BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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Application of Pacific Gas and Electric Company for Approval of its 2009 Rate Design Window Proposals for Dynamic Pricing and Recovery of Incremental Expenditures Required for Implementation (U39E).	A. 09-02-022

COMMENTS OF CALIFORNIA SMALL BUSINESS ROUNDTABLE AND CALIFORNIA SMALL BUSINESS ASSOCIATION PURSUANT TO ORDERING PARAGRAPH 9 OF D.11-11-008

Pursuant to Ordering Paragraph 9 of D.11-11-008, California Small Business Roundtable and California Small Business Association (CSBRT/CSBA) submit the following comments on the Commission's Energy Division and Business & Community Outreach Staff Report submitted on January 17, 2012 (Staff Report). Ordering Paragraph 9 provides

> "The Commission's Energy Division and Business & Community Outreach Staff shall prepare a report documenting the progress, success and remaining challenges with respect to the customer education and outreach actions and spending ordered in Decision (D.) 10-02-032. The report shall include recommendations of specific, actionable steps that Pacific Gas and Electric Company (PG&E) can take to improve its efforts and recommendations, regarding how the Commission could link cost recovery to the outcomes expected when PG&E funding was approved. The report shall be served on the service list 60 days from today. <u>Parties may comment on the report 10 days later. The Assigned Commissioner or assigned Administrative Law Judge may issue additional rulings, and reopen the proceeding if necessary, after reviewing the documents and actions listed above.</u>" (D.11-11-008, Ordering Paragraph 9, pp. 66-67, *emphasis added*.)[1]

CSBRT/CSBA strongly believe that it is essential that PG&E inform, educate, and assist small business customers to successfully transition to time-varying rates. This will help small businesses remain in business, retain jobs, and increase the number of jobs in California. To this end, CSBRT/CSBA request herein that the Assigned Commissioner issue an Assigned Commissioner's Ruling that:

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[1] On January 25, 2012, the Commission's Executive Director granted PG&E's request to extend the time for submitting comments on the Staff Report to February 3, 2012. (Letter from Paul Clanon to Brian K. Cherry, January 25, 2012.)

1. Schedules an All Party Meeting to hear from interested parties regarding the adequacy of PG&E's Revised Customer Outreach Plan;
2. Requires that PG&E appoint an executive at the Vice-President level to direct and be accountable for the effective and timely implementation of a Customer Outreach Plan ultimately approved by the Commission;
3. Requires that PG&E accelerate its efforts with a near-term deadline of April 15, 2012 to implement the Commission's order that PG&E provide small business customers with an integrated set of energy efficiency and demand reduction solutions through a single point of contact; and
4. Takes other actions that are reasonable and necessary to promote transparency and accountability in PG&E's efforts to educate, inform, and assist small business customers with the transition to Time of Use (TOU) and Peak Day Pricing (PDP) rates.

I. CSBRT/CSBA Request that the Assigned Commissioner Hold an All Party Meeting to Hear From Interested Parties Regarding the Adequacy of PG&E's Revised Customer Outreach Plan.

On December 13 and 21, 2011, CSBRT/CSBA participated in workshops convened by PG&E to discuss the utility's outreach and education efforts to date and PG&E's strategy for outreach and education following the issuance of D. 11-11-008. At those workshops, CSBRT/CSBA expressed a number of concerns. From CSBRT/CSBA's perspective, there were eight major problems relating to PG&E's efforts and strategy. The problems we discussed with PG&E were:

1. Lack of solutions.
2. No targets for Small and Medium Customer (SMB) metrics.
3. No schedule for timely reporting of metrics and other research results.
4. Lack of transparency regarding studies and metrics.

5. Vague, incomplete or missing components.
6. Lack of budget information about proposed tactics.
7. Lack of understanding about the practicalities of reaching small businesses.
8. Content-wise, the strategy was heavy on the first part of PG&E's proposed slogan "Rates are changing" and light on the second part that "PG&E is here to help."

For each major problem, CSBRT/CSBA presented detailed recommendation. At PG&E's and the Business & Community Outreach Staff's request, we summarized our concerns and recommendations by letter dated December 22, 2011. (Letter from Betty Jo Toccoli, President CSBA and Chair CSBRT, December 22, 2011, attached as Exhibit A.)

