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APPENDIX B-1

**PACIFIC GAS AND ELECTRIC COMPANY
Greenhouse Gas OIR
Rulemaking 11-03-012
Data Response**

PG&E Data Request No.:	DRA_002		
PG&E File Name:	GreenhouseGasOIR_DR_DRA_002		
Request Date:	September 13, 2011	Requester DR No.:	002
Date Sent:	September 27, 2011	Requesting Party:	DRA
PG&E Witness:	Anna Foglesong	Requester:	Jordan Parrillo

QUESTION 1

Please assume that the CPUC directed PG&E to return to each customer whose electric bill increases as a result of PG&E's purchase of GHG allowances 90% of the GHG allowance value through an annual or semi-annual bill credit. (a) Please estimate the incremental costs of returning the GHG allowance value through an annual or semi-annual bill credit, including the cost of adding additional line items to PG&E's customer bills to inform each customer about the amount of that customer's bill credit. (b) Would the incremental costs of adding additional line items to PG&E's customer bills differ depending on whether the bill credit was returned annually versus semi-annually? If so, please provide the incremental cost for both an annual vs. semi-annual return? (c) What are the components of the incremental costs of returning the GHG allowance value through an annual or semi-annual bill credit?

ANSWER 1

- a) Based on preliminary estimates, the incremental costs would be in a range of at least \$467,000 to \$632,000 annually (not including customer communication and education costs to implement the bill credits.)
- b) The incremental costs would not differ if this was an annual or semi-annual credit. Our billing system bills on a monthly basis and if we need to accumulate the monthly credits for later use (versus netting it against the current month's charges), it does not matter if the credit is issued quarterly, semi-annually or annually.
- c) The main drivers of the incremental cost are creating a new attribute to track and store credit so that it can be returned to customers every 6/12 months, displaying the credit as a separate line item on the bill, and letter and bill messages explaining the credit. This estimate does not include any other customer communication / education that may be required beyond adding a line item to the bill (e.g., training call center representatives, proactive outreach to customers, etc).

QUESTION 2

Please assume that the CPUC directed PG&E to return to each customer whose electric bill increases as a result of PG&E's purchase of GHG allowances 90% of the GHG allowance value through an annual or semi-annual rebate check. (a) Please estimate the incremental costs of sending (1) an annual rebate check to customers and (2) a semi-annual check to customers. (b) What are the components of the incremental costs of returning the GHG allowance value through an annual or semi-annual rebate check?

ANSWER 2

a and b) Based on preliminary estimates the incremental annual costs of sending a check range from about \$2,615,000 to about \$5,195,000 which is in addition to the estimate provided in Question 1 of \$467,000 -\$632,000 for calculating the credit.

This preliminary incremental cost includes:

- \$55,000-\$75,000 of additional system work
- An estimate of ~\$0.50 per check printed and mailed
- An estimate of ~\$0.14 for per check processed by the bank.

This cost does not include an estimate of escheated checks (if the checks are not cashed and the unclaimed money is turned over to the state). Transaction costs are an estimated \$2.08 per unclaimed check. It also does not include an estimate of miscellaneous other bank fees that may occur such as stopping a check which is about \$4.50 per check.

1) The cost for printing, mailing, and bank processing for a check annually is about \$2.56 million, which is ~\$0.64 per check x 4 million customers = \$2.56 million.

2) Semi-annual distribution would double the cost, to about \$5.12 million

QUESTION 3

Please assume that the CPUC directed PG&E to return to each customer whose electric bill increases as a result of PG&E's purchase of GHG allowances 90% of the GHG allowance value through an (1) annual or semi-annual bill credit or (2) annual or semi-annual rebate check. (a) Please explain what steps PG&E would take to ensure

that credits or rebates reach the appropriate individuals, in the event of address changes and given the anticipated time lag between the incurrence of AB 32 costs and the distribution of rebates or refunds to customers. (b) Please estimate the incremental costs of ensuring that the appropriate customers receive the rebates or checks.

