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# Dynamic Pricing- System & Operational Readiness



# Significant Impact on Our Customers

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- The transition to dynamic pricing represents the largest change to how our customers are billed for their energy use since their first bill was issued.
  - All business customer classes, who have not already done so, will be defaulted onto time-varying pricing.
  - Most customers' new rates will include an additional event-driven Peak-Day Pricing (PDP) adder for the 9-15 hottest days of the year. Small Ag will not be defaulted onto the PDP rate.
  - All residential customers will also be defaulted onto Peak-Day Pricing.
- Significantly changes the status quo and creates “Winners” and “Losers” with significant bill increases for customers in warmer climate zones.
- On a monthly basis, introduces potential for large bill volatility, which creates cash-flow issues for customers.
- PG&E will be the first major IOU to roll out this type of pricing on such scale with little history for such rates.

**We are defaulting customers to this radically new rate structure at a time when our customer satisfaction is low and our customers are already hurting from the economy.**



# Many Potential Benefits

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- In response to the Energy Crisis of 2000-2001, California policy regarding implementation of SmartMeters was driven by the desire, to implement time-varying rates to align the wholesale and retail price of electricity more broadly across the customer base.
- The goal for both PG&E and for the CPUC is to better align individual customer interests with those of California's economy, environment, and energy infrastructure.
- Potential Benefits of PDP/Dynamic Pricing include:
  - Reduced overall cost of energy supply
  - Greater stabilization of the energy grid
  - Reduced power interruptions
  - Reduced demand for power plant load capacity during high demand periods
  - Reduced greenhouse gases
  - Potential for customers to reduce energy costs and enhance control of energy usage (put SmartMeter to use)
  - Opportunity to create partner relationship with customers as their advisor

**The default of our customers to this new rate creates a unique opportunity for us to standardize, simplify and rationalize our overall rate structure and to streamline our 300+ current rates.**



- In total there are currently several regulatory proceedings dealing with dynamic pricing in addition to the two dynamic pricing decisions.
- One of these decisions orders PG&E to implement default Dynamic Pricing and TOU rates for all customers with a defined timetable and specific rate design guidelines:
  - Time of Use (TOU) rates with additional Peak Day Pricing Event incremental overlay rate.
  - Decision provides for a form of Bill Protection – not protection in traditional sense, but rather, a one-year guarantee that a customer's bill will be the lesser of the default PDP and the opt-out TOU.
  - All customer classes must default to this rate. Trigger is when customers accumulate 12 months of interval data (post transition) at their latest premise.

This is not the introduction of just one, but rather two rates concurrently:

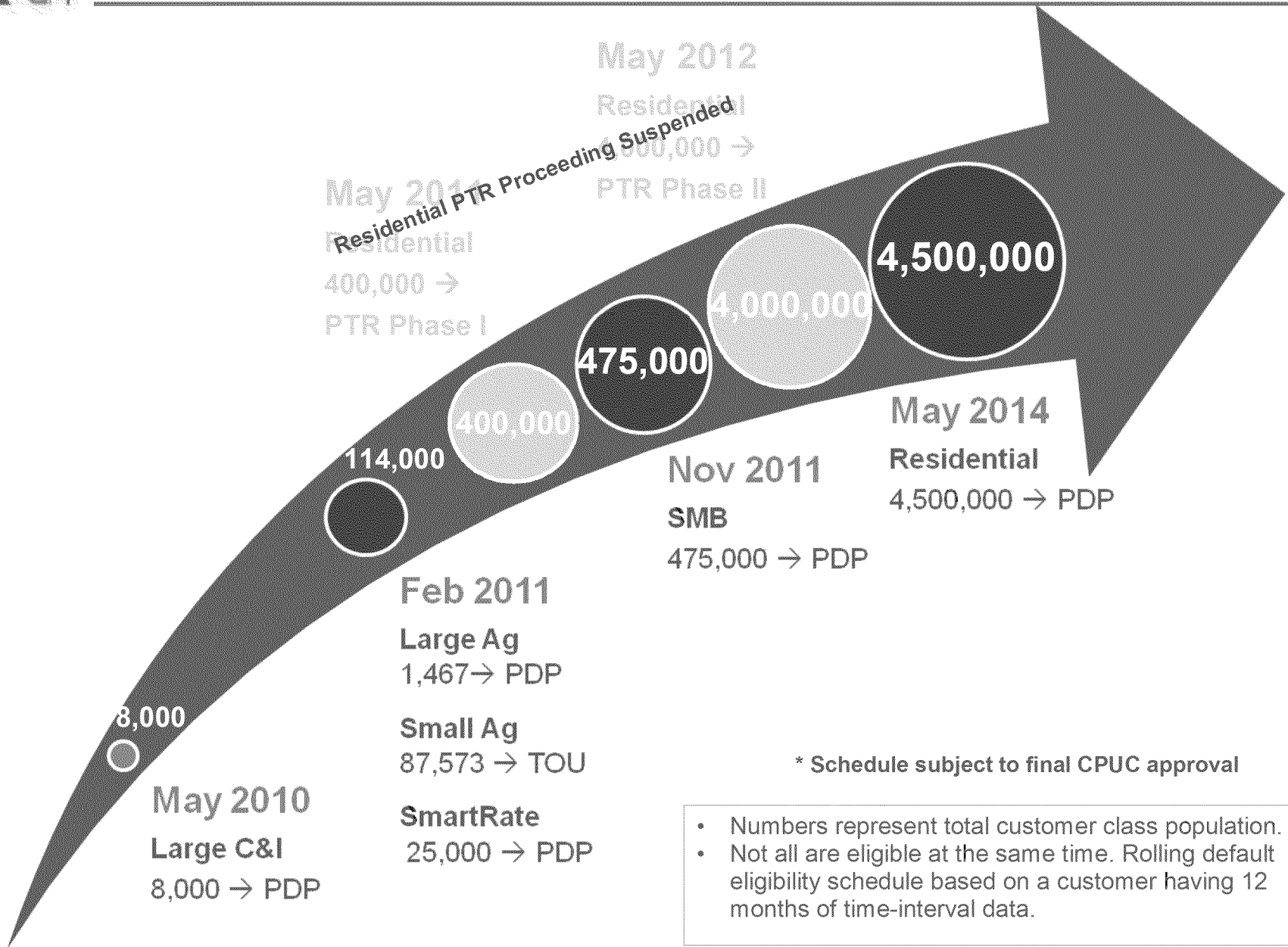
**Time of Use (TOU)** = charge customers based on when they use power; begin to more closely align retail rates to actual cost (fully loaded) of energy (focus: M-F, May-Oct)

