From: Cherry, Brian K

Sent: 4/24/2012 1:41:28 PM

To: Horner, Trina (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=TNHC); Jacobson, Erik B (RegRel) (/O=PG&E/OU=Corporate/cn=Recipients/cn=EBJ1); Allen, Meredith (/O=PG&E/OU=Corporate/cn=Recipients/cn=MEAe); Zafar, Marzia (marzia.zafar@cpuc.ca.gov) (marzia.zafar@cpuc.ca.gov)

Cc: Bottorff, Thomas E (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=TEB3); Affonsa, Deborah (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=DTA31); Strauss, Todd (/O=PG&E/OU=Corporate/cn=Recipients/cn=TxSq)

Bcc:

Subject: FW: Policy Report - Data Request

Marzia – work with Trina. She will assign a case manager.

Deb – thought you might be interested.

From: Zafar, Marzia [mailto:marzia.zafar@cpuc.ca.gov]
Sent: Tuesday, April 24, 2012 1:37 PM
To: Cherry, Brian K; Redacted ischavrien@semprautilities.com; Redacted Como, Joe; les.starck@sce.com; Michael.Hoover@sce.com
Cc: Kinosian, Robert
Subject: Policy Report - Data Request

Hello,

I wanted to let you know that Bob Kinosian will be working on a policy report for the Commission. He will soon need to contact your respective organizations should he need data, and I hope you will be responsive. In the meantime here's a general outline of the paper. If you have any relevant thoughts, please send to Bob with a copy to me.

Let us know if the future data request should go directly to you or someone in your staff or someone in the business units.

Thanks,

marzia

The Once and Future Utility

- How the regulators and the utilities ***should*** anticipate and respond to changes in distribution, production, and consumption of energy?

Synopsis - Decreasing costs of distributed generation technologies combined with historically low natural gas prices are making self-generation an economically appealing choice for many consumers. As utility rates continue upwards, more and more ratepayers can be expected to reduce or eliminate their energy purchases from utilities in favor of lower cost alternatives. A significant increase in self-generation as well as continued changes in consumption will alter the utilities' long-standing role as the primary producer and deliverer of energy, and potentially impact the utilities' ability to recover all their costs over a shrinking sales base. The change in supply will also impact reliability, greenhouse gas emissions and renewable energy goals. As self-generation and continued consumption behavior changes increase, utilities will have to modify their approach to serving customers and the Commission will have to deal with issues regarding fair recovery of utility costs, meeting State environmental and policy goals, and ensuring that customers who remain reliant on the utility have access to reliable, reasonably priced electricity.

What Needs to Be Looked At:

A. Potential For Self-Generation Development:

1. Self-Generation Costs, Now and in the Foreseeable Future

2. Utility Rates, Now and in the Foreseeable Future.

3. What Types of Self-Generation Technologies Work Best for Different Customers and Different Customer Classes.

B. Impact On Utilities:

1. Ability To Recover Costs/Potential "Stranded" Investment

2. Impact on Distribution Systems

3. Resource and Transmission Planning

4. Long-term Decrease in Potential Investments and Profits

C. State Policy Issues:

1. Impact of Greenhouse Gas Emissions

2. Impact of Renewable Portfolio Standards

3. Impact on System Reliability

4. Impact on Funding for Public Purpose Programs

5. Impact of consumer consumption (i.e. energy efficiency, demand response, smart grid information overload)

6. Consistency of Rules and Regulations for Self Generation Vs. Utility Generation and Direct Access Providers.

D. Rate Design Issues

1. Demand Charges Vs. Volumetric Rates

2. Net Energy Metering

3. Standby Charges

4. FERC Transmission Rates

5. Cost Allocation Between Customer Classes

6. Cost Allocation Between Full Use and Partial Use Customers Within Customer Classes

7. Rates For Sale of Surplus Energy

Much of the information needed to address issues in Section A should be available from existing CPUC programs on self-generation, recent GRC proceedings and from the California Energy Commission, with additional information likely needed from utilities regarding future utility costs. Issues in Section B will primarily require discussions with utilities. Issues in Sections C and D will primarily require review of existing CPUC processes and proceedings as well as additional analyses based on expectations of the level of self-generation development.

Marzia Zafar – California Public Utilities Commission – Zaf@cpuc.ca.gov – 415-703-1997