

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric  
Company to Reassess Its Direct Access (DA)  
and Community Choice Aggregation (CCA)  
Service Fees (U 39 E)

A.11-12-009  
(Filed December 23, 2011)

**PROTEST OF THE ALLIANCE FOR RETAIL ENERGY MARKETS, CITY AND COUNTY  
OF SAN FRANCISCO, DIRECT ACCESS CUSTOMER COALITION, GAS AND POWER  
TECHNOLOGIES, MARIN ENERGY AUTHORITY, THE RETAIL ENERGY SUPPLY  
ASSOCIATION AND THE SCHOOL PROJECT FOR UTILITY RATE REDUCTION  
TO APPLICATION OF PACIFIC GAS & ELECTRIC COMPANY TO REASSESS ITS  
DIRECT ACCESS AND COMMUNITY CHOICE AGGREGATION SERVICE FEES**

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And on behalf of the  
**CITY AND COUNTY OF SAN FRANCISCO  
RETAIL ENERGY SUPPLY ASSOCIATION  
SCHOOL PROJECT FOR UTILITY RATE REDUCTION**

January 27, 2012

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Pursuant to Rule 2.6 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Alliance for Retail Energy Markets (“AReM”),<sup>1</sup> City and County of San Francisco (“CCSF”),<sup>2</sup> Direct Access Customer Coalition (“DACC”),<sup>3</sup> Gas and Power Technologies (“GPT”),<sup>4</sup> Marin Energy Authority (“MEA”),<sup>5</sup> Retail Energy Supply

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<sup>1</sup> AReM is a California mutual benefit corporation formed by electric service providers that are active in California's DA market. The positions taken in this filing represent the views of AReM but not necessarily those of individual members or affiliates of its members with respect to the issues addressed herein.

<sup>2</sup> CCSF is a city and county that is implementing a Community Choice Aggregation (“CCA”) program, and that also advocates on behalf of city residents and businesses that are bundled PG&E customers.

<sup>3</sup> DACC is a regulatory alliance of commercial, industrial and governmental customers who have opted for direct access for some or all of their loads.

<sup>4</sup> GPT is a California corporation providing energy data collection, operations and billing services for energy suppliers, commercial businesses, municipal utilities, and electricity generators.

<sup>5</sup> MEA is the not-for-profit public agency formed by the County of Marin and eight other towns and cities that administers the Marin Clean Energy program.

Association (“RESA”)<sup>6</sup> and the School Project for Utility Rate Reduction (“SPURR”)<sup>7</sup> respectfully submit this joint protest to the *Application of Pacific Gas & Electric Company to Reassess Its Direct Access (DA) and Community Choice Aggregation (CCA) Service Fees* (“Application”), filed on December 23, 2011. The Application was noticed in the Commission’s Daily Calendar of December 28, 2011, meaning that this protest is timely filed. The parties hereto are hereafter referred to as the “Protesting Parties.”

## **I. INTRODUCTION AND SUMMARY OF APPLICATION**

The Application states that it was filed by PG&E in order to comply with Ordering Paragraph 22 of the decision in PG&E’s most recent General Rate Case, Decision (“D”).11-05-018, issued on May 5, 2011, in A.09-12-020.<sup>8</sup> As noted in the Application, PG&E proposes to:

...revise, update and simplify the service fees included in six rate schedules: (1) Schedule E-ESP, *Services to Energy Services Providers*; (2) Schedule E-ESPNSF, *Energy Service Provider Non-Discretionary Service Fees*; (3) Schedule E-EUS, *End User Service*; (4) Schedule E-DASR, *Direct Access Services Request Fees*; (5) Schedule E-CCA, *Services to Community Choice Aggregators*; and (6) Schedule E-CCAINFO, *Information Release to Community Choice Providers*. These rate schedules set forth the service fees for certain billing, metering and other services offered to DA customers and their Energy Service Providers (ESPs) and to CCA Service customers and their Community Choice Aggregators (CCAs).<sup>9</sup>

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<sup>6</sup> RESA’s members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; Energetix, Inc.; Energy Plus Holdings, LLC; Exelon Energy Company; GDF SUEZ Energy Resources NA, Inc.; Green Mountain Energy Company; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; PPL EnergyPlus, LLC; Reliant and TriEagle Energy, L.P.. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

<sup>7</sup> SPURR is a joint powers authority, a membership organization that aggregates utilities services purchasing power and expertise for over 200 California public K-12 school districts, county offices of education, and community college districts.

<sup>8</sup> As further background, D.11-05-018 approved a GRC Settlement Agreement that conditionally adopted the proposed DA and CCA Service fees subject to PG&E filing an application by January 1, 2012, to comprehensively reassess all of its DA and CCA Service fees.

<sup>9</sup> Application, at p. 1.