**Critical Peak Pricing (CPP)** = incremental adder or credit on top of TOU to further link retail rates to the cost of energy on the most costly days.

- Peak Day Pricing (PDP): adder on top of TOU rate that places a significant cost premium for use during key hours on 9-15 Event days. Current rate calls for additional \$0.50-\$1,.20 per kWh.
- Peak Time Rebate (PTR): credit/incentive model that provides credit for voluntary participation on Event days.

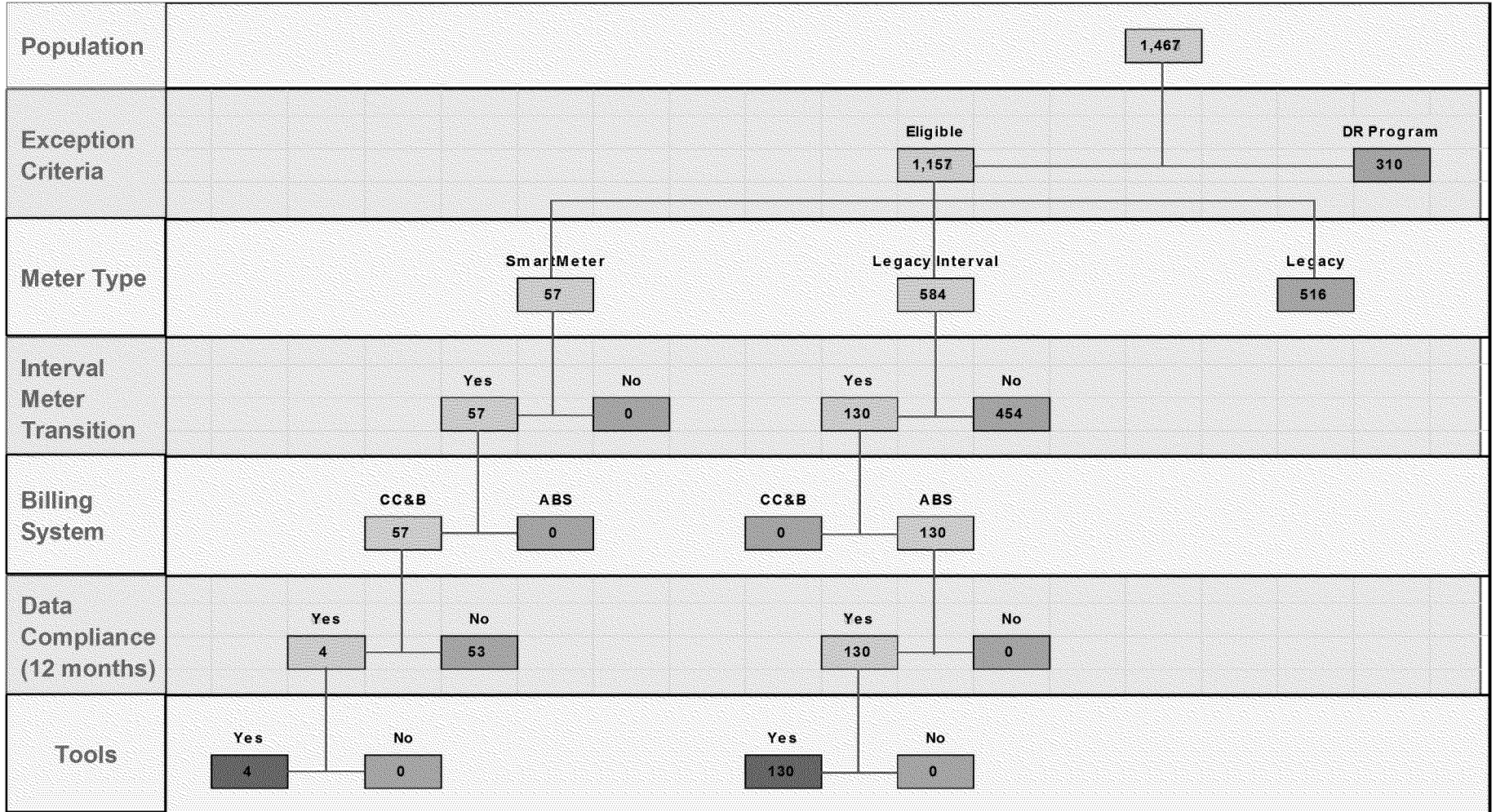


# Dynamic Pricing Transition is Accelerating<sup>5</sup>



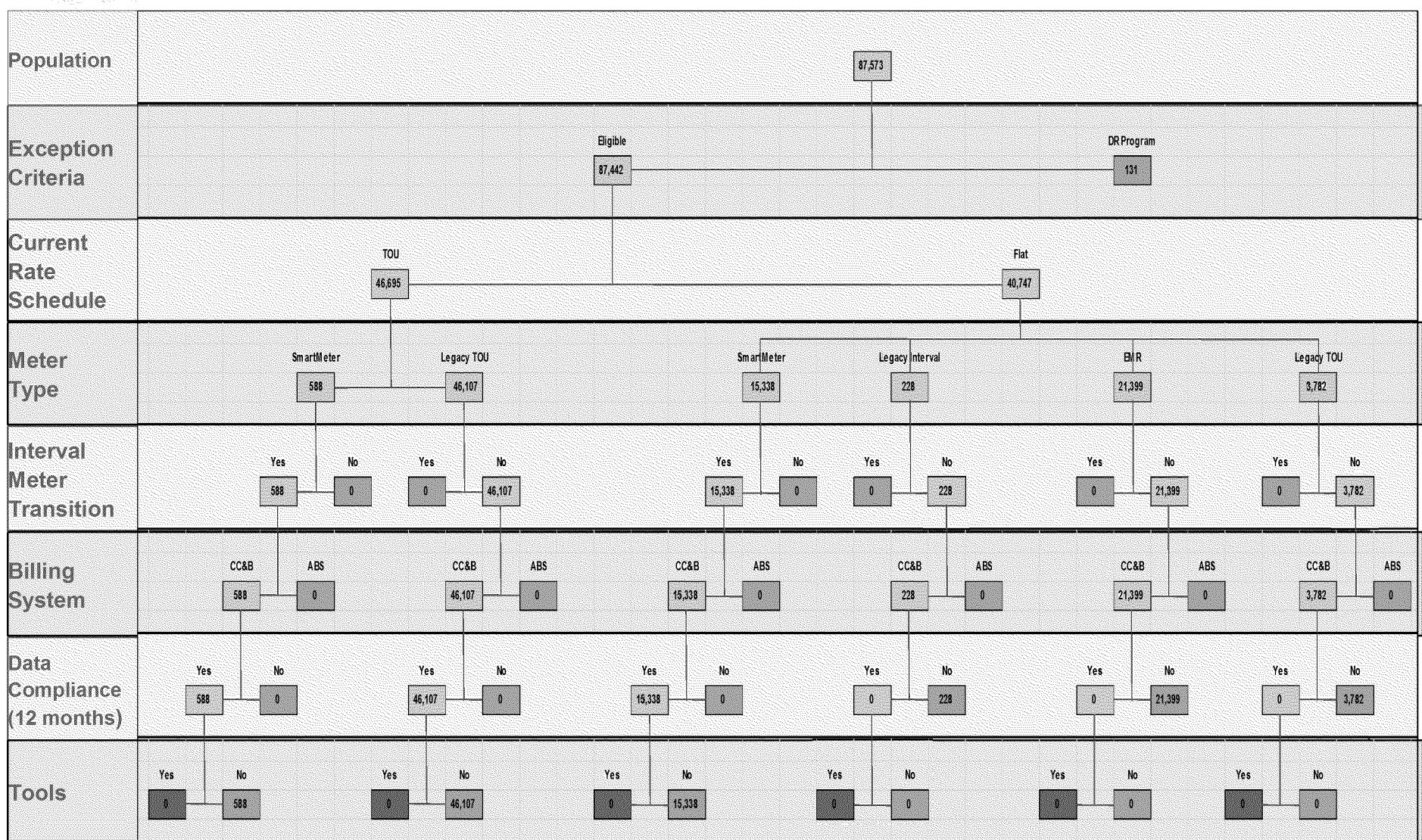


# Large Ag Default Eligibility (as of Feb 2011)





# Small Ag Default Eligibility (as of Feb 2011)





# Customer Care IT Projects "In Flight"

	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC		
1	<b>Executive Summary - Customer Care Program Roadmap</b>				Q1 2010			Q2 2010			Q3 2010			Q4 2010			Q1 2011			Q2 2011			Q3 2011			Q4 2011				
2					A.8	A.9	S.3	S.6	S.9	S.2	S.6	S.9	1.2	1.5	1.9	B.1														
3	<b>Meter Deployment</b> (cumulative million)																													
4																														
5	<b>SMARTMETER</b>																													
6																CC&B Upgrade freeze														
7	Release H - KVAR, MPSC, RCD2				KVAR, MPSC			RCD2 Test						Restart			Deploy													
8	Meter Application & Firmware Deployments and Upgrades																													
9	Release I - ABS Migration (NEMS, Non-NEMS to CC&B)				Analyze			MV90 Intervals, Billing & AB920						Net Energy Metering																
10	Release HAN - HAN Enablement															Alpha 1 (meters) & 2 (device) Pilot														
