

Decision 12-03-015 March 8, 2012

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company  
To Revise Its Electric Marginal Costs, Revenue  
Allocation, and Rate Design, including Real Time  
Pricing, to Revise its Customer Energy  
Statements, and to Seek Recovery of Incremental  
Expenditures. (U39M)

Application 10-03-014  
(Filed March 22, 2010)

**DECISION APPROVING SETTLEMENT REGARDING  
PACIFIC GAS AND ELECTRIC COMPANY  
REVISED CUSTOMER ENERGY STATEMENT**

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## **DECISION APPROVING SETTLEMENT REGARDING PACIFIC GAS AND ELECTRIC COMPANY REVISED CUSTOMER ENERGY STATEMENT**

### **1. Introduction**

This decision adopts the all-party settlement, attached as Appendix 1 of this decision, resolving issues in Phase 3 of this proceeding regarding proposals to revise and improve Pacific Gas and Electric Company's (PG&E's) customer energy statement.

PG&E's gas and electric customer energy statements are standardized forms used to inform customers of the bill amount owed and to provide information as to how the bills were calculated.<sup>1</sup> The settlement that we adopt herein incorporates measures to implement a revised customer energy statement (RCES). The goals of the RCES are to (a) improve the clarity and usefulness of the billing information in the customer energy statement, (b) motivate the customer to understand the effect of their behavior on energy usage, and (c) to interest customers in pursuing dynamic pricing options.

The RCES settlement approved herein satisfies the requirements of California Assembly Bill 1763 (Ch. 551 Stats. 2008) to incorporate dynamic pricing information, and to fulfill the Commission's policy that California investor-owned utilities implement more customer-friendly billing formats (as previously discussed in Decision (D.) 05-11-009 and D.07-07-047).

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<sup>1</sup> Pub. Util. Code § 394.4(c) requires that customer utility bills have a standard format that is determined by the Commission. The format must include enough information to permit recalculation of the bill, disclose late fees separately and provide a phone number for customer inquiries and complaints.

We approve a funding limit of \$19.012 million in RCES cost recovery. In pre-settlement testimony, PG&E had requested Commission approval of \$34.7 million in costs to implement its RCES proposal through 2013. As an element of the RCES settlement, all parties agreed to support recovery of RCES costs limited to \$19.012 million. The RCES settlement includes the provision for a one-way balancing account which will be established to track costs and ensure that customers only pay the revenue requirement associated with actual RCES expenditures up to \$19.012 million.

PG&E is directed to proceed with implementation of the RCES project in accordance with the settlement terms set forth in Attachment 1 of this decision. Once the appropriate RCES implementation has been completed in accordance with the settlement, PG&E will submit its RCES for Commission approval through a subsequent advice letter filing. Contingent upon Commission approval, and completion of the SmartMeter™ program roll-out and successful transition of customers to billing using SmartMeter™ interval data, PG&E expects to launch the RCES customer energy statement during the latter half of 2013.

## **2. Procedural Background**

Pacific Gas and Electric Company's (PG&E's) General Rate Case (GRC) Phase 1, filed as Application (A.) 09-12-020, addressed test year revenue requirement issues. The Assigned Commissioner's Scoping Memo dated May 26, 2010, specified that PG&E's 2011 GRC A.10-03-014, was to be conducted in two separate phases, (i.e., Phases 2 and 3, respectively). The GRC Phase 2, filed as A.10-03-014, addressed PG&E rate design and revenue allocation issues. Phase 3 was designated to consider PG&E's proposals relating to its revised customer energy statement (RCES), as well as issues relating to PG&E's

Real-Time Pricing (RTP) and Peak-Time Rebate Proposals. By subsequent rulings, Phase 3 was limited only to consideration of RCES issues.<sup>2</sup> In this decision, we resolve the Phase 3 issues of this proceeding.

