full incremental costs will include both recurring and non-recurring costs attributable to the services. The Company will use its business and financial systems (SAP R/3) to determine the standard labor rate. This rate will include fully-loaded labor rates (e.g., salaries, benefits, payroll taxes, supervisory time, etc.), overhead (including space occupied by the employee, office supplies and equipment such as computers, phones and copy machines, office furniture, etc.), vehicles, other equipment, and any other direct costs incurred in the provision of the service. Because the standard labor rate does not include such items as pensions and insurance, the labor rates will be increased by a factor of 2.46% (the Company’s standard adder for these items) to cover these costs.
2. The price will also include an additional profit margin above the full incremental cost. The size of the profit margin will be determined by a market survey of those providing similar services and through negotiations with the prospective customer.

This price level will be high enough to ensure that the utility will not “subsidize” the price of these services and will not enjoy any cost advantage over and above that derived from its own internal efficiencies.

The Company will not offer these services to prospective customers if, in its sole judgment, the profit margin to be realized and shared between shareholders and ratepayers does not justify dedicating resources to offer the services.

## **II. Revenue Sharing Cost Allocation Methodology**

For purposes of tracking and reporting the incremental costs of Third-Party Meter Reading Services, and for purposes of allocating these costs so that shareable revenues can be calculated, the Company will comply with page 14 and Ordering Paragraph 3 of Resolution (R.) E-3685 and will include only incremental costs which are “directly attributable” to the services, as explained in R. E-3685, page 14. Only direct labor costs (including benefits and taxes) will be included and the following costs will not be included unless they are affected by the marginal increase in the number of meters to be read:

- Direct supervision and management of labor;
- Vehicle costs (except for the marginal cost of fuel, maintenance, depreciation and other capital related costs, if additional miles of travel are required);
- Office space;
- Materials and equipment.<sup>1</sup>

This approach will mean that costs of these services will be tracked and reported using different methodologies than those used for the Company's existing non-tariffed products and services. As explained in its Comments on the Draft Resolution, filed September 27, 2000, the Company does not agree with this approach but will follow it in order to comply with R. E-3685.

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<sup>1</sup> As explained in Attachment A to Advice 2166-G/1890-E, page 3, the Company plans to use a stand-alone data server for third-party data storage and transfer. The costs of this server, the costs of software to reprogram the Company's meter reading equipment, and the costs of related equipment used only for Third-party Meter Reading Services will, of course, be included since they are directly attributable to these services.