11	Release J - Outage				Analyze			Restoration validation and identify/scope outage																						
12	Release O - Meter to Cash SRs															Improve Interval Billing Accuracy & Timeliness SRs														
13	<b>Converting Customers to Interval Billing</b>															Test														
14	Data Warehouse Enhancements																													
15	Performance & Scalability				Env. Upgrades											Benchmark Testing & Remediation														
16	Platform Migration and Upgrades				Hitachi Migration (MDMS/MBCDW)						MBCDW RAC Nodes						Archiving													
17	Security - Top Sight, Pen Testing				Top Sight, Pen Test UIQ, MDMS, OIS, MBCDW						Pen Test CC&B, CSOL																			
18	DCSI Decommission																													
21	Field Delivery - Initiatives																													
22	Field Delivery - Engineering															Support end point solutions, network designs, NOC planning														
23	Field Delivery - Office Closures																													
24	Metering Services															Meter Plant Improvement Initiatives														
25	Customer Outreach / Change Management															Support Initiatives														
26	<b>PEAK DAY PRICING</b>																													
27	PDP Enrollment				Lg C&I			Ag						Sm/Med Bus																
28	Peak Time Rebate (PTR)				Plan -> Design						Build -> Deploy																			
29	MyAccount Re-Architecture (MARA)															Release 1 & 2														
30	CC&B v2.3 Upgrade				Fit/Gap			Design -> Deploy																						
31	Real Time Pricing															TBD														
32	Bill Redesign															TBD														
33	<b>CC&amp;B PROJECTS</b>																													