ANSWER 3

- a) A significant number of PG&E customers discontinue PG&E service or leave the PG&E service territory each year. Thus, given the time lag between when a customer obtains service and when rebates or refunds are distributed to customers, it is not possible to ensure that all appropriate customers receive the rebates or checks. If the customer has kept their address up to date in the system, and has moved within the system, there should be no problem in the bill (and credit on bill, or rebate check) reaching the customer. However, customers who have moved out of the service territory do not always opt to provide a forwarding address for their last bill or subsequent refunds or rebates— and then that last bill or refund or rebate is not deliverable to the customer.
- b) There are no incremental costs for sending checks to customers who have moved as long as they have kept their address up to date with PG&E. However, as mentioned in Answer 2, there are escheatment costs for unclaimed checks where the transaction cost is roughly \$2.08 per escheated check.

APPENDIX B-2

SCE'S RESPONSE TO THE DRA DATA REQUESTS

R.11-03-012

Southern California Edison Company ("SCE") hereby submits this response to the Division of Ratepayer Advocates ("DRA") Data Request served on September 13, 2011 in Rulemaking 11-03-012. The DRA Data Request focuses on estimating any incremental costs associated with the return of greenhouse gas ("GHG") allowance values to customers through a rebate or bill credit, as opposed to using existing investor-owned utility ("IOU") billing methods and systems.

The IOUs have proposed returning the GHG allowance value to customers based on a volumetric calculation via a factor change in the impacted rate schedules. Such a proposal supports the CPUC objective of administrative simplicity – from an implementation, operational, and cost perspective. SCE is not aware of any incremental costs associated with this method of returning the GHG allowance value to customers.

As requested – and as a comparison – SCE has provided incremental cost information below for returning the GHG allowance value through a bill credit or rebate check.

1. Please assume that the CPUC directed SCE to return to each customer whose electric bill increases as a result of SCE's purchase of GHG allowances 90% of the GHG allowance value through an annual or semi-annual bill credit. (a) Please estimate the incremental costs of returning the GHG allowance value through an annual or semi-annual bill credit, including the cost of adding additional line items to SCE's customer bills to inform each customer about the amount of that customer's bill credit. (b) Would the incremental costs of adding additional line items to SCE's customer bills differ depending on whether the bill credit was returned annually versus semi-annually? If so, please provide the incremental cost for both an annual vs. semi-annual return? (c) What are the components of the incremental costs of returning the GHG allowance value through an annual or semi-annual bill credit?
 - (a) The estimated incremental costs of returning the GHG allowance value through an annual or semi-annual bill credit, including the cost of adding additional line items to SCE's customer bills to inform each customer about the amount of that customer's bill credit, is **\$649,317**. This is a ballpark estimate based on a number of assumptions about how the bill credit would be calculated and administered. Of this cost, \$500,000 is a one-time cost, and \$149,317 is a recurring cost for each year that the GHG allowance values are returned via a line item bill credit.
 - (b) No, the incremental costs of adding additional line items to SCE's customer bills would not differ depending on whether the bill credit was returned annually versus semi-annually.
 - (c) The components that make up the incremental costs of returning the GHG allowance value through an annual or semi-annual bill credit are as follows:

One-Time Costs (\$500,000)

- IT system modifications and testing: \$500,000.

Recurring Costs (\$149,317/yr)

- Incremental call handling costs to explain credit to customers: \$120,000.
 - Closed account and escheatment costs: \$29,317.
 - There would also be additional incremental costs for impacts to operational areas:
 - Training would need to be provided to customer service representatives, billing and credit analysts, and account executives to explain the credit and its calculation.
 - New reports to track, record and audit that the bill credits are applied correctly would need to be implemented and managed.
2. Please assume that the CPUC directed SCE to return to each customer whose electric bill increases as a result of SCE's purchase of GHG allowances 90% of the GHG allowance value through an annual or semi-annual rebate check. (a) Please estimate the incremental costs of sending (1) an annual rebate check to customers and (2) a semi-annual check to customers. (b) What are the components of the incremental costs of returning the GHG allowance value through an annual or semi-annual rebate check?

- (a1)** The estimated incremental cost of sending an annual rebate check to customers to return the GHG allowance value is **\$5,807,149**. This is a ballpark estimate based on a number of assumptions about how the allowance would be calculated and administered. Of this cost, \$500,000 is a one-time cost, and \$5,307,149 is a recurring cost for each year that the GHG allowance values are returned via an annual rebate check.