On January 17, 2012, PG&E responded by letter to CSBRT/CSBA stating that PG&E would be addressing certain recommendations in PG&E's final outreach plan and disagreeing with other recommendations. (Letter from Jamie Chesler, PG&E's Manager of Peak Day Pricing, undated, attached as Exhibit B.) On January 17, 2012, PG&E also served a document entitled "2012-2015 Time-Varying Pricing Customer Outreach Plan" (Revised Customer Outreach Plan).

CSBRT/CSBA has reviewed the Revised Customer Outreach Plan and believe that the Plan is deficient in many of the same respects detailed in CSBRT/CSBA's December 22, 2011 letter. While D.11-11-008 allows parties to comment on the Staff Report, no provision was made in the decision for parties to comment on PG&E's Revised Outreach Plan.[2]

CSBRT/CSBA request that the Assigned Commissioner issue a Ruling scheduling an All Party Meeting to hear from interested parties on the adequacy of PG&E's Revised Outreach Plan. An All Party Meeting would be an opportunity for parties to present their

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[2] Compare Ordering Paragraph 5, p. 65 (providing only for service on the Revised Plan) to Ordering Paragraph 9 p. 66-67 (providing for service *and* comments on the Staff Report).

views, perspectives, concerns and recommendations to the Assigned Commissioner and for the Assigned Commissioner to ask questions of parties and PG&E. We believe that hearing directly from interested parties is essential for the Assigned Commissioner to determine whether the Revised Outreach Plan served on January 17, 2012 will be effective and timely in reaching, educating and assisting small business customers transitioning to TOU and PDP in 2012, 2013, 2014, and 2015.

II. CSBRT/CSBA Request That the Assigned Commissioner Direct PG&E to Appoint an Executive at the Vice-President Level to be Responsible and Accountable for the Successful Implementation of an Outreach and Education Plan Approved by the Commission.

The Assigned Commissioner's Ruling should also direct PG&E to appoint an executive at the Vice-President Level to be responsible and accountable for the successful implementation of an outreach and education approved by the Commission. Strong, visible management with the power to make decisions and act is essential for several reasons.

First, in D.11-11-008, the Commission was highly critical of PG&E's recent record in providing customer outreach, noting "PG&E's unwillingness to take responsibility for the lack of success of its own efforts in the area of customer education and outreach," PG&E's "failure to inform its customers, in an effective and timely manner, that changes were coming that could expose them to higher bills," and PG&E's "documented challenges when it comes to its relationship with its own customers." (D.11-11-008, p. 45.)

Second, the Staff Report finds that PG&E performance to date in conducting PDP outreach was inadequate, stating "PG&E made little effort from February 2010 to January 2011 to reach [SMB] customers and prepare them for the rate change." (Staff Report, p. 2.) The Staff Report recommends close adherence to timelines and "the Commission should consider removing the utility from responsibility [for] customer outreach," if PG&E

fails again.

Third, TOU/PDP outreach and education requires strong, active management. At various points, the Staff Report notes that successful implementation will require a number of different departments and types of employees within PG&E. For example, the Staff Report finds that successful implementation of the rate change should be the responsibility of PG&E's "customer facing employees," rather than PG&E's "marketing staff. (Staff Report, p. 2.) Likewise, the Report recommends, "Future quarterly and semi-annual meetings should include staff from other PG&E departments in addition to Marketing and Products & Services staff." (*Id*., p. 16.)

In fact, PG&E's Revised Outreach Plan indicates that successful outreach and education will require resources from an even broader range of departments, partners and personnel, including Customer Relationship Managers, Third Parties, Government Partnerships, GP Direct Installers, PG&E's Trade Professional Alliance, local offices, field offices, PG&E Training Centers, General Business Call Service Center, PG&E Retail Partners, PG&E Web and IT services, bill analysis personnel, customer research and survey personnel, PG&E energy efficiency personnel, and PG&E demand response staff.

Despite PG&E's recent record when it comes to customer outreach, its failure to conduct effective and timely PDP outreach to date, and the need for strong management to successfully implement TOU/PDP outreach, there appears to be no management structure to ensure that all parts of PG&E and the partners PG&E will be depending on to implement the Revised Outreach Plan will perform their roles effectively. <u>No one at PG&E seems to have the ultimate responsibility for the effective and timely implementation of the outreach plan.</u> <u>No one at PG&E seems to have the authority to set deadlines and direct resources across PG&E departments, entities, partners, and personnel.</u>

Under these circumstances, we request that the Assigned Commissioner issue a Ruling directing PG&E to appoint an executive at the Vice President level to be

responsible and accountable for the successful implementation of a Customer Outreach Plan approved by the Commission. The PG&E Vice President responsible TOU and PDP outreach and education must have the authority to assemble, direct and coordinate all of the resources needed to implement the Plan effectively and in a timely manner. The Vice President charged with this responsibility and authority should sign all future reports to the Commission regarding PG&E's implementation of the Plan.