34	Vintaged PCIA Rates																													
35	CCA NEM															Analyze -> Deploy														
36	Community Choice Aggregation (CCA)															Analyze -> Deploy														
37	New Muni Departed Load (NMDL) - on hold															TBD														
38	LIB - On Bill Financing - on hold															TBD														
39	Gas Interval Data Collection DC2000 Replacement															TBD														
40	Residential Tiering - GRC Phase 2															TBD														
41	CARE Tiering - GRC Phase 2															TBD														
42	GRC Phase 2 Rate Changes															TBD														
43	Residential Tiering - Generation Component				TBD																									
44	Discontinuance of 15-Day Notices - on hold															TBD						Deploy								
45	Payment Channel Consolidation															TBD														
46	Contact Center Automation Initiative															TBD														
47	Local Office Automation Initiative															TBD														
48	Rate and Bill Calculation Simplification Initiative															TBD														
49	Cogeneration Departed Load Initiative															TBD														
50	CC&B Minor Enhancements															Design -> Deploy Multiple SRs														



**The MARA project is similar in scope and scale to an enterprise-class system implementation due to its business and technology footprints and associated impacts**

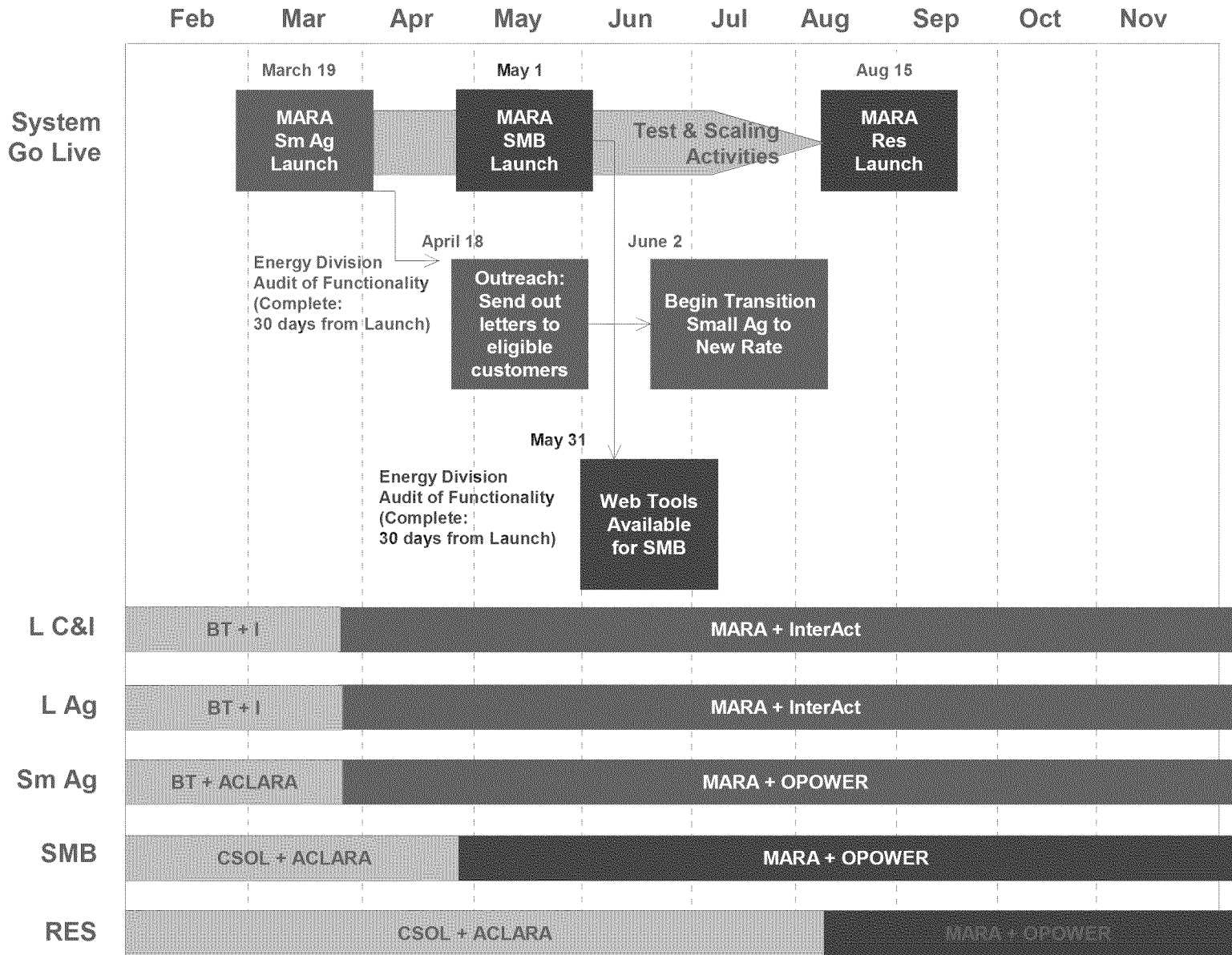
- Requires complete rewrite/revamp of the current customer-information application
- Given the complexity, tangential internet/intranet functionality was packaged within the MARA delivery model to capitalize on SME, PM and testing synergies

