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SETTLEMENT AGREEMENT ON THE REVISED CUSTOMER ENERGY STATEMENT ISSUES IN PG&E'S APPLICATION 10-03-014

I. INTRODUCTION

In accordance with Article 12 of the Rules of Practice and Procedure (Rules) of the California Public Utilities Commission (CPUC or Commission), the parties to this Settlement Agreement (Settling Parties) agree on a mutually acceptable outcome to the Revised Customer Energy Statement (RCES) issues in Application (A.) 10-03-014, "Application of Pacific Gas and Electric Company to Revise its Electric Marginal Costs, Revenue Allocation, and Rate Design" (commonly referred to as Phase 3 of PG&E's 2011 General Rate Case Phase 2 (GRC 2).)[1]

This Settlement is a result of the Commission's and Administrative Law Judge Pulsifer's encouragement to active parties to meet and seek a workable compromise. The active parties held differing views on numerous aspects of PG&E's RCES proposal in Phase 3 of this GRC proceeding. However, the parties have bargained earnestly and in good faith to seek a compromise and to develop this Settlement, which is the product of arms' length negotiations among the Settling Parties on a number of disputed issues. The negotiations considered the interests of all the active parties on RCES issues, and the Settlement addresses these issues in a fair and balanced manner.

The Settling Parties arrived at this Settlement by agreeing to concessions and trade-offs among themselves. Thus the various elements and sections of this Settlement are intimately interrelated, and should not be altered as the Settling Parties intend that the Settlement be treated as a package solution which strives to balance the interests of each party. Accordingly, the Settling Parties respectfully request that the Commission promptly approve the Settlement without modification. Any material change to the Settlement shall render it null and void, unless all of the Settling Parties agree in writing to such changes.

II. SETTLING PARTIES

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1 Phase 3 is separate from both the residential rate design proposals in A.10-03-014 (which have been litigated and decided in D.11-05-047) and the non-residential rate design proposals in A.10-03-014 (which are the subject of settlements and litigation presently pending before the Commission.)

The Settling Parties are the Division of Ratepayer Advocates (DRA), Center for Accessible Technology (CforAT), Pacific Gas and Electric Company (PG&E), The Utility Reform Network (TURN), and Greenlining Institute (Greenlining).

III. SETTLEMENT CONDITIONS

This Settlement Agreement resolves the issues raised by the Settling Parties in Phase 3 of A.10-03-014 on RCES, subject to the conditions set forth below:

1. This Settlement Agreement embodies the entire understanding and agreement of the Settling Parties with respect to the matters described, and it supersedes prior oral or written agreements, principles, negotiations, statements, representations, or understandings among the Settling Parties with respect to those matters.

2. This Settlement Agreement represents a negotiated compromise among the Settling Parties' respective litigation positions on the matters described, and the Settling Parties have assented to the terms of the Settlement only to arrive at the agreement embodied herein. Nothing contained in the Settlement should be considered an admission of, acceptance of, agreement to, or endorsement of any disputed fact, principle, or position presented by any of the Settling Parties on these matters in this proceeding.

3. This Settlement Agreement does not constitute and should not be used as a precedent regarding any principle or issue in this proceeding or in any future proceeding.

4. The Settling Parties agree that this Settlement Agreement is reasonable in light of the testimony submitted, consistent with the law, and in the public interest.

5. The Settling Parties agree that no provision of this Settlement Agreement shall be construed against any Settling Party because that Settling Party or its counsel or advocate drafted the provision.

6. The Settling Parties agree that this Settlement resolves all RCES issues in Phase 3 of A.10-03-014.

7. The Settlement Agreement may be amended or changed only by a written agreement signed by the Settling Parties.

8. The Settling Parties shall jointly request Commission approval of this Settlement Agreement and shall actively support its prompt approval. Active support shall include written and oral testimony if testimony is required,[2] briefing if briefing is required, comments and reply comments on the proposed decision, advocacy to Commissioners and their advisors as needed, and other appropriate means as needed to obtain the requested approval.