On April 15, 2011, PG&E submitted updated testimony (Exhibit PG&E-17) removing RTP testimony and addressing only its RCES proposal, including associated costs. On June 22, 2011, the Division of Ratepayer Advocates (DRA), The Utility Reform Network (TURN), and the Center for Accessible Technology (CforAT) submitted RCES reply testimony.<sup>3</sup>

On September 7, 2011, PG&E served notice, under Rule 12.1 of the Commission's Rules of Practice and Procedure, of a settlement conference on RCES issues, which was held September 27, 2011. On October 31, 2011, the Settling Parties reached final agreement on an all-party settlement agreement on RCES issues. On November 10, 2011, PG&E filed a motion for approval of an all-party settlement on RCES issues which all active parties in Phase 3 signed. The Greenlining Institute (Greenlining) also signed the RCES settlement, but did not submit testimony. Accordingly, the signatories to the RCES settlement were PG&E, DRA, TURN, CforAT, and Greenlining.

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<sup>2</sup> An ALJ Ruling on March 3, 2011, revised the Phase 3 schedule and deferred PG&E's proposal for RTP pending further notice. On March 7, 2011, assigned Commissioner Peevey granted PG&E's motion to transfer RTP Information Technology cost 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.

<sup>3</sup> By ruling dated July 18, 2011 the Administrative Law Judge (ALJ) granted the active parties' request to defer RCES rebuttal testimony to August 30, 2011, to allow time for settlement discussions. 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.

PG&E filed a motion on November 15, 2011, requesting that all exhibits for Phase 3 of this proceeding, relating to the RCES issues, be marked for identification and admitted into evidence including PG&E testimony as well testimony sponsored by DRA, TURN, and CforAT.

By ruling issued on December 5, 2011, the Administrative Law Judge (ALJ) admitted into evidence all exhibits relating to RCES issues, as identified in PG&E's November 15, 2011 motion. The admission of the RCES exhibits was uncontested, and thus, no evidentiary hearings were required. Accordingly, this phase of the proceeding was submitted upon the admission of exhibits. This decision is based upon the submitted record.

### **3. Framework for Reviewing RCES Proposals**

As a context for evaluating the RCES proposals, we note the framework of relevant legislative and regulatory developments. In Decision (D.) 05-11-009, the Commission expressed a general concern that utility bill formats were too complex and confusing to customers, and expressed interest in promoting more customer-friendly billing formats. In June 2006, PG&E filed A.06-06-026, proposing several changes to then-existing bill format requirements and a process for Commission oversight of further customer bill format changes. At the conclusion of that proceeding, in D.07-07-047, the Commission adopted certain bill re-design parameters for PG&E, with modifications and conditions premised on recommendations put forth by consumer groups and representatives of the disabled community. The Commission further ordered that for proposed bill changes beyond those considered cosmetic or superficial, PG&E would be required to file an advice letter for approval to implement such changes.

As noted in PG&E's RCES testimony, the Legislature and Commission have enacted a number of measures to implement California's greenhouse gas emissions goals. These legislative and regulatory developments have provided the opportunity to improve the usefulness, relevance, and understandability of the information in PG&E's customer energy statements.

In particular, California Assembly Bill (AB) 1763 added § 739(e)(1) to the Public Utilities Code, requiring PG&E to provide additional information on energy statements and to change the calculation of its bills in a timeframe consistent with this GRC. PG&E's current Customer Energy Statement is largely compliant with the existing statutory requirements, except for graphic representation of cost-per-tier as required by § 739 (e)(1)(C). PG&E's current Customer Energy Statement is also 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.

In addition to meeting legislative requirements, another impetus for implementing improvements to PG&E's customer energy statements is the upcoming completion of SmartMeter™ deployment which offers enhanced opportunities to provide customers with daily usage information graphically. In addition, the implementation of new dynamic pricing programs are creating new requirements for presenting billing information that enables customers to understand the results of their energy usage.

#### **4. PG&E's Pre-Settlement RCES Proposal**

In its pre-settlement testimony, PG&E presented an RCES proposal calling for changes in residential customer bill content, format, and calculations to implement provisions of Pub. Util. Code § 739(e) which requires disclosure of

various information of residential electric utility customers' bills. In conformance with this requirement, PG&E proposed bill format revisions regarding: use of graphics to present current and historical usage to make monthly energy statements easier to read and understand; reorganization of certain elements or sections to reduce customer confusion; and, adjustments to the physical size and shape of the statement for simpler handling/processing by customers.