**To meet the objectives of the future state platform, a number of key technology enablers are required to be implemented:**

- WebLogic Portal Platform
  - To enable deployment of streamlined user interface as portlets
  - To enable enhanced self service
- WebLogic Enterprise Integration Platform
  - To enable re-usable integration of data across multiple sources to be presented to the user interface
- CA – Siteminder
  - To enable secure access with authentication and authorization of users
  - To enable CSR support on the web for user assistance
- Oracle Database
  - To enable flexible data organization, management and access to all users
- Infrastructure Deployment
  - Servers/physical infrastructure
  - Scalability and Reliability for projected number of users and transactions
- Re-architecture of the user experience
  - Bottoms-up revamp of user interface and user experience through re-designed page flows
- Re-architecture of the data services
  - Bottoms-up revamp of all data services (Interfaces from multiple systems to pull data)

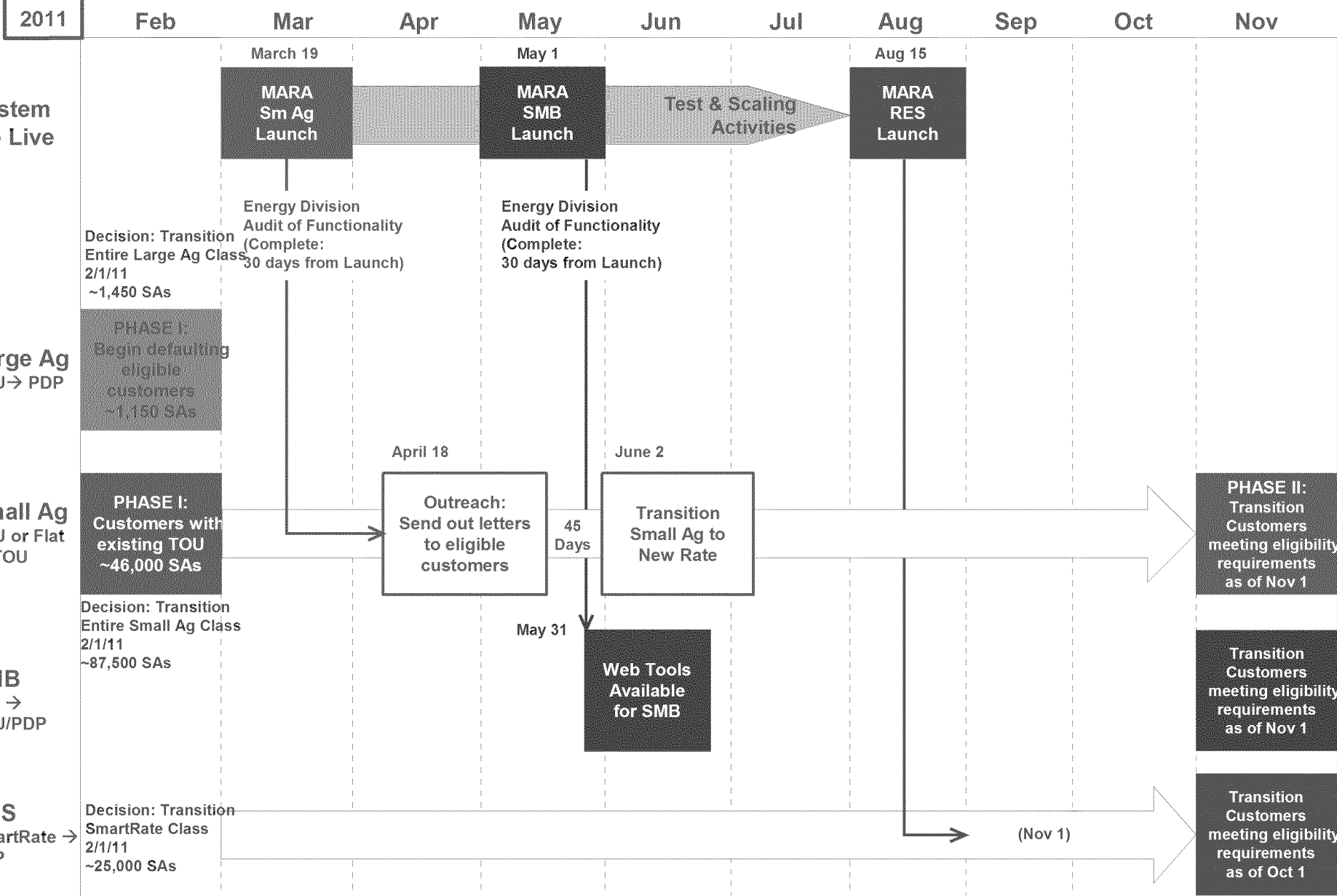


# MARA System Go Live Schedule





# MARA System Readiness Implications for February 2011 Default

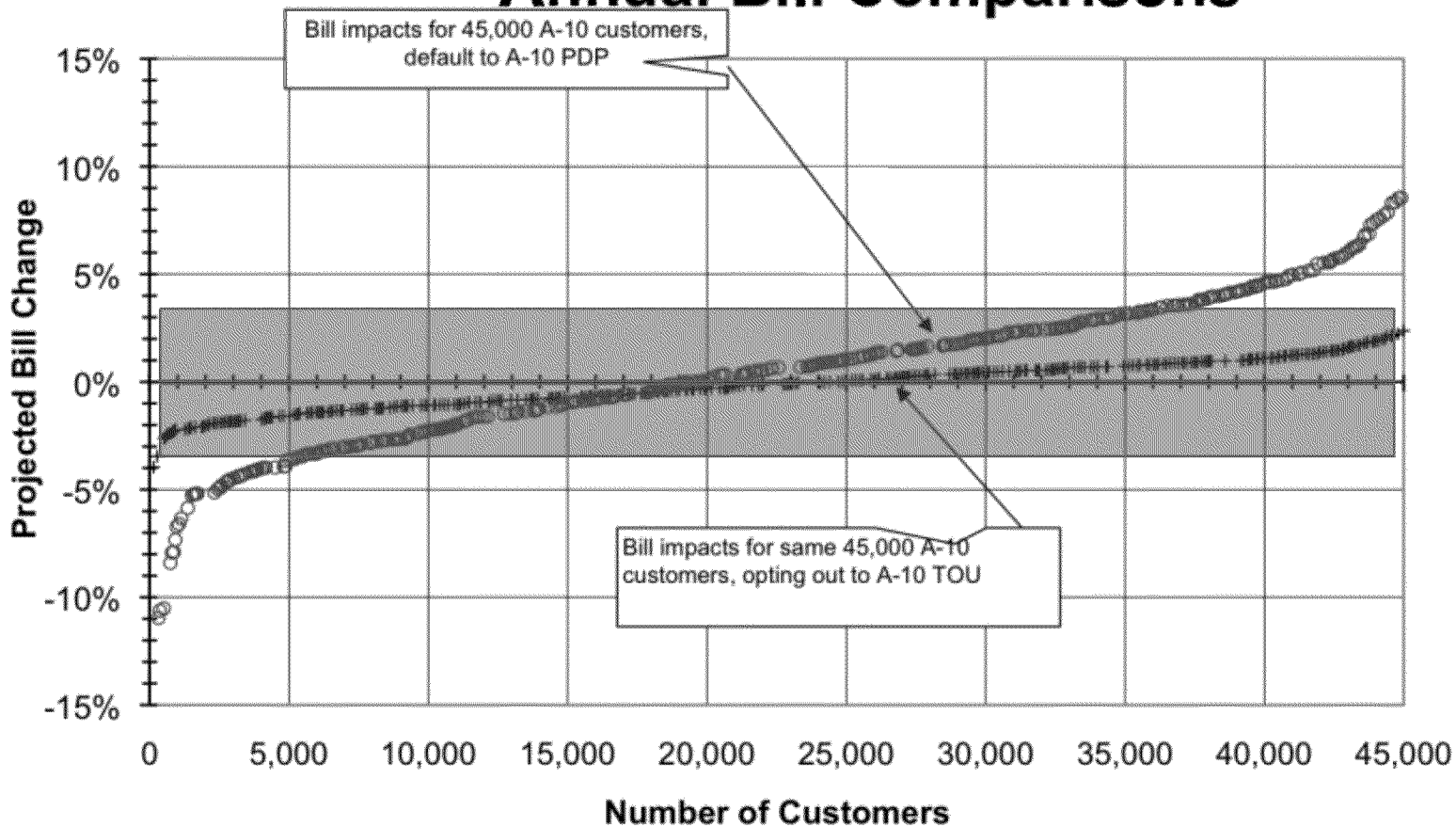


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# Appendix



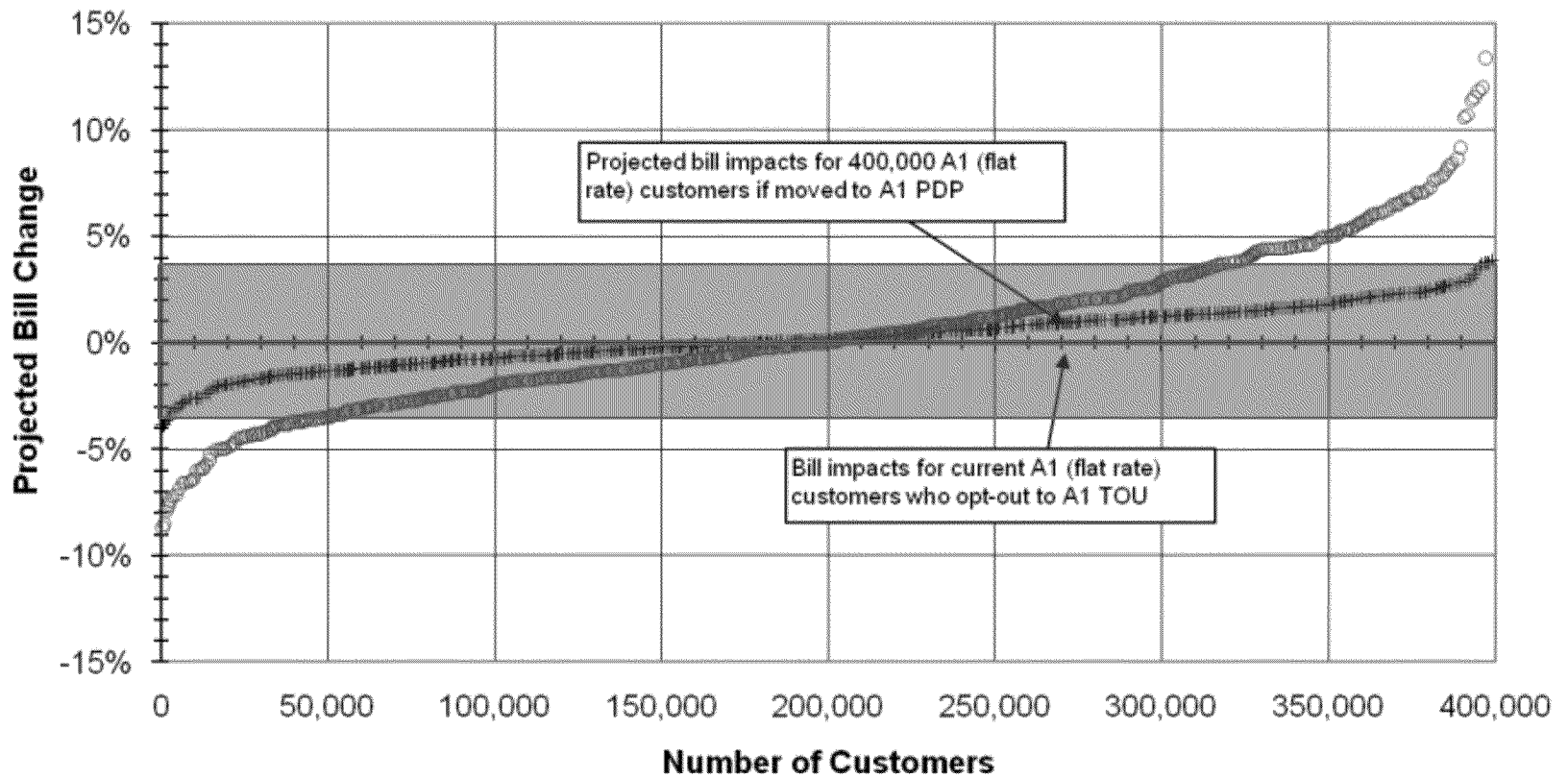
## Medium Commercial Customers (A-10) Annual Bill Comparisons