9. The Settling Parties agree that all testimony served prior to the date of this Settlement that addresses the issues resolved by this Settlement should be admitted into evidence without cross-examination by the parties. The Settling Parties believe that no hearings are necessary to approve this Settlement in full. However, in the event the ALJ orders new testimony or hearings on issues in Phase 3 of A.10-03-014, testimony only on those issues identified for hearing would be subject to cross-examination.

10. The Settling Parties intend the Settlement Agreement to be interpreted and treated as a unified, integrated agreement. In the event the Commission rejects or modifies this Settlement Agreement, the Settling Parties reserve their rights under Rule 12.4, and the Settlement shall not be admitted into evidence in any other proceeding.

IV. PROCEDURAL HISTORY

In its Test Year 2011 General Rate Case (GRC) Application 09-12-020, PG&E stated that the proposal to revise the customer energy statement would be presented in Phase 2 of the 2011 GRC. (PG&E, 2011 GRC Phase 1 Application, page 18.) The 2011 GRC Phase 2 Application, A.10-03-014, was filed March 22, 2010.

A prehearing conference was held in the proceeding on May 19, 2010 before Administrative Law Judge (ALJ) Pulsifer. The scope of the proceeding and procedural schedule were set forth in the Assigned Commissioner's Ruling and Scoping Memo dated May 26, 2010 (Scoping Memo). The Scoping Memo ruled that this proceeding shall be conducted in two

[2] Any oral and written testimony that may be required may be prepared jointly among parties with similar interests.

separate phases, (i.e., Phases 2 and 3 of PG&E's 2011 GRC, respectively). "The scope of Phase 3 of the proceeding shall consider PG&E's proposals, as detailed below, related to dynamic pricing and revisions to its customer energy statement" as agreed among PG&E, DRA and TURN in the Joint Prehearing Conference Statement filed on May 19, 2010. The Scoping Memo specified that GRC Phase 3 issues would be as follows:

- PG&E's RTP (Real-Time Pricing) proposal
- PG&E's RCES proposal
- Incremental costs associated with the RTP and RCES proposals
- Incremental costs associated with PG&E's information technology (IT) 2-part Peak Time Rebate PTR) proposal previously included in PG&E's 2010 Rate Design Window (RDW) (Application 20-02-028).

On March 2, 2011, the ALJ issued a ruling deferring RTP issues until further notice. On March 7, 2011, Assigned Commissioner Peevey granted PG&E's motion to transfer PTR IT costs back to A.10-02-028, the 2010 Rate Design Window (RDW) proceeding so that further consideration of these costs would occur in the 2010 RDW proceeding. In a ruling dated July 18, 2011 the ALJ granted the active parties' request to defer RCES rebuttal testimony to August 30, 2011, to allow time for settlement discussions to occur. In a ruling issued on August 18, 2011, the ALJ granted the parties' request to further defer rebuttal testimony until September 30, 2011, to allow additional time for settlement discussions.

V. RCES SETTLEMENT

The Settling Parties have negotiated this settlement with the goal of arriving at mutually agreeable provisions for the revision of PG&E's electric and gas Energy Statement, a mutually agreeable timeframe for implementation of a Revised Customer Energy Statement (RCES), and mutually agreeable costs, terms and conditions for recovery of capital and expense costs to revise the Energy Statement. The Settling Parties share the goals for RCES to (a) meet all legislative and regulatory requirements, (b) make the customer bill clear and easy to understand, with

improved accessibility, and (c) provide customers with information that allows them to make informed energy decisions.

The Settling Parties agree on the following points:

1. PG&E's current Energy Statement can be improved to make it easier for customers to understand.
2. PG&E's current Energy Statement satisfies most, but not all, statutory and regulatory requirements. The Settling Parties agree that the Energy Statement should be revised to comply with all statutory and regulatory requirements.
3. The amount of the approved costs for the RCES project will affect the types and extent of changes that can be made to the Energy Statement pursuant to this proceeding, as well as the types and level of supporting activity associated with rolling out the revised Energy Statement to customers.
4. The Settling Parties desire to keep the costs of the RCES project at a reasonable level. Only actually incurred costs for RCES up to the amount authorized by the Commission and consistent with this settlement will be recovered in PG&E's revenue requirements.