Based on SCE's current rebate check processing capability, it would take approximately nine months to process, print and mail all of the checks to customers on an annual basis.

- (a2)** The estimated incremental cost of sending a semi-annual check to customers to return the GHG allowance value is **\$8,435,365**. This is a ballpark estimate based on a number of assumptions about how the allowance would be calculated and administered. Of this cost, \$500,000 is a one-time cost, and \$7,935,365 is a recurring cost for each year that the GHG allowance values are returned via a semi-annual rebate check.

SCE's Mailing Operations is currently not capable of supporting sending a semi-annual check to all impacted customers due to equipment limitations. If this option were mandated, additional equipment would need to be purchased solely for the purpose of sending the GHG allowance value rebate checks. These costs have not been factored into this estimate.

- (b)** The components that make up the incremental costs of returning the GHG allowance value through an annual or semi-annual rebate check are as follows:

One-Time Costs (\$500,000)

- IT system modifications and testing: \$500,000.

Recurring Costs (\$5,307,149/yr – annual) (\$7,935,365/yr – semi-annual)

- Postage costs: \$2,156,000 (annual); \$4,312,000 (semi-annual)
 - Material costs (bill stock / envelopes): \$244,750 (annual); \$489,500 (semi-annual)
 - Check processing costs (printing, inserting, reconciling, mailing, bank fees): \$2,200,062 (annual); \$2,425,293 (semi-annual)
 - Escheatment and re-processing costs: \$586,337 (annual); \$588,572 (semi-annual)
 - Incremental call handling costs to explain credit to customers: \$120,000.
 - There would also be additional incremental costs for impacts to operational areas:
 - Training would need to be provided to customer service representatives, billing and credit analysts, and account executives to explain the credit and its calculation.
 - New reports to track, record and audit that the bill credits are applied correctly would need to be implemented and managed.
3. Please assume that the CPUC directed SCE to return to each customer whose electric bill increases as a result of SCE's purchase of GHG allowances 90% of the GHG allowance value through an (1) annual or semi-annual bill credit or (2) annual or semi-annual rebate check. (a) Please explain what steps SCE would take to ensure that credits or rebates reach the appropriate individuals, in the event of address changes and given the anticipated time lag between the incurrence of AB 32 costs and the distribution of rebates or refunds to customers. (b) Please estimate the incremental costs of ensuring that the appropriate customers receive the rebates or checks.
- (a1)** SCE would take the following steps to ensure that the bill credits returning the GHG allowance value reach the appropriate individuals:
- Bill credit is automatically applied to the customer of record's account and appears as a credit on the customer's bill based on the effective date of the credit along with a short bill message explaining the credit.
 - The credit is applied by the system to the customer account balance; any remaining credit will appear on future statements until consumed.
 - For accounts that are turned off or show as closed, the credit will automatically convert into a check that is mailed to the forwarding address provided at the time of turn off or to the last known address. Returned checks follow the process outlined in Question3, Section a2 below.
 - For customers billed under the ESP consolidated billing option, the bill credit will go to the ESP, not the end-use customer. It is then the responsibility of the ESP to disperse the credit appropriately [i.e. Rule 22].