\*A-10 is a business rate, flat with no tier structure.

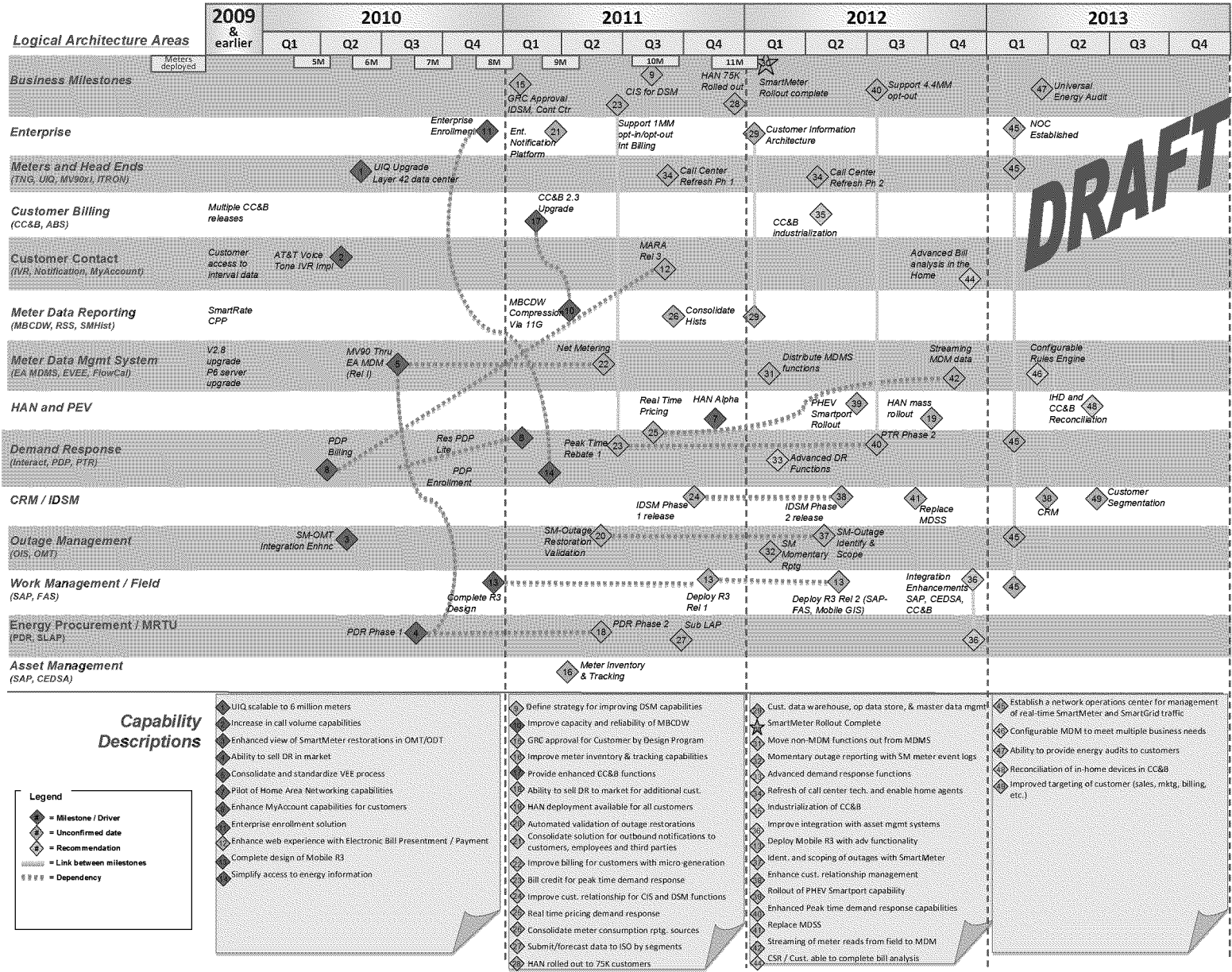


## Small Commercial Customers Annual Bill Comparisons



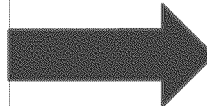


# Customer Care Technology Roadmap



#### Current State

- Separate/Federated infrastructure and applications for business and residential customers
- Remnants of older web technologies which is O&M intensive due to technology limitations at the time
- Both platforms have been continuously updated to provide incremental customer functionality
- No seamless integration between residential and business accounts
- Manually intensive web content management
- Older technologies cause disjointed user experience and unable to provide easy access to desired information by the customer
- No re-usability of any infrastructure and application assets