A. Legislative and Regulatory Requirements

Legislative requirements for the Energy Statement are set forth in California Public Utilities Code (PUC) § 739 (e) (1). Additional regulatory requirements are contained in Commission decision (D.) 07-07-047. The Settling Parties agree that the current Energy Statement is largely compliant with these statutory requirements, except for graphic representation of cost per tier per PUC § 739 (e) (1) (C). The Settling Parties also agree that the current Energy Statement is largely compliant with Commission requirements in D.07-07-047, except for sufficiently prominent presentation of the TTY number and presentation of key information in a font size that is easy to read, as well as a sufficiently clear definition of baseline. The Settling Parties agree to the following specific changes in the Revised Customer Energy Statement to meet these requirements:

1. A graphic representation of cost per tier for gas and electric.
2. A clear definition of baseline.
3. Presentation of the TTY number as prominently as the main customer service number, and presentation of key information in large print.

B. Advice Letter Submission of Revised Energy Statements

D.07-07-047, Ordering Paragraph 10, provides that PG&E file an advice letter for approval of all changes to its bills that go beyond changes that would be considered cosmetic or superficial. PG&E agrees that it will submit the final versions of its revised energy statements by advice letter. The advice letter will include demographics of its service territory and how they correspond to languages used in its bills and inserts. The advice letter will reference PG&E's commitment to implement website accessibility to disabled customers consistent with the 2011 GRC Phase 1 settlement between the Disability Rights Advocates (DisabRA) and PG&E, and PG&E's commitment to comply with Priorities 1 and 2 of Version 2.0 of the Web Content Accessibility Guidelines (WCAG).[3] PG&E anticipates that approximately twenty representative bill formats will accompany the advice letter.

C. Customer Research

The Settling Parties agree that additional research on customer preference on proposed elements for a revised energy statement is needed. PG&E is currently conducting customer research on preferences for revisions to the energy statement. For the testing, PG&E will create refreshed mock-ups for the basic residential E-1/G-1 bill, a small medium business customer bill, and an agricultural customer bill. The research includes customer testing, which will include testing of potential graphic design elements. PG&E held a workshop with DRA and the customer advocates in PG&E's 2011 GRC Phase 3 (including TURN, CforAT and Greenlining)

[3] In the DisabRA/PG&E 2011 GRC Phase 1 settlement, PG&E agreed to certain steps to conform its website to the Priority 1 and Priority 2 checkpoints for accessibility as outlined in the Web Content Accessibility Guidelines (WCAG) of the World Wide Web Consortium. After the DisabRA/PG&E 2011 GRC Phase 1 settlement was approved, the terminology regarding Web Access Standards was changed. The standards continue to be divided into three levels of compliance; the former Priorities 1 and 2 are now effectively known as Priorities A and AA, respectively.

on September 30, 2011 to share research results and capture additional feedback to inform the final design. PG&E will also conduct a focus group specifically for disabled customers with low vision, and results will be shared with CforAT and DRA. PG&E expects to complete the research in December 2011.

In settlement meetings and the research workshop, PG&E has been sharing its plan for accomplishing redesign of the customer energy statement with the Settlement Parties.

PG&E will use large font (14 point in a sans serif font) for the following key language on the standard bill: the PG&E website URL, customer account number, the amount owed by customer, the customer bill due date, and the customer service phone numbers (including English, with a notation that indicates that relay calls are accepted, and a TDD/TTY phone number for accessing specialized equipment for the hearing impaired). PG&E will also use large font for the customer name and address unless the targeted low-vision focus group and quantitative research provides feedback indicating that a smaller font size than 14 point is more appropriate for this information. PG&E and CforAT will work together to ensure that feedback on the need for large print customer name and address is elicited appropriately at the targeted low-vision focus group.

In addition to its existing optional Braille bill, PG&E will also make available a new, optional "low-vision" bill that will not exceed two sheets of paper (four sides). The low-vision bill will include in large print, in addition to the large print information from the standard bill, all "Account Summary" information, all important phone numbers, a customer service email address (info@pge.com), the first two paragraphs of information under the heading "Rules and Rates," and additional detail regarding customer energy charges. The specific detailed information to be included will be selected based on the feedback received during the targeted low-vision focus group.