III. CSBRT/CSBA Request that the Assigned Commissioner Issue a Ruling Requiring an Acceleration of PG&E's Efforts With Near-term Deadline of April 15, 2012 to Provide Small Business Customers with Integrated Energy Efficiency and Demand Reduction Solutions Through a Single Point of Contact.

PG&E's efforts to provide small business customers integrated energy efficiency and demand response solutions through a single point of contact are lagging and appear to be in disarray. In D.11-11-008, the Commission found that "PG&E's customer education and outreach efforts require products, services and programs to help small business customers to respond to PDP; effective customer outreach to make PDP work; and integrated solutions for small business." (D. 11-11-008, Finding of Fact 18, p. 57). Accordingly, the Commission ordered PG&E to revise its customer education and outreach plan to include specific plans to "conduct an aggressive outreach program providing Small and Medium C&I Customers with an integrated set of energy efficiency and demand reduction solutions through a single point of contact." (D.11-11-008, Ordering Paragraph 5, pp. 64-65.)

The Staff Report finds "PG&E needs to enhance its efforts to meet the directive in [D.11-11-008] to provide customers with EE and demand side solutions that can help them be successful on the new rates." (Staff Report, p. 2.) In fact, PG&E's Revised Outreach Plan does not propose even one set of integrated energy efficiency and demand reduction

solutions. Instead, the Plan states that such solutions are still undergoing analysis, being explored, being created, or being developed.

No dates are specified as to when PG&E will complete its various reviews, analysis, and explorations. No dates are specified as to when PG&E will complete the development of new products. No date is specified as to when PG&E will seek feedback from stakeholders on product bundles. Most importantly, no date is specified as to when PG&E will offer integrated demand response and energy efficiency solutions to small business customers.

Frankly, we are surprised that PG&E is so far behind in developing and offering integrated energy efficiency and demand reduction solutions for small business. The Commission has made it a high priority for PG&E to integrate its customer demand-side programs in a coherent and efficiency manner since 2007. (See for example, D.07-10-032, p. 5, requiring PG&E to "Integrate customer demand-side management programs, such as energy efficiency, self generation, advanced metering and demand response in a coherent and efficient manner;" The Commission's landmark *Strategic Plan for Energy Efficiency* (2008), pp. 71-73, directing PG&E to "streamline and integrate the marketing of DSM Programs in conjunction with smart meter deployment;" and D.09-09-047, p. 239, stating "Customer outreach should provide comprehensive integrated information about all of the options that are available for customers to manage their energy use. In order to facilitate coordination among demand-side management ME&O efforts, we direct the utilities to coordinate energy efficiency ME&O program efforts with those of Demand Response program.") Despite such repeated directives and the recent order by the Commission in D.11-11-008 that PG&E revise its outreach and education plan to provide small business customers with an integrated set of energy efficiency and demand response solutions through a singe point of contact, no integrated solutions have emerged.

In fact, PG&E efforts appear to be in serious disarray. PG&E's Revised Outreach Plan indicates that PG&E currently offers only one demand response program for SMB customers, the SmartAC Program. PG&E describes SmartAC as the "cornerstone" of PG&E's demand response offering for SMB customers. The Plan states that the Proposed Decision in PG&E's 2012-2014 Demand Response Program and Budget Application (A.11-03-001) discontinued funding for Smart AC and ordered PG&E to terminate the program because the Smart AC was not cost effective for new customers. (Revised Outreach Plan p. 63.) PG&E does not offer a contingency plan in the event that SmartAC is terminated for new customers.

Likewise, PG&E's Revised Outreach Plan states that a number of products that are currently in PG&E's Product Portfolio will sunset due to updated codes and regulations. The products include lighting (several fluorescent retrofit and delamping measures), refrigeration (door gaskets and wine tank insulation) and unspecified insulation products. (*Id*., pp. 63-64.) The Plan states "To offset the lost energy savings due to sunset technologies, PG&E is proactively working on new products and product bundles towards saving SMB customers, energy especially during the peak hours." (*Id*., p. 64.) Here again, no dates are given as to when these new products will be available and offered as part of integrated solutions to small business customers.