#### Future State

- Consolidated single platform for residential and business customers
- Easy access to desired information by customers with refined user experience
- Flexible web platform
- Scalable and Extendable with seamless integration of data and information across multiple sources
- Drive re-usability of infrastructure and application assets



#### Objectives Driving Future State

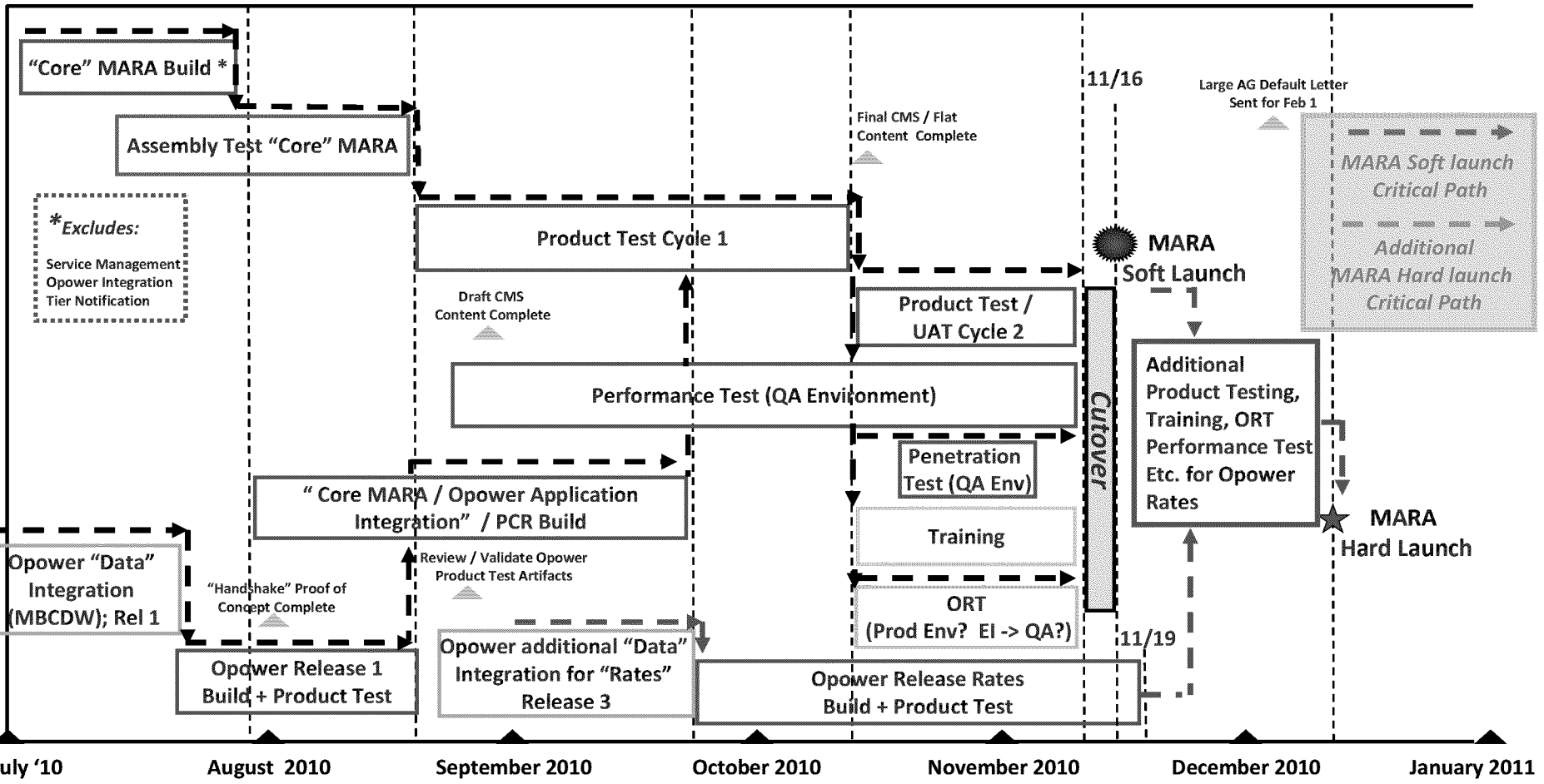
- Enhance customer self-service
- Enhance user experience including security and privacy
- Drive more customers engagement through the web (Lowest cost channel for customers)
- **Interactive rates and energy management for all customers**
- Personalized content delivery
- Rapid implementation of web site updates
- Platform for web 2.0





# MARA Timeline- November 2010 Soft Launch

Critical Dates: 7/31 8/20 9/24 10/04 11/12 11/16 12/13





# MARA Timeline- March 2011 Soft Launch