PG&E and CforAT will continue to discuss options for providing audio format bill information to customers. Costs associated with providing audio format bill information to customers are outside Phase 3 of this 2011 GRC Phase 2 proceeding, will not be considered a bill

redesign, and will not be subject to the limitation on future cost recovery requests in Section G below.

D. Costs

The RCES project is for both the gas and electric energy statements, with an intended effective date of July 1, 2013. PG&E's original cost request for the RCES project was $34.7 million, primarily to cover information system work, customer education and outreach activities, customer inquiries, online enablement, and billing, revenue and credit costs for implementation of the RCES project.

DRA filed testimony contesting PG&E's cost estimate, some of the proposed changes to the energy statement, and certain supporting activities presented in PG&E's proposal. DRA's testimony proposed that no more than $16.3 million should be approved for the RCES project. TURN also sponsored testimony on certain cost escalation issues regarding the RCES cost estimate.

The Settling Parties have negotiated at arms' length over their differences for the amount that should be authorized for the RCES project, specific changes to the energy statement under the RCES project, and the various supporting activities associated with implementing a revised energy statement. The Settling Parties agree that the number and type of changes to the energy statement and the type and level of activities to support rolling out new energy statements to customers will depend on the costs authorized for the RCES project.

After hard, arms' length negotiations, the Settling Parties have agreed that a total project cost of up to $19.012 million (Settlement Amount) is a reasonable cost for the Commission to authorize for implementation of the RCES project. TURN has agreed that, in consideration for the maximum settlement amount of $19.012 million, it would not pursue its cost escalation issue in this proceeding. This Settlement Amount will cover customer outreach costs for RCES in standard formats (including specific communication for Spanish and Chinese language audiences) and accessible formats when feasible (e.g., as set forth in Section E), customer billing, revenue and credit, and inquiry costs, and the following specific IT functionality,

provided that this Settlement does not allocate any specific amount within the Settlement Amount to any specific task:

1. Basic format setup for new bill
    - Includes transitional bills
    - Payment stub
2. Core account information
    - Account summary
    - Charges and discounts
    - Amounts past due versus currently due
    - Charges by tier and peak period
    - Start and end meter reads
    - Currently mandated rate components
    - 3rd party billing information (e.g. DA, CCA)
3. New notices format
4. Graphical/visual presentment
    - Tiers visualization
    - Additional graphic elements as indicated by project research, if funding is available
5. Format, Print, and Display all rates currently available to customers.
6. Online presentment for new bill
7. Limited format changes/calculations for multi-premise and streetlight bills
8. Messaging areas
9. Large font version
10. English, Spanish and Chinese in-language versions.

The Settling Parties acknowledge that approval of up to $19.012 million for implementation of the RCES project may mean fewer other changes to the energy statement than described in testimony, and less activity than described in testimony associated with supporting roll-out of the revised energy statement as customers start to receive the new format with additional information. The Settling Parties agree that significant changes to the customer energy statement can still be achieved given the Settlement Amount, and therefore they support Commission approval of the Settlement Amount as the authorized cost for RCES.

If PG&E were to determine that an Oracle CC&B new version will become available soon so as to make bill reformatting much more efficient and cost effective, or if PG&E were to prefer to await Commission's guidance with dynamic pricing implementation to better develop the new bill format, DRA would not object to PG&E's delaying this project. Specifically, if PG&E were to decide to wait and implement RCES after issuance of a new version of the Oracle

CC&B that can perform the bill extraction and other work needed for the revised bill format before implementing RCES, the IT costs for bill extraction and related IT work for RCES should be subtracted from the Settlement Amount, and the requests for the new CC&B version and related IT work may be requested in a future GRC 1 proceeding.

E. Outreach

PG&E agrees to conduct targeted outreach to hard-to-reach groups, specifically seniors, the disabled community, and certain language minorities (such as Spanish and Chinese language customers). The targeted outreach to such hard-to-reach groups will include information on the availability of alternative formats for the energy statement. The Parties agree that the channels for such outreach may include: bill inserts, PG&E's website, outreach through Community Based Organizations, targeted advertising in mass media publications or social media targeted at these hard-to-reach populations; however, given the Settlement Amount, the Settling Parties agree that outreach to such customers regarding RCES will not take the form of individualized direct mailings. Customer outreach regarding the RCES that is specifically targeted to disabled communities shall include in large print PG&E's customer service telephone number including TTY.

