Pacific Gas and Electric Company

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Mr. Honesto Gatchalian
Energy Division
California Public Utilities Commission
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, CA 94102

**Subject: PG&E's Protest Response to Advice 3118-G/3667-E**

Dear Mr. Gatchalian:

Pacific Gas and Electric Company (PG&E) hereby submits its response to the protests of Small Business California (SB-Cal) and the Division of Ratepayer Advocates (DRA) of PG&E's Advice Letter Implementing On-Bill Financing Program (OBF AL). The OBF AL was filed consistent with guidance from the Energy Division (ED) memo dated April 21, 2010.

**Introduction and Overview**

PG&E is committed to an on-time launch date for off-bill financing of July 1, 2010, and on-bill financing by the end of Q3 2011, as noted in Advice 3118-G/3667-E. Neither party disputes the need to continue with OBF launch and implementation, but both request significant changes, often not based in market analysis or data. As noted herein, the protestors' changes are inconsistent with either the California Public Utilities Commission's (CPUC) policy or industry best practices and if adopted, will result in delays in launch of the on-bill and off-bill financing programs.

Per the discussion presented, the protests should be rejected and PG&E's Advice Letter should be approved. In addition to responses to issues, per the protestor's and Energy Division's requests, PG&E has provided the following information herein:

1) Statement of agreement to mail customers for the off-bill payment around the same time as existing utility bills;
2) Description of credit criteria; and
3) Milestones for the on-bill financing launch.

**Issues and Responses:**

**I. SB-Cal**

**Issue #1**: SB-Cal is concerned that off-bill financing, if done poorly, will likely raise default levels.

**PG&E's Response:** Contrary to SB-Cal's concern, PG&E has, in fact, carefully designed the program to minimize defaults. The following steps will be taken to minimize defaults:

- Non-paying borrowers are subject to discontinuation of service.
- Borrowers will be screened for utility payment history.
- Borrowers will be screened for commercial credit standing.
- The off-bill payment invoicing will be of limited duration, and customer billing will transition to the energy statement after the IT modifications are completed in Q3 2011.

Accordingly, SB-Cal's concern should be denied.

**Issue #2**: SB-Cal offers suggestions to minimize defaults which include: (a) off-bill bills should be mailed at the same time as existing utility bills; (b) customers should be allowed to pay the off-bill bills in the same envelope as the existing utility bills and to the same address as existing monthly bills.

**PG&E's Response:** SB-Cal's suggestions would delay implementation of the off-bill program beyond July 1, 2010. Further, besides the anecdotal email that SB-Cal presents, the suggestions SB-Cal presents are not based in market data and therefore, it is unclear whether any of these suggestions would result in a lower default rate. PG&E responds to each concern:

(a) SB-Cal presents no evidence that mailing the off-bill and existing utility bills at the same time would reduce non-payments. Businesses pay bills frequently, and while some businesses collect their invoices and pay them at one time, other business pay as received, or per their particular A/P schedules. That said, PG&E agrees to send out off-bill bills close to the date of the existing utility bill.

(b) Mixing the customer energy bill (created by an energy billing system) and the monthly loan charge (created by a different billing system) would result in customer confusion and additional costs during the off-bill implementation. PG&E would have to manually re-allocate the payment between the energy charges and the loan charges. Further concerns arise if the customer only submits a partial amount of the total of the existing utility and off-bill amount.

Accordingly, SB-Cal's suggestions should be denied. PG&E agrees to send off-bill bills close to the date of the existing bill to accommodate SB-Cal's concerns.

**Issue #3**: SB-Cal requests that an auto-pay feature be implemented for the off-bill period.

**PG&E's Response:** While PG&E agrees that this is a "nice to have" feature, PG&E cannot implement auto-pay in the off-bill period. Implementation of this feature during off-bill would add delay and carry significant costs. This is because the off-bill bill and the existing utility bill are produced by two different billing systems, with the existing utility bills be directly linked with the customer's extensive account information. The auto-pay feature will be available to customers when PG&E implements on-bill financing next year.

Accordingly, SB-Cal's request should be denied.

**Issue #4**: SB-Cal requests that PG&E define its credit eligibility, and that it justify the criteria will be not be a barrier to participation in the program.

**PG&E's Response:** In its Advice Letter, PG&E stated, "Customer credit eligibility will be assessed through utility bill payment history in addition to input from commercial credit checks." In addition, per SB-Cal's request, PG&E defines its credit eligibility below:

The applicant must have maintained an active account in the same business with PG&E for at least 24 months prior to the start of participation in the financing program, with a minimum of 12 months historical energy usage at the applicant's current meter.

The anticipated credit criteria include the following:

1) No 24-hour disconnection notices in the last 24 months;
2) No returned payments within the last 24 months;
3) No more than 1 payment arrangement in the last 24 months;
4) No broken payment arrangements within the last 24 months; and
5) No deposit assessed within the last 24 months.

Further, the commercial credit check, mentioned in PG&E's Advice Letter, is required to minimize defaults and is currently done for two-thirds of the OBF programs in the country. PG&E does not believe its credit criteria will cause a barrier to entry to OBF.