PG&E also proposed changes to meet the needs of specific customer segments in a choice of four languages (English, Spanish, Chinese and Vietnamese). Customers would also have the choice of a low vision format with key information in large font. Customers would have the ability to opt for a simplified, one-page format that omits detail on calculations and definitions of industry terms. Finally, PG&E proposes changes to bill calculation algorithms. These changes would (1) allow presentation of cost-per-tier for gas and electric bills (the product of the usage in the tier and the price in the tier); (2) provide price components specific to Direct Access (DA) and Community Choice Aggregation (CCA) customers; and (3) would round aggregated usage to one decimal before calculating the cost of usage.

PG&E requested recovery of \$34.7 million for costs of implementing the RCES revisions, as authorized in this 2011 GRC Phase 3 proceeding.

## **5. Testimony of Other Parties**

In its pre-settlement testimony, DRA presented the following general conclusions and recommendations in response to PG&E's RCES proposals:

- a. PG&E's proposed new bill is larger and more expensive than necessary.

- b. No more than \$16.3 million should be allowed to fund the RCES effort, with further study culminating in an advice letter with a final proposed bill format.
- c. PG&E's Information Technology (IT) cost estimates for individual work packages are high, and its requested 20 percent contingency funding is not justified.
- d. The same assumptions underlying PG&E's 2011 GRC Phase 1 decision should apply to RCES cost recovery.
- e. A one-way balancing account for RCES costs should be established.
- f. RCES costs should be recovered via distribution rates so that all customers using PG&E's services pay a fair share.

TURN also presented pre-settlement testimony with the following recommendations:

- a. PG&E should seek the continued and additional input of consumers and consumer representative groups on the appropriate content and formatting used in energy statements. PG&E should be required to demonstrate efforts in a collaborative process prior to acceptance of final designs.
- b. PG&E should conduct a feasibility study to consider the use of rate comparison tools to inform customers of potential savings associated with alternative electric rate schedules.
- c. RCES cost recovery for Dynamic Pricing including RTP, Peak Time Rebates and Critical Peak Pricing, should be limited to this proceeding.
- d. PG&E should ensure greater integration between paper and electronic bills, provide an opt-out for customers seeking a simplified one-page bill, highlight the compounded savings resulting from reduced usage, and provide paper bills in all languages requested by customers.

- e. Base labor escalation rates on IT Costs and Customer Outreach and Education Costs should be 2.5% instead of the 3.75% base rate presented in PG&E testimony. Cost savings are estimated at \$403,000.

CforAT submitted testimony, arguing that PG&E was failing to adequately meet the needs of customers with disabilities regarding the amount of information provided in large font in both its proposed standard format and its proposed low vision version of the RCES. Deficiencies in the outreach strategies surrounding the RCES, if not corrected, will cause the low vision format of the RCES to be underutilized and will also prevent many customers with disabilities from receiving the full range of educational information that PG&E intends to send out during the transition to the new bill format. This may result in a lower level of understanding of the new bill among disabled customers as compared to the rest of PG&E's customer base.

## **6. General Terms of the RCES Settlement**

The RCES settlement resolves all outstanding disputes among the active parties, and provides that PG&E will submit the final versions of its RCES for Commission approval by advice letter. The Settling Parties agree on the following 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. Settling Parties agree on the following points:

1. PG&E's current Energy Statement satisfies most, but not all, statutory and regulatory requirements. The Energy Statement should be revised to comply with all statutory and regulatory requirements and to make it easier for customers to understand.
2. The amount of approved costs for the RCES project will affect the types and extent of changes that can be made to

the Energy Statement, as well as the types and level of supporting activity associated with rolling out the revised Energy Statement to customers.

3. RCES project costs should be kept at a reasonable level, with recovery limited only to actually incurred costs up to the amount authorized by the Commission.