As part of its normal course of business, PG&E will continue to send general messages on the bill to members of customer classes or general customer groups like CARE. In the future, PG&E agrees to investigate the potential to send targeted, customer specific messages to customers who, based on their recorded usage patterns, potentially could benefit from changing to another rate schedule for which they may be eligible. This effort will be entirely separate from RCES, may occur through a separate communication channel than the customer's bill, and its costs are not subject to the limitation on future cost recovery requests in Section G below.

F. Cost and Revenue Recovery Mechanisms

DRA proposed that a one-way balancing account for RCES costs should be established to record actual costs. The one-way balancing account proposal would provide that only actual costs incurred for RCES, not to exceed the authorized amount, would be recovered from

ratepayers. If actual expenditures for RCES were to exceed the amount authorized, the excess expenditures could not be recovered in rates.

The Settling Parties agree that a one-way balancing account for RCES costs should be approved to record actual RCES costs and allow recovery in rates only of actual RCES costs not to exceed the Settlement Amount. The one-way balancing account would allow RCES costs to go into rates through the AET on an actual cost basis until the test year of the next General Rate Case after the 2014 GRC (e.g. assuming a 2014 GRC, 2012, 2013, 2014, 2015 and 2016). The capital costs for the RCES project would be placed in rate base beginning in the test year of the next GRC 1 case after the 2014 GRC. The Settling Parties agree that the Settlement Amount is solely for implementation of the Revised Customer Energy Statement. On-going operating costs such as paper for hard-copy bills, annual translation costs, and other operational costs are not part of the Settlement and instead will be treated as normal operating costs in the 2014 GRC.

The Settling Parties agree that the same assumptions underlying the 2011GRC Phase 1 settlement will be used to convert actually-incurred costs within the authorized amount to revenue requirements for this Settlement.

A detailed description of the one-way balancing account is provided in Attachment A to the Settlement.

G. Bill Redesign Costs in PG&E's 2014 GRC Cycle

PG&E agrees that it will not seek additional funding for bill redesign projects like RCES in the 2014 GRC cycle unless:

(a) it is mandated by the Commission or the Legislature

(b) the cost for redesigning the bill is more than $10 million, and

(c) it is truly incremental to this RCES (A.10-03-014).

The RCES bill redesign for purposes of this section are the changes to the bill that are described in PG&E's testimony in A.10-03-014, Exhibit PG&E-17 (April 15, 2011), chapters 1 through 8. Without limitation, examples in the testimony of what would be covered by this limitation set forth above as described in subparagraphs a through d include proposals for

additional in-language versions (Vietnamese, page 3-11 of PG&E-17), the daily usage bar chart (figure3-1 in PG&E-17), and changes to only show DA/CCA customers the rate components they pay PG&E, inclusion of beginning and end of period meter reads, and implementation of a one-page bill. The Settling Parties acknowledge that the Settlement Amount for implementation of the RCES project will mean fewer changes to the energy statement than described in PG&E's testimony.

This limitation includes any specific rate or bill changes ordered by the Commission as of October 31, 2011. The limitation on requests in future cases does not apply to future proposals involving (1) a new rate schedule or program not covered by this Settlement, or (2) modifying, adding or deleting information for changes to rates or programs approved in a future Rate Design Window, GRC 2, or other rate design cases, or (c) modifying, adding or deleting bill messages where costs are routinely addressed in a future GRC proceeding.

In the future, PG&E will not request IT costs in future PG&E GRC Phase 2 proceedings or future Rate Design Window proceedings, unless the Commission directs that GRC Phase 2 or RDW proceedings are a proper venue for cost recovery.[4] Section G does not apply to the currently pending 2010 RDW proceeding, A.10-02-028, or the default residential rate program application, A.10-08-005.