Accordingly, SB-Cal's concern is no longer valid and should be denied.

**II. DRA**

**Issue #1**: DRA recommends that the CPUC deny the interim off-bill financing program, in favor of an on-bill program as soon as possible, since off-bill programs may lead to greater defaults. Further, ratepayers should not be required to pay for the interim off-bill infrastructure.

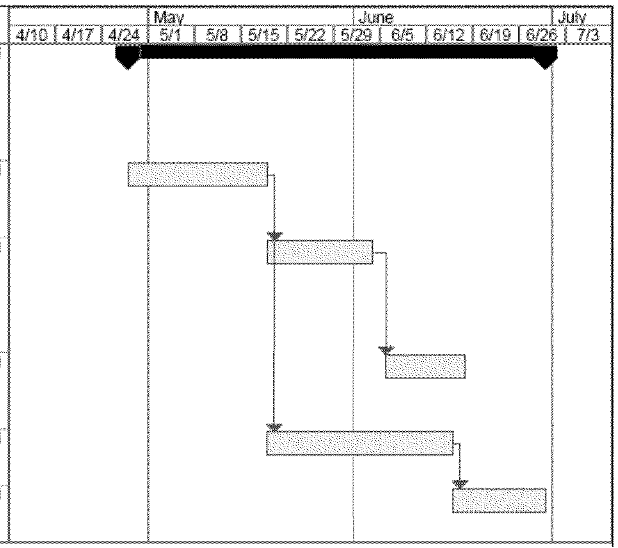
**PG&E's Response:** Granting of DRA's request would prohibit launch of any financing program in 2010. This is inconsistent with mandate provided by Energy Division that an off-bill program should be launched no later than July 2010. Further, while all parties seem to agree that on-bill loan presentment is preferred, PG&E knows of no evidence that a utility financing program would experience significant defaults as a result of going through a limited period of off-bill loan invoicing. While additional costs will be incurred in order to offer financing off-bill, existing systems and processes will be leveraged as much as possible in order to minimize costs, and ratepayers will benefit from the availability of the financing for energy efficiency retrofits during the period before the on-bill financing modifications are completed.

Accordingly, DRA's request should be denied.

**Issue #2**: DRA requests that PG&E provide project milestones that Energy Division can track for an on-time start for the on-bill financing program in Q3 2011. In discussions with Energy Division, they have requested particular milestones regarding the training for the program and communication with contractors.

**PG&E's Response:** PG&E provides the following anticipated milestones:

| ID | Task Name | Duration | Start | Finish |
|---|---|---|---|---|
| 1 | **External Training (vendors and contractors) - OBF LIB** | **45 days** | **Thu 4/28/11** | **Wed 6/29/11** |
| 2 | Identify external (vendor and contractor) training needs - OBF LIB | 15 days | Thu 4/28/11 | Wed 5/18/11 |
| 3 | Draft external training materials (webinar and/or workshop presentation(s) and handouts on OBF features and process) - OBF LIB | 12 days | Thu 5/19/11 | Fri 6/3/11 |
| 4 | Edit and finalize external training materials - OBF LIB | 10 days | Mon 6/6/11 | Fri 6/17/11 |
| 5 | Plan external training logistics - OBF LIB | 20 days | Thu 5/19/11 | Wed 6/15/11 |
| 6 | Execute external training - OBF LIB | 10 days | Thu 6/16/11 | Wed 6/29/11 |




Accordingly, DRA's request has been fulfilled by the information provided herein.

**Issue #3**: DRA states that PG&E would inappropriately limit the amount of funds available to non-municipal customers to 25% of the available $18.5M in the revolving loan pools, unless there is insufficient interest among municipal customers

**PG&E's Response**: DRA has misread the PIP.

In order to ensure that a disproportionate share of the funds are not capitalized by Government Agency customers, PG&E will initially reserve a minimum of 25% of the funds for non-municipal customers. The intent of this reservation is to provide a reasonable level of funding availability for non-municipal customers, who by the nature of the program terms are eligible for smaller loan amounts. This reservation is for guidance purposes, as the program must be kept flexible in order to respond to market demand and successfully utilize all loan funds. Further, this is consistent with the program design approved by the Commission for SCE's OBF design.

Accordingly, DRA's request should be denied.

**Issue #4**: DRA states that credit criteria are missing from the Advice Letter.

**PG&E's Response:** PG&E provides the credit criteria in response to Issue #4 from SB-Cal herein.

Accordingly, DRA's request has been fulfilled by the information provided herein.

**Conclusion**

Per the discussion and further information provided herein, PG&E requests that the Commission reject protests from SB-Cal and DRA, and approve PG&E's Advice Letter.

Respectfully submitted,

Jane Yura - OB

Vice President
Regulation and Rates

cc: Julie Fitch, Energy Division
Maria Salinas, Energy Division
Jennifer Finnigan, Energy Division
Simon Baker, Energy Division
Commissioner Dian Grueneich
Administrative Law Judge David Gamson
Hank Ryan, Small Business California
Linda Serizawa, DRA
Cheryl Cox, DRA
Service List for A.08-07-021