- (a2)** SCE would take the following steps to ensure that rebate checks returning the GHG allowance value reach the appropriate individuals:
- Checks would be system generated and mailed to the customer of record based on the effective date of the credit.
 - Returned checks will follow SCE's existing policies and procedures for handling returned mail.
 - Returned mail is researched to determine a correct or updated address. If an updated address is found and confirmed, the check is mailed to that address.
 - The same team also handles customer inquiries concerning missing or not received checks, which are investigated to provide a resolution to the customer of record. These lost or not received checks may result in canceling the original check and applying the credit to an existing account or sending an indemnity letter to replace and mail a new check.
 - Normal escheatment occurs after three years. Regulatory-related escheatment normally occurs after one year, which will cause escheatment activities for the GHG allowance credit to be handled under a different escheatment process, increasing the incremental costs of these activities. Rebates sent on a semi-annual basis will lead to a more significant operational impact in this area than annual rebates.
 - For customers billed under the ESP consolidated billing option, the rebate check will go to the ESP, not the end-use customer. It is then the responsibility of the ESP to disperse the credit appropriately [i.e. Rule 22].
 - For both a1) and a2), SCE's experience returning EDRA (Electric Deferred Refund Account) money to customers helps provide some context for the operational significance of returning money to active and closed accounts via a line item bill credit or rebate check. With EDRA, it took approximately one month to process the credit on all active accounts. It took over a year to process the credit on closed accounts. Because of the lengthy closed account process and relatively low amount being returned, SCE reached a settlement agreement (adopted in Ordering Paragraph 1 of D.05-03-022) that allowed SCE to roll all EDRA credit dollars into rates unless an established threshold was reached for the amount being returned.
- (b1)** The estimated incremental costs of ensuring that the appropriate customers receive the GHG allowance value via an annual or semi-annual bill credit is \$29,317. This cost would be incurred each year that the GHG allowance values are returned via a line item bill credit.
- (b2)** The estimated incremental costs of ensuring that the appropriate customers receive the GHG allowance value via an annual or semi-annual rebate check is \$586,337 (annual) and \$588,572 (semi-annual). These costs would be incurred each year that the GHG allowance values are returned via an annual or semi-annual rebate check.

END OF REQUEST

APPENDIX B-3

**ORDER INSTITUTING RULEMAKING TO ADDRESS UTILITY COSTS AND
REVENUE ISSUES ASSOCIATED WITH GREEN HOUSE GAS EMISSIONS
(R.11-03-012)**

**SAN DIEGO GAS & ELECTRIC COMPANY
(DATA REQUEST DRA-002)**

RESPONSES TO GENERAL INSTRUCTIONS

1. Verification of Responses

This Data Request includes the following instruction: "You are instructed to answer the following Data Requests in the above-captioned proceeding, with written, verified responses per Public Utilities Code §§ 309.5 and 314, and Rules 1.1 and 10.1 of the California Public Utilities Commission's Rules of Practice and Procedure."

SDG&E objects to this instruction to the extent it purports to require verification of these Data Request responses. The statutes cited in the instruction do not require verification of data request responses, and indeed, Rule 1.11 of the Rules of Practice and Procedure of the California Public Utilities Commission, which governs the verification of documents submitted in Commission proceedings, solely applies to documents "required to be verified by these rules, statute, order or ruling." Per the discussion of counsel that took place on September 27, 2011, in the interest of expediency, these responses are submitted without verification, with the understanding that counsel for DRA may contact counsel for SDG&E to discuss this matter further.

2. Ongoing Nature of Request

This Data Request includes the following instruction: "Each Data Request is continuing in nature. . . . If you acquire additional information after providing an answer to any request, you must supplement your response following the receipt of such additional information."

SDG&E objects to this instruction. As discussed during the conference of counsel on September 27, 2011, SDG&E does not have a mechanism in place to track and respond to "ongoing" data requests. In order to track and respond to data requests in a timely manner, and to ensure the accuracy of the data provided, it is necessary to have a date for the response. It is not reasonable to require that the questions posed in a data request be answered on an ongoing basis, because the answer may differ at various points in time based on changing facts and circumstances, and it would not be clear to the responding party at which points in time the responding party would be expected to update its response.

3. Identify the person providing the answer to each data request and his/her contact information.

The responses to this Data Request were prepared by:

Cynthia Fang

**ORDER INSTITUTING RULEMAKING TO ADDRESS UTILITY COSTS AND
REVENUE ISSUES ASSOCIATED WITH GREEN HOUSE GAS EMISSIONS
(R.11-03-012)**

**SAN DIEGO GAS & ELECTRIC COMPANY
(DATA REQUEST DRA-002)**

San Diego Gas & Electric Company
8330 Century Park Ct.
San Diego, CA 92123-1530

Follow-up questions or concerns should be directed to the Regulatory Case Manager for this matter:

Tanya Peacock
Southern California Gas Company
213-244-5554 (office)
213-700-3183 (mobile)
tpeacock@semprautilities.com

QUESTION 1:

On August 15, 2011 PG&E, Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) distributed "Recommended Information to Include in Proposals for Allocation of AB 32 Cap-and-Trade Allowance Revenues in the Order Instituting Rulemaking R.11-03-12" to the service list, which recommended that:

"proposals should provide an estimate of any incremental costs of administering the [party's] proposal compared to existing IOU billing methods and systems" Please provide the following information to allow parties to estimate incremental costs for their proposals.