VI. SETTLEMENT EXECUTION

This document may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Settlement Agreement shall become effective among the Settling Parties on the date the last Settling Party executes the Settlement Agreement, as indicated below. In witness whereof, intending to be legally bound, the Settling Parties hereto have duly executed this Settlement Agreement on behalf of the Settling Parties they represent. The undersigned represent that they are authorized

[4] Proposals in currently pending cases, the 2010 RDW case, A.10-02-028 and A.10-08-005 for default residential rate proposals are not new cases and would not be subject to this agreed limitation on future cases.

to sign on behalf of the party represented, for purposes of this Settlement in Phase 3 of PG&E's 2011 GRC:

Division of Ratepayer Advocates

By: /s/
JOSEPH COMO
Title: Acting Director

Date: 11/8/11

Center for Accessible Technology

By: /s/
MELISSA W. KASNITZ

Title: Legal Counsel

Date: November 4, 2011

Greenlining Institute

By: /s/
STEPHANIE CHEN

Title: Senior Legal Counsel

Date: 11/8/11

Pacific Gas and Electric Company

By: /s/
STEVEN MALNIGHT

Title: Vice President, Customer Energy Solutions

Date: 11/8/11

The Utility Reform Network

By: /s/
MATTHEW FREEDMAN

Title: Staff Attorney

Date: Nov. 9, 2011

ATTACHMENT A

RCES One-Way Balancing Account

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1. A RCES balancing account (RCESBA) will be established to assure that Ratepayers only pay for the revenue requirements associated with actual expenditures (both expensed and capitalized) without a reasonableness review. Ratepayers will only pay the revenue requirement associated with actual expenditures up to $19.012 million

   The accounting procedure for the RCESBA will operate as follows in 2012, 2013, 2014, 2015, 2016, and any subsequent years prior to the test year of the General Rate Case (GRC) following PG&E's 2014 GRC:

   1.1. Subject to the constraints of provision 2 below, actual revenue requirements associated with RCES implementation will be booked as a monthly debit into the RCESBA.

   1.2. A debit entry will be booked monthly that is equal to the interest on the average of the balance at the beginning of the month and the balance after provision 1.1 is applied. This interest will be equal to one-twelfth of three-month Commercial Paper rate for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

   1.3. At year end, the balance in the RCESBA will be transferred to the appropriate revenue adjustment mechanisms (DRAM, CFCA, NCA) for recovery in rates in the Annual Electric and Gas True-Up proceedings.

2. Actual expense and capital expenditures shall be tracked separately from the above.

   2.1. The RCESBA will remain open until the test year of the GRC following PG&E's 2014 GRC, when any remaining cost recovery will be consolidated in the GRC. One-time implementation expenses and capital-related revenue requirements may be booked to the RCES after 2013, but no expenses for paper for hard-copy bills or annual translation costs will be booked to the RCES balancing account after 2013.

   2.2. The RCESBA will remain open until the test year of the GRC following PG&E's 2014 GRC, as described in provision 2.3 below. Only the revenue requirements associated with actual costs up to $19.012 million plus interest booked to the RCESBA may be recovered in rates.

   2.3. Unamortized capital expenditures will be recovered in the test year of the GRC following the 2014 General Rate Case (GRC). Accordingly, any authorized and spent but unamortized RCES capital expenditures will be added in the GRC rate base for inclusion in the GRC revenue requirement. Upon the start of recovery of the GRC revenue requirement the RCESBA balance will be transferred as described in 1.3 and the RCESBA will be terminated.

3. PG&E shall provide DRA and the Commission's Energy Division with a monthly report, similar to that provided for the Dynamic Pricing Memorandum Account, showing the monthly revenue requirements booked pursuant to provisions 1.1, 1.2, and 1.3, as well as the cumulative expenditures tracked pursuant to Provision 2 above. All these amounts will be disaggregated into the following categories: (1) Information Technology, (2) Customer Outreach and Education, (3) Customer Inquiry, (4) Project Management, and (5) Other expenditure categories. This report also will provide, for the ease of the reader, the amount approved in the final decision in this proceeding, disaggregated into PG&E's expense versus capital costs.

(END OF APPENDIX 1)