

From: Cherry, Brian K  
Sent: 3/2/2010 1:19:23 PM  
To: Hughes, John (Reg Rel) (/O=PG&E/OU=Corporate/cn=Recipients/cn=J8HS); Sepideh Khosrowjah (skh@cpuc.ca.gov) (skh@cpuc.ca.gov); Andy Campbell (agc@cpuc.ca.gov) (agc@cpuc.ca.gov)  
Cc:  
Bcc:  
Subject: RE:

Andy/Sepideh - John will follow up but I thought I'd share with you the insight from our rates folks on the differences between PG&E and Sempra/SCE.

**From:** Redacted  
**To:** Hughes, John (Reg Rel)  
**Cc:** Redacted  
**Sent:** Tue Mar 02 10:39:23 2010  
**Subject:** RE:

John-

Here are a number of reasons:

- (1) SCE and SDG&E set baseline quantities lower than we do (we have historically set ours at the top end of the statutory ranges). This leads to their having more sales in Tiers 3 and above, and so they can have lower rates in those tiers.
- (2) SCE and SDG&E have CARE Tier 3 rates that bring in extra revenue that helps keep Non-CARE upper-tier rates lower. PG&E does not have a CARE Tier 3 rate (Note: We probably will propose this in Phase 2).
- (3) SCE and SDG&E have rate designs for Tier 3 through 5 that maintain fixed differentials between upper tiers. SCE's Tier 3, 4, and 5 rates are designed to be 3.5 cents apart. SDG&E's Tier 3 and 4 rates are 2 cents apart (SDG&E doesn't have a Tier 5 rate). In contrast, PG&E's rates use a proportional method that, over time, has led to the Tier 3, 4 and 5 rates getting further and further apart (to the point that PG&E's Tier 3 and 4 rates are almost 14 cents apart and our Tier 4 and 5 rates are over 7 cents apart).

Redacted

Manager, Electric Rates

**From:** Hughes, John (Reg Rel)

**Sent:** Thursday, February 25, 2010 11:53 AM  
**To:** Redacted  
**Subject:** FW:

Please see Sepideh's comment below. She is Nancy Ryan's Chief of Staff. I suspect Baseline quantities are a major factor. Any ideas on how we can answer this? Maybe we can show how the Tiers 1-5 have evolved over time but that alone probably would not get to the roots of the problem.

**From:** Cherry, Brian K  
**Sent:** Thursday, February 25, 2010 11:40 AM  
**To:** 'sepideh.khosrowjah@cpuc.ca.gov'; 'andrew.campbell@cpuc.ca.gov'; Hughes, John (Reg Rel)  
**Subject:** Re:

I will have John follow up.

**From:** Khosrowjah, Sepideh <sepideh.khosrowjah@cpuc.ca.gov>  
**To:** Cherry, Brian K; Campbell, Andrew <andrew.campbell@cpuc.ca.gov>  
**Sent:** Thu Feb 25 11:39:07 2010  
**Subject:** Re:

Thanks Brian. This information is very interesting. It would be very interesting to understand the roots of this disparity.

----- Original Message -----

From: Cherry, Brian K <BKC7@pge.com>  
To: Khosrowjah, Sepideh; Campbell, Andrew  
Sent: Thu Feb 25 10:26:04 2010  
Subject:

FYI. I'm sending you this (cut from an internal email that shows the difference in tiers between the three IOUs.

Keith has prepared the following table that compares PG&E's current Schedule E-1, SCE's Schedule D, and SDG&E's Schedule DR rates. These are the "standard" residential rates for each of the three utilities. For SCE, we had to make an assumption about the split of power between DWR and SCE's URG (we assumed 25/75) and for SDG&E we had to average summer and winter rates together.

	PG&E	SCE	SDG&E
Tier 1	11.877	12.187	12.897
Tier 2	13.502	14.274	14.974
Tier 3	27.572	21.265	26.6465
Tier 4	40.577	24.934	28.6465
Tier 5	47.393	28.603	28.6465

The table does show the great disparity between T3 and T5 rates: less than 8 cents apart for SCE and only 2 cents apart for SDG&E, compared to nearly 20 cents apart for PG&E. However, including this table shines a spotlight on the fact that, even if our proposal is adopted, our T3 rate will be higher than the other utilities' T5 rates! This, of

course, is due to a number of factors (they use lower BQs, they have a CARE T3 rate, etc.) that we will be trying to fix in Phase 2