### **6.1. Scope of RCES Design Changes**

PG&E's pre-settlement proposal for the scope of RCES bill redesign changes were described in its testimony.<sup>4</sup> Examples of what PG&E proposed to be covered in the redesign included additional in-language bill versions, the daily usage bar chart (*see* figure 3-1 in PG&E-17), changes to show Direct Access/Community Choice Aggregation customers the rate components they pay to PG&E, inclusion of beginning and end of period meter reads, and implementation of a one-page bill. Settling Parties acknowledge that limiting RCES cost recovery to \$19.012 million will mean fewer changes to the customer energy statement than were described in PG&E's pre-settlement testimony.

Settling Parties agree that PG&E will implement the following specific changes to its Customer Energy Statement to meet legislative 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<sup>5</sup> as prominently as the main customer service number, and presentation of key information in large print.

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<sup>4</sup> *See* Exhibit PG&E-17 (April 15, 2011), chapters 1 through 8.

<sup>5</sup> The TTY is an abbreviation referring to a teletypewriter, an electronic device for text communication via a telephone line, typically used when one or more of the parties has hearing or speech difficulties.

D.07-07-047, Ordering Paragraph 10, provides that PG&E is to file an advice letter for approval of all changes to its bills that go beyond changes that would be considered cosmetic or superficial. Under the terms of the settlement, PG&E agrees to submit the final version of its RCES by advice letter. The advice letter is to include demographics of PG&E's service territory and how they respond to languages used in PG&E bills and inserts. The advice letter is to reference PG&E's commitment (a) to implement website accessibility for disabled customers consistent with the 2011 GRC Phase 1 settlement between Disability Rights Advocates and PG&E and (b) to comply with Priorities 1 and 2 of Version 2.0 of the Web Content Accessibility Guidelines.

Settling Parties agree that additional research is needed regarding customer preferences for various proposed revisions in the elements of the customer energy statement. PG&E held a workshop with interested parties to share results of its research on customer preferences and to receive additional input. In Settlement meetings and the research workshop, PG&E shared its plan for accomplishing redesign of the customer energy statement, including plans to use large 14-point sans serif font for the following items on the standard bill:

- PG&E website URL
- Customer account number
- Amount owed by customer
- Bill due date
- Customer service phone numbers  
(including English, with notation indicating that relay calls are accepted, and a TDD/TTY phone number for accessing specialized equipment for the hearing impaired.)

PG&E will use the large font also for the customer name and address unless the targeted low-vision focus group and quantitative research provides feedback indicating that a font size smaller than 14 point is more appropriate for this information. PG&E and CforAT agree to 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 agrees to 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 based on the feedback received from the targeted low-vision focus group.

PG&E and CforAT agree to 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.

## **6.2. Customer Outreach**

As described in PG&E’s pre-settlement testimony, PG&E proposed various forms of customer outreach to build awareness of the RCES revisions and to help customers read the new energy statement. Under the terms of the proposed settlement, PG&E agrees to conduct targeted outreach to hard-to-reach groups, specifically seniors, the disabled community, and certain language minorities. Outreach to disabled communities shall include, in large print, PG&E’s customer service telephone number including TTY. The targeted

outreach will include information on the availability of alternative formats for the energy statement. 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. Outreach will not involve individualized direct mailings.

PG&E agrees to continue to send general messages on the bill to members of customer classes or general customer groups, like California Alternative Rates for Energy 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 of the RCES settlement.

### **6.3. RCES Cost Recovery**

PG&E originally proposed cost recovery of \$34.7 million to accomplish its RCES implementation. DRA proposed limiting recovery to only \$16 million, noting that PG&E's requested amount is more than three times more than the costs of bill redesign that were previously approved for the other two major California electric utilities combined. TURN and CforAT did not propose specific RCES cost recovery amounts.

Settling Parties agree that \$19.012 million is a reasonable amount for the recovery of implementation of the RCES project. TURN agrees, in consideration for a maximum settlement amount of \$19.012 million, not to pursue cost escalation issues in this proceeding.