1. Please assume that the CPUC directed SDG&E to return to each customer whose electric bill increases as a result of SDG&E's purchase of GHG allowances 90% of the GHG allowance value through an annual or semi-annual bill credit.
 - (a) Please estimate the incremental costs of returning the GHG allowance value through an annual or semi-annual bill credit, including the cost of adding additional line items to SDG&E's customer bills to inform each customer about the amount of that customer's bill credit.
 - (b) Would the incremental costs of adding additional line items to SDG&E's customer bills differ depending on whether the bill credit was returned annually versus semi-annually? If so, please provide the incremental cost for both an annual vs. semi-annual return?
 - (c) What are the components of the incremental costs of returning the GHG allowance value through an annual or semi-annual bill credit?

RESPONSE 1:

**ORDER INSTITUTING RULEMAKING TO ADDRESS UTILITY COSTS AND
REVENUE ISSUES ASSOCIATED WITH GREEN HOUSE GAS EMISSIONS
(R.11-03-012)**

**SAN DIEGO GAS & ELECTRIC COMPANY
(DATA REQUEST DRA-002)**

- (a) SDG&E estimates that the incremental costs of returning the GHG allowance value through an annual or semi-annual bill credit, including the cost of adding additional line items to SDG&E's customer bills to inform each customer about the amount of that customer's bill credit would be a one-time initial cost of \$65k.
- (b) As the same upfront billing system changes would be required for both annual and semi-annual return, there is no difference in the costs.
- (c) The components of the incremental costs include billing system changes, bill formatting changes, system testing and the development and dissemination of internal and external communications.

QUESTION 2:

Please assume that the CPUC directed SDG&E to return to each customer whose electric bill increases as a result of SDG&E's purchase of GHG allowances 90% of the GHG allowance value through an annual or semi-annual rebate check. (a) Please estimate the incremental costs of sending (1) an annual rebate check to customers and (2) a semi-annual check to customers. (b) What are the components of the incremental costs of returning the GHG allowance value through an annual or semi-annual rebate check?

RESPONSE 2:

- (a) SDG&E estimates that the incremental costs for sending either an annual rebate check or a semi-annual rebate check would be an initial \$85k with on-going incremental cost of \$225k per occurrence.
- (b) The components of the initial \$85k include billing system changes, check processing changes, revenue system processing and recording changes, system testing and the development and dissemination of internal and external communications. The components of the on-going incremental costs include postage; check handling and mailing; external communication and the associated employee labor for managing exceptions in the process, such as returned checks, customer address / mailing address changes and reconciling the check amounts with outstanding bill charges.

**ORDER INSTITUTING RULEMAKING TO ADDRESS UTILITY COSTS AND
REVENUE ISSUES ASSOCIATED WITH GREEN HOUSE GAS EMISSIONS
(R.11-03-012)**

**SAN DIEGO GAS & ELECTRIC COMPANY
(DATA REQUEST DRA-002)**

QUESTION 3:

Please assume that the CPUC directed SDG&E to return to each customer whose electric bill increases as a result of SDG&E's purchase of GHG allowances 90% of the GHG allowance value through an (1) annual or semi-annual bill credit or (2) annual or semi-annual rebate check.

- (a) Please explain what steps SDG&E would take to ensure that credits or rebates reach the appropriate individuals, in the event of address changes and given the anticipated time lag between the incurrence of AB 32 costs and the distribution of rebates or refunds to customers.
- (b) Please estimate the incremental costs of ensuring that the appropriate customers receive the rebates or checks.

RESPONSE 3:

- (a) SDG&E's billing system incorporates existing processes to ensure bill credits are applied appropriately in the event of address changes, which include the automatic transfer of bill credits to the customer's new account. If SDG&E were directed to provide customers with rebate checks, additional manual processing would be required for managing exceptions in the process, such as returned checks, customer address / mailing address changes and reconciling the check amounts with any outstanding bill charges
- (b) The incremental costs under the bill credit approach would be minimal. The incremental costs of ensuring that the appropriate customers under the rebate check approach are stated above in Response 2a.