PG&E further states that its goal is to simplify its overall portfolio of service fees by: (1) removing service fees for services which have never been used or are rarely requested; (2) removing service fees for services which are no longer relevant or are no longer necessary because PG&E will discontinue offering the service; (3) consolidating the remaining service fees into either an inclusive flat service fee or an hourly rate, as appropriate; and (4) updating fees that are charged on an hourly labor rate.”<sup>10</sup> PG&E describes its new fee approach as follows:

In this Application, PG&E proposes to simplify DA service fees by changing the pricing methodology from activity-based to absorption-based for incremental DA service costs. Costs recorded specifically for this purpose will be used to set fees for the 2012 test year (TY). PG&E also proposes to consolidate fees to focus on the primary services requested by DA service providers. Activities recorded in the memorandum account will be used to determine the primary cost drivers in each service category. PG&E proposes to update the new proposed fees periodically in every GRC to reflect business changes accurately. For those DA service fees where recorded costs are not available, PG&E proposes to use an established hourly rate to perform the services. PG&E’s proposal ensures fees are simple and easy to use while maintaining a basis in actual cost and providing efficient price signals.

In preparing to develop its revised DA Service Fees structure, PG&E reviewed current costs incurred to perform services and revenues collected. Based on that review, PG&E proposes to consolidate DA fees into three categories: Meter Service Composite Fees, with a proposed cost of \$460.37 per interval meter service request; Meter Data Management Fees, with a proposed cost of \$8.27 per interval meter; and Billing Services, with a proposed cost of \$1.50 per Service Account per billing cycle. PG&E proposes to consolidate current schedules E-EUS, E-ESP, E-ESPNSF into two proposed E-ESPS (Standard Services) and E-ESPE (Exception Services) for all DA Services.<sup>11</sup>

In the following Section, the Protesting Parties explain and discuss certain concerns with PG&E’s request dealing with such issues as cost allocation and recovery, the proposed new consolidated fee structure and the specific amounts proposed to be charged. Each of these issues should be deemed to be within scope.

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<sup>10</sup> Id at pp. 1-2.

<sup>11</sup> Id at pp. 4-5 (emphasis added).

## II. PROTEST

### A. **The Application Does Not Address Important Issues Related to Cost Allocation and Cost Recovery.**

The Application is unclear with respect to issues of cost allocation and cost recovery. As a general principle, the costs to be recovered from direct access (“DA”) and community choice aggregation (“CCA”) customers should be similar, if not identical, to the costs charged bundled customers for the same types of services. This is equitable and complies with the provisions of Public Utilities (“P.U.”) Code Section 453(a), which provides: “No public utility shall, as to rates, charges, service, facilities or in any other respect, make or grant any preference or advantage to any corporation or person or subject any corporation or person to any prejudice or disadvantage.” Further, Section 453(c) provides: “No public utility shall establish or maintain any unreasonable difference as to rates, charges, service, facilities, or in any other respect, either as between localities or as between classes of service.” Bundled service, DA and CCA are each entitled to the protections of the P.U. Code noted above.

It is, therefore, incumbent upon the Commission to ensure that the DA/CCA service fees approved for PG&E do not result in unfair charges to DA and CCA customers. That will require an analysis of how similar services are charged to bundled customers to ascertain whether DA or CCA customers are potentially being double charged. A simple example demonstrates the possibility of that occurring. For example, as noted above, PG&E proposes to charge Meter Service Composite Fees, with a proposed cost of \$460.37 per interval meter service request; Meter Data Management Fees, with a proposed cost of \$8.27 per interval meter; and Billing Services, with a proposed cost of \$1.50 per Service Account per billing cycle. What is not clear (and will require the use of discovery and/or cross-examination to determine) is how the same sort of costs are charged to and recovered from bundled service customers. Are the costs of these services as provided to bundled customers built into the generation rates paid by bundled

service customers since they also receive these services? If these costs are being recovered in distribution rates, however, as the Protesting Parties suspect, then DA and CCA customers are being charged twice since these customers also pay PG&E's distribution rates. Essentially, there are three issues to be considered:

1. First, are metering and billing costs incurred by PG&E on behalf of bundled customers currently allocated to the generation function so that only bundled customers pay for the costs incurred on their behalf? And if not, why not?
2. Second, what portion of PG&E metering and billing costs should be allocated to generation rates?
3. Third, what amounts should DA and CCA customers actually be charged for services provided them?

Each of these issues related to cost allocation and cost recovery should be deemed to be within scope when the Commission issues its anticipated scoping memo.

**B. PG&E's Proposed New Consolidated Fee Schedule May Require Customers to Pay for Services They Do Not Require.**

PG&E is requesting a significant departure from the current fee structure and calculation methodology. Currently for PG&E—and for the other two investor-owned utilities—there are numerous fee categories for different detailed services. PG&E is proposing to reduce the number of categories to just three (meter services, meter data management and billing), with a single cost per unit provided for each of the three categories. Calculation-wise, the fee is currently based on the estimated marginal cost of providing that service: the time to complete a task multiplied by a charge rate plus the cost of materials. In the Application, PG&E proposes to simply look at the total costs booked into each of the three categories over the past three years

and divide by the number of service units provided (bills sent, meters serviced, etc.). This will result in an increase in total fees on the order of 100%-150%.