The Settlement does not allocate specific amounts to any specific task, but the \$19.012 million 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. The following specific IT functionality is also included:

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
  - Third 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

As acknowledged by Settling Parties, 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 parties' pre-settlement testimony. The \$19.012 million will also fund 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. Settling Parties believe, however, that significant changes to the customer energy statement can still be achieved for \$19.012 million.

If PG&E were to determine that an Oracle Customer Care and Billing (CC&B) new version<sup>6</sup> 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 the Commission's guidance for 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, settling parties agree that the IT costs for bill extraction and related IT work for RCES should be subtracted from the Settlement Amount. The requests for the new CC&B version and related IT work may be requested in a future GRC 1 proceeding.

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<sup>6</sup> CC&B is PG&E's current customer information system which supports the establishment and management of customer accounts, billing, and collections.

The Settling Parties agree that a one-way balancing account for RCES costs should be used to record actual RCES costs, with recovery in rates limited only to actual RCES costs not to exceed the limit of \$19.012 million. If actual expenditures for RCES were to exceed the limit authorized, the excess expenditures could not be recovered in rates. RCES costs would go into rates through PG&E's Annual True-Up filings on an actual cost basis each year until the test year of the next General Rate Case after the 2014 GRC.

Capital costs for the RCES project would be placed in rate base beginning in the test year of the next Phase 1 GRC case after the 2014 GRC. Settling Parties agree that the \$19.012 million 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 will be treated as normal operating costs in the 2014 GRC.

Settling Parties agree that the same assumptions underlying the 2011 GRC 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.

#### **6.4. Bill Redesign Costs in PG&E's 2014 GRC Cycle**

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

- a) 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).

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 schedules or programs not covered by this Settlement, or (2) modifying, adding or deleting information for changes to rates or programs approved in a future RDW, GRC Phase 2, or other rate design cases, or (3) modifying, adding or deleting bill messages where costs are routinely addressed in a future GRC proceeding.

In the future, PG&E agrees not to request IT costs in future PG&E GRC Phase 2 proceedings or future RDW proceedings, unless the Commission directs that such proceedings are a proper venue for cost recovery. This limitation 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.

## **7. Discussion**

The timing of our consideration of the RCES issues in Phase 3 of this proceeding comports with the California Legislature's passage of AB 1763, and the implementation of various dynamic pricing options for customers. It is more efficient to address cost recovery for the RCES effort here in this 2011 GRC Phase 3, rather than to consider separate cost recovery for certain elements in a dynamic pricing proceeding and recovery for certain other elements in a GRC Phase 1.

We conclude that the all-party RCES settlement offers a reasonable resolution of the Phase 3 issues before us, and hereby approve it. As a matter of public policy, the Commission favors settlement of disputes if the settlement is fair and reasonable in light of the record. This policy supports worthwhile goals, including reducing the expense of litigation, conserving scarce Commission

resources, and allowing parties to reduce the risk that litigation will produce unacceptable results.<sup>7</sup>

The rules for the submission and review of settlements are set forth in Article 12 of the Commission's Rules of Practice and Procedures. The general criteria for Commission approval of settlements are stated in Rule 12.1(d) of the Rules of Practice and Procedure.<sup>8</sup> Rule 12.1(d) provides that "[t]he Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest." The Commission has rejected (or provided for modification of) settlements when these criteria are not met.

We find that the RCES settlement is reasonable in light of the whole record. The RCES settlement constitutes a negotiated arms-length compromise resolving differences among the RCES proposals set forth in the prepared testimony by PG&E and that of DRA, TURN, and CforAT. The RCES settlement incorporates appropriate safeguards to ensure that customers are protected against unreasonable expenditures, and that the RCES is implemented with appropriate scrutiny and oversight.

Contingent upon Commission approval, completion of the SmartMeter™ program roll-out and successful transition of customers to billing using SmartMeter™ interval data, PG&E expects to launch the revised bill during the latter half of 2013.

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<sup>7</sup> D.92-12-019, 46 CPUC 2d 538, 553.

<sup>8</sup> Unless otherwise indicated, subsequent rule references are to the Rules of Practice and Procedure.