Under these circumstances, CSBRT/CSBA request that the Assigned Commissioner issue a Ruling requiring PG&E to accelerate its efforts to provide integrated energy efficiency and demand response solutions to small business customers through a single point of contact. The Ruling should include a deadline by which PG&E must offer integrated energy efficiency and demand response solutions to small business customers. Given the past directives to PG&E to develop and offer such solutions, the lack of productive action by the utility, and the fast approaching default date of November 1, 2011, we request that PG&E be required to (a) offer the integrated solutions to small business

customers no later than April 15, 2012 and (b) submit a complete report on its efforts and results in informing, educating, offering and assisting small business customers with integrated solutions in PG&E's June 2012 Semi-Annual Report, and (c) continue to report its efforts and results in subsequent reports.

We recognize that the Staff Report recommends that PG&E report by February 28, 2012 "if there are barriers to ES&S staff promoting EE solutions with SMB customers" and PG&E provide by June 15, 2012 "a list of appropriate solutions for each customer segment." However, this is not sufficient. <u>There is no firm date or deadline by which PG&E must offer integrated energy efficiency and demand reduction solutions to small business customers.</u> Given that PG&E has had over four years to work on developing integrated solutions since the Commission issued D.07-10-032 and the default date of November 1, 2012 for mandatory TOU is only ten months away, the Commission must ensure that PG&E acts with immediacy and urgency, rather than take its time to put integrated energy efficiency and demand reductions solutions into place.

IV. CSBRT/CSBA Request that the Assigned Commissioner's Ruling Take Additional Steps to Promote Transparency and Accountability in PG&E's Implementation of the Customer Outreach and Education Program and the Expenditure of Ratepayer Funds.

CSBRT/CSBA request that the Assigned Commissioner's Ruling take additional steps to promote transparency and accountability in PG&E's implementation of its customer outreach and education plan.

A. All Interested Parties Should Receive Required Information and Allowed to Participate in Future Processes.

At various points, the Staff Report recommends that (1) PG&E "work with Commission staff" to accomplish certain modifications (for example, revise outreach metrics and identify the best ways to make results from studies available to parties on the Service List as they are completed) and (2) provide information to Commission Staff on

certain aspects of its outreach program (for example, share a list of appropriate solutions, report on barriers to promoting energy efficiency solutions, provide information about hard-to-reach customers to BCO and work with BCO to build partnerships with organizations). While perhaps unintentional, such recommendations suggest that certain matters are to be resolved through private discussions between PG&E and the Staff and PG&E is to provide certain information to Staff and not to all interested parties.

To promote transparency and accountability regarding PG&E's implementation of the outreach and education program, information about PG&E's metrics, studies, targeting of hard-to-reach customers, energy efficiency and demand reduction solutions, partnering with third party organizations and barriers to implementation should be broadly shared with all interested parties. In addition, interested parties should always be invited to participate in future processes. Accordingly, we request that the Assigned Commissioner's Ruling provide that information be provided to all parties on the service list and that all parties be invited to participate in future processes.

B. The Budgetary Information Currently Provided by PG&E is Inadequate to Assure Transparency and Accountability.

Detailed budget information is essential for transparency and accountability. However, this information is lacking when it comes to PG&E's outreach program.

1. Prospective Budget Information.

In December 2011, after reviewing its Proposed Strategy, we informed PG&E that the Proposed Strategy did not include any information on how much PG&E proposes to expend on the various proposed tactics (Direct Mail, email, Custom Rate Comparisons, Paid Media (newspaper, Radio, TV, Online Video, Trade Journals), Web, Workshops, Events, Partnerships, Retail Presence, Experiential, Customized Assistance, Hard to Reach, etc. or further research and collection of metrics data for SMB Customers. We also informed PG&E that the Proposed Strategy did provide any information on how much

PG&E proposes to expend during the various proposed timeframes (e.g., Jan-May 2012, June-Nov. 2012, 2013, 2014, and 2015). We explained that without this information, it is impossible to determine how much will be committed to the varying tactics and timing of the expenditures and that this information is essential to assess whether the Proposed Strategy is likely to be successful. (CSBRT/CSBA Letter, Exhibit A, p. 7.)

