

**PACIFIC GAS AND ELECTRIC COMPANY**  
**SmartMeter™ CPUC Staff Inquiry**  
**Data Response**

PG&E Data Request No.:	ED_001		
PG&E File Name:	SM CSI_DR_ED_001-Q01		
Request Date:	November 16, 2010	Requester DR No.:	11/16/10
Date Sent:	November 19, 2010	Requesting Party:	Energy Division
PG&E Witness:	N/A	Requester:	Steve Roscow

**QUESTION 1**

In a meeting with Energy Division staff on November 15, 2010, PG&E presented material related to “The Demand Function in Commercial/Industrial SmartMeters”, including a proposal to provide customers affected by inaccurate demand charge billing with bill credits totaling approximately \$4.390 million (sum of \$3.84 million and \$.550 million).

- 1 Please provide a set of accounting workpapers that show how PG&E proposes to account for these bill credits. The workpapers should be formatted in the same format and level of detail as what would eventually be provided to the Commission in PG&E’s monthly “Energy Resource Recovery Account (ERRA) Activity Report”.
- 2 Please provide an alternate set of workpapers, formatted in the same manner as for question 1, showing how PG&E would account for these bill credits by reducing revenues to PG&E shareholders, in the event PG&E were directed to do so by the California Public Utilities Commission.

**ANSWER 1**

PG&E expects that the adjustments to customers’ demand charges will be treated as a “net adjustment” to their bills and recorded in the Distribution Revenue Adjustment Mechanism (DRAM) account. The adjustment to customers’ prior bills will be reflected in the reported billed revenue for the month during which the adjustments are made. Revenues derived from demand charges are not included in the Energy Resource Recovery Account (ERRA), and would not be reflected in PG&E’s monthly “Energy Resource Recovery Account (ERRA) Activity Report”.

To illustrate the treatment of the revenue adjustments for the demand charges, the spreadsheets in Attachment ED\_001-01-1 show how the DRAM balancing account entries would reflect the adjustments to billed revenues under the two scenarios requested. For illustrative purposes, the demand charge revenue adjustments are shown as adjustments to recorded October 2010. The cells with adjustments and adjusted totals are highlighted in yellow. The DRAM spreadsheet is equivalent to the spreadsheet showing the entries to the ERRA balancing account provided in PG&E’s monthly “Energy Resource Recovery Account (ERRA) Activity Report”.

For the adjustment to demand charge revenue under scenario 1, billed revenue will be reduced, the balancing account balance will become more undercollected, and reported (financial statement) revenues and net income will remain unchanged.

For scenario 2, there will need to be a new item in the balancing account calculation to offset the reduction in billed revenues such that the balancing account balance will remain unchanged. Under this scenario, billed revenues will be reduced, the balancing account balance will remain unchanged, and reported revenues and net income would be reduced.