We conclude that parties to the RCES settlement have appropriately complied with the applicable procedural rules governing notice and submission of the settlements. To qualify as an all-party settlement, the sponsoring parties must show that that the settlement meets the following conditions:

1. The settlement agreement commands the unanimous sponsorship of all active parties to the proceeding;
2. The sponsoring parties are fairly reflective of the affected interests;
3. No term of the settlement contravenes statutory provisions or prior Commission decisions; and
4. The settlement conveys to the Commission sufficient information to permit it to discharge its future regulatory obligations with respect to parties and their interests.

In assessing settlements, we consider individual settlement provisions but, in light of strong public policy favoring settlements, we do not base our conclusion on whether any single provision is necessarily the optimal result. Rather, we determine whether the settlement as a whole produces a just and reasonable outcome.

In assessing the merits of settlements, we consider: (1) the risk, expense, complexity and likely duration of further litigation, (2) whether settlement negotiations were at arms-length, (3) whether major issues were addressed, and (4) whether the parties were adequately represented.<sup>9</sup> We must be assured that parties to a settlement were able to make informed choices in the settlement process. With respect to whether a settlement agreement is consistent with the law, the Commission must be assured that no term of the settlement agreement

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<sup>9</sup> *Re Pacific Gas & Electric Company*, 30 CPUC 2d 189, 222.

contravenes statutory provisions or prior Commission decisions. A settlement that implements or promotes state and Commission policy goals embodied in statutes or Commission decisions would be consistent with the law. To determine whether a settlement agreement is in the public interest, in addition to substantive public interest concerns associated with the circumstances of a particular proceeding, the Commission may inquire into whether a settlement expeditiously resolves issues that otherwise would have been litigated.

In this instance, the parties convened and provided timely notice of a settlement conference (Rule 12.1(b)). PG&E filed a motion for approval of the all-party settlement, and provided a statement of factual and legal considerations adequate to advise the Commission of the scope of the settlement and the grounds on which its adoption is urged (Rule 12.1(a)).

A review of the signatories to the RCES settlement indicates that the sponsoring parties are fairly reflective of the affected interests. The settlement reflects a reasonable arms-length negotiation of Settling Parties' respective divergent litigation positions. DRA, in its role as an advocate for all ratepayers within California, reflects the affected interests of customers who will bear the costs of the RCES program and who will also stand to benefit from an improved bill format. TURN represents the consumer interests of PG&E's residential and small commercial customers. CforAT represents the interests of customers with disabilities, for example, with respect to their special needs for customer outreach and for easy-to-read customer bill information. PG&E represents the interests of utility investors and management in making sure the adopted outcome is operationally and financially feasible.

The settlement avoids the cost of litigation on RCES issues, and conserves scarce resources of parties and the Commission. On balance, we conclude that

the RCES settlement offers a reasonable balancing of relevant interests.

Considering the length and technical complexity of RCES issues identified in the pre-settlement testimony, and the potential cost of litigating such issues in detail, we conclude that the settlement represents a significant savings of time and resources.

We conclude that the proposed amount of \$19.012 million represents a reasonable resolution of parties' disputes regarding the appropriate level of recovery. The pre-settlement differences between PG&E and DRA regarding the appropriate level of costs for RCES are summarized below:

**Comparison of RCES Cost Recovery Proposals  
(In Thousands of Dollars)**

<b>Activity</b>	<b>PG&amp;E Proposal</b>	<b>DRA Proposal</b>	<b>Difference</b>
Customer Inquiry	1,749	177	1,572
Customer Outreach	6,954	1,505	5,449
Billing, Revenue, Credit	1,242	694	548
Online Enablement	30	30	
Information Technology	24,151	13,302	10,849
Project Management	609	554	55
<b>Total</b>	<b>\$34,735</b>	<b>\$16,262</b>	<b>\$18,473</b>

The settlement amount of \$19.012 million, in comparison with parties' pre-settlement positions, is much closer to the DRA proposal than it is to the PG&E proposal. Based on this comparison of costs, together with parties' agreement that significant improvements can still be achieved at this funding level, we conclude that the settlement amount represents a reasonable resolution of parties' differences.