Importantly, by taking the variety of current service fees and bundling them together, PG&E is taking an approach similar to a restaurant with *prix fixe* menu. As a result, the customer may be charged for an appetizer he does not desire or a dessert that is not to his taste. The bundled approach may have the virtue of simplicity, but it causes customers to be charged for services they may neither need nor desire. The proceeding should therefore consider whether this bundling of DA/CCA charges is appropriate and fair or whether the current system of unbundled charges should be retained.

**C. PG&E's Proposed New Charges should be Carefully Examined to Determine Whether they are Just and Reasonable.**

Another fundamental issue that should be included within scope is a determination of whether the new service fees that are proposed to be charged by PG&E are in fact just and reasonable. PG&E's proposal deviates from its current practice and that of the other two major investor-owned utilities. It proposes basing the consolidated fees on historical costs booked into certain accounts, rather than the explicit incremental cost to provide the services. In its 2007 application addressing DA service fees,<sup>12</sup> SCE proposed continuing using the incremental cost (called there "activity-based costing") method, in which it explicitly identified the incremental labor and materials needed to provide each service. In contrast, the critical question in this proceeding is whether the short-cut proposed by PG&E—simply using historically recorded costs—without examining if those costs were in fact reasonable and represent the true incremental cost of providing those services is an approach that should be approved by the Commission. This must be explored and examined. The Protesting Parties intend to engage in

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<sup>12</sup> See, A.07-01-045, Application of Southern California Edison Company (U 338-E) for Authorization to Update and Revise the Direct Access and Other Service Fees in Schedules ESP-DSF, CC-DSF and ESP-NDSF.

discovery with regard to this important issue and therefore ask that the Scoping Memo include this as an issue within scope of the proceeding.

**D. The Commission Will Need to Ensure That PG&E Is Incented to Efficiently and Cost-Effectively Provide Services.**

In addition to the cost allocation issues noted above, the Commission will need to address the issue of incentives. CCAs, for example, are required to use the incumbent investor-owned utility (“IOU”) for metering and billing services. Furthermore, CCA’s and the IOU are competitors, so the incentive is for an IOU – and in this case PG&E – to allocate costs to their competitors and to perform tasks inefficiently. For example, when MEA launched as the first CCA in California, many billing issues arose, despite the fact that there had been a decade since the enactment of the enabling legislation for CCA, Assembly Bill 117 (2002). Only after MEA launched its CCA did PG&E begin to resolve these issues, notwithstanding its prior obligation to do so. As a result, due to PG&E’s prior inaction or unwillingness to resolve these issues earlier, it has never been fully evaluated whether PG&E is either efficiently or cost-effectively providing these services. Due to the inherent conflict of allowing an IOU to charge rates for these services to its competitors, the Commission has the responsibility to create the incentives to the IOU that these services are provided efficiently and cost-effectively.

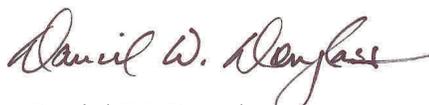
One possible method of creating such an incentive would be to allocate to PG&E's bundled procurement rate whatever CCAs and ESPs are charged for PG&E services. For example, if PG&E charges \$0.44 per account per month to invoice a CCA or ESP customer, then \$0.44 per account per month should be removed from distribution charges and put into commodity charges for the “service” of billing commodity to bundled customers. The total bill to bundled customers would not rise, as the cost would simply be re-allocated from one charge that they pay to another. But allocating some billing costs to commodity charges would give

PG&E an incentive to keep such costs low, so as not to appear expensive compared to CCAs and ESPs. This concept is based on the “Merchant Function Charge” implemented in New York.<sup>13</sup> The Scoping Memo should include consideration of such an approach as a means of providing PG&E with an incentive to keep its service charges reasonable and cost-effective.

### **III. CONCLUSION**

PG&E’s Application raises issues of cost allocation, cost recovery, fee structure and fairness, all of which are discussed above. The Protesting Parties intend to participate actively in this proceeding and, as PG&E anticipated in its Application,<sup>14</sup> request that the Scoping Memo provide for evidentiary hearings in this proceeding.

Respectfully submitted,



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<sup>13</sup>See, <http://query.nytimes.com/gst/fullpage.html?res=9907E7D81331F931A3575BC0A96E9C8B63> and [http://www.coned.com/rates/elec\\_MFC.asp](http://www.coned.com/rates/elec_MFC.asp)

<sup>14</sup> Id at p. 8.