In response to CSBRT/CSBA's letter, PG&E stated that it "manages other authorized budgets and outreach activities within the organization, not specifically tied to [Time Varying Pricing], such as Demand Response and Energy Efficiency" and it "plans to seek out logical opportunities to integrate Time-Varying Pricing messages with the organization's other outreach and education efforts being carried out and leverage these resources where possible." According to PG&E, "This integrated approach means that a tactic-level view of the costs associated specifically with Time-Varying Pricing outreach could understate the full costs, since the funds for an integrated effort addressing several tactics may involve a variety of related messages and be funded through a combination of resources." (PG&E's Letter, Exhibit B, p. 3.)

In CSBRT/CSBA's view, the existence of additional, potentially overlapping funding for activities associated with TOU/PDP outreach and education makes the need for budget information in the Revised Outreach Plan even more critical. PG&E seems to be assuming that at least some of the funding for outreach and education regarding TOU and PDP will come from funding approved for other demand response and energy efficiency budgets. If so, as part of the Revised Customer Outreach Plan, PG&E should state (a) the amounts PG&E expects to come from these other budgets, (b) what activities they will fund, and (c) what time frames those amounts will expended in. This information will give the Commission Staff and interested parties (1) a complete picture of how much is being budgeted for TOU/PDP outreach and education, (2) which programs those funds will come

from, (3) how those funds will be expended, and (4) what time periods those funds will be expended in. Currently, this information is not a part of the Revised Outreach Plan.

2. ***Past and Current Expenditures***.

In addition to prospective budget information for the activities, tactics, and time periods in the Revised Outreach Plan, PG&E needs to provide more detailed and comprehensive reporting of its monthly expenditures. Attached as Exhibit C is PG&E's latest Dynamic Pricing Memo Account (DPMA) Monthly Report. The Monthly Report has a single line item for customer outreach and education reporting $9,799,279 in "Customer Outreach" costs since inception. A footnote indicates that an additional $1,678,148 was reported to the "AMI customer acquisition budget and the SmartMeter balancing account (SBA-E) for PDP outreach to SMB." There is no further information in the Report as to what the $11,477,427 in customer outreach expenditures were for. Nor is there any further information on how much of the $11,477,427 was for outreach to SMB customers. This minimal, opaque reporting of current and prior expenses is inadequate to assure transparency and accountability in the expenditure of outreach funds.[3]

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[3] On page 5, the Staff Report finds "The existing quarterly, semi-annual and monthly reporting requirements are adequate." We respectfully disagree. The monthly financial reports do not provide the minimum amount of information that the Commission Staff needs to oversee the prudency of PG&E's expenditures. In D.11-11-008, the Commission stated

> "At this point, we remain unconvinced that PG&E's efforts to-date have been effective; PG&E must find a way, in collaboration with shareholders as well as Commission staff, to help us to weigh the effectiveness of current efforts when we evaluate any possible additional funding requests PG&E may make in the future. We will not approve new funding for PG&E to accomplish tasks that have been already found reasonable and funded in D.10-02-032, but we will hold PG&E accountable for the results to which it committed in that proceeding. <u>If those funds have been spent but have not produced the results we expected, we will need to determine what, instead, those funds may have purchased and whether PG&E's spending was prudent.</u>" (D.11-11-008, p. 52 (emphasis added.))

As stated above, there is no way for Staff to determine from the monthly financial reports what the expenditures booked to customer outreach were for, much less whether such expenditures were prudent.

CONCLUSION

For the reasons set forth above, CSBRT/CSBA respectfully request that the Assigned Commissioner issue a Ruling that:

1. Schedules an All Party Meeting to hear from interested parties regarding the adequacy of PG&E's Revised Customer Outreach Plan;
2. Requires that PG&E appoint an executive at the Vice-President level to direct and be accountable for the effective and timely implementation of a Customer Outreach Plan ultimately approved by the Commission;
3. Requires an acceleration of PG&E's efforts with near-term deadline of April 15, 2012 for implementing the Commission's order to provide small business customers with an integrated set of energy efficiency and demand reduction solutions through a single point of contact; and
4. Takes other actions that are reasonable and necessary with regard to provision of information, participation in future processes, prospective budgetary information about PG&E's Revised Outreach Plan, and current and past outreach and education expenditures to promote transparency and accountability in PG&E's efforts to educate, inform, and assist small business customers with the transition to TOU and PDP rates.

Dated: February 1, 2012

Respectfully submitted,

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