The terms of the RCES settlement agreement are also consistent with law. The revisions to the Customer Energy Statement will satisfy the requirements of Pub. Util. Code § 739.

The record contains the prepared testimony on RCES issues sponsored by various parties. The settlement agreement contains detailed descriptions regarding the manner in which the RCES provisions are to be implemented.

Based on the record that contains the testimonies of all parties and the settlement provisions, we determine that the RCES settlement conveys sufficient information to permit the Commission to discharge future regulatory obligations. The settlement provides for the procedural vehicle of advice letter filings where parties and the Commission will have a forum in which to analyze in more focused detail the specific manner in which PG&E proposes to implement the measures covered in the adopted settlement.

Under the terms of the settlement, PG&E will revise the RCES to show a graphic representation of cost per tier for gas and electric usage, and to provide a clear definition of baseline. We conclude that including these features in the revised RCES design will promote greater customer awareness of how their behavior affects energy usage. Equipped with this enhanced awareness, customers will be encouraged to explore more ways to conserve energy and to save money on their utility bills. Particularly as the SmartMeter™ program is deployed across more of its service territory, PG&E will increase its ability to read customer meters remotely and on a frequent basis. As a result, PG&E will be able to offer its customers more detailed information on their energy usage, which can increase customer awareness of potential ways to save money by using energy more efficiently. The RCES will serve as an important vehicle for sharing this energy utilization information with customers in a clear and customer-friendly format.

Consistent with Rule 12.1(d), we thus find that the RCES settlement, as set forth in Appendix 1 of this decision, is reasonable in light of the whole record,

consistent with law, and in the public interest. Also, the Settling Parties have followed and met the settlement proposal requirements of Rules 12.1(a) and 12.1(b). Accordingly, we approve the RCES settlement in its entirety, and direct PG&E to proceed with its implementation.

### **8. Waiver of Comments on Proposed Decision**

Pursuant to Rule 14.6(c)(2), since the ALJ's proposed decision in this uncontested matter grants the relief requested, the Commission waives the period for public review and comments on the proposed decision.

### **9. Assignment of Proceeding**

Michael R. Peevey is the assigned Commissioner and Thomas R. Pulsifer is the assigned ALJ in this proceeding.

### **Findings of Fact**

1. PG&E and other active parties entered into an all-party settlement, covering the scope of Phase 3 issues relating to proposals for a Revised Customer Energy Statement.
2. California's public policy is to favor settlements, thereby supporting worthwhile goals, such as reducing litigation expense, conserving scarce resources, and reducing parties' risk that litigation will produce unacceptable results.
3. The Commission considers individual settlement provisions but, in light of California's strong public policy in favor of settlements, does not base its conclusion primarily on whether any single provision is the necessarily optimal result but rather on whether the settlement as a whole produces a just and reasonable outcome.

4. The RCES settlement is sponsored by all active parties participating in the review of RCES issues. As such, the RCES settlement is fairly reflective of the affected interests.

5. No term of the settlement contravenes statutory provisions or prior Commission decisions.

6. The settlement conveys to the Commission sufficient information to permit it to discharge its future regulatory obligations with respect to the parties and their interests.

7. Under the settlement, PG&E will implement the following specific changes to its Customer Energy Statement to meet Legislative requirements: (a) graphic representation of cost per tier for gas and electric; (b) a clear definition of baseline; and (c) presentation of the TTY number as prominently as the main customer service number, and presentation of key information in large print.

8. Under the settlement, the Customer Energy Statement will use a large font for the customer name and address unless the targeted low-vision focus group and quantitative research provides feedback indicating that a font size smaller than 14 point is more appropriate.

9. PG&E and CforAT agree to 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.

10. The Settlement Amount of \$19.012 million represents a reasonable allowance for implementation of the RCES and related outreach efforts as set forth in the adopted settlement in Appendix 1.

11. Since the approved Settlement Amount of \$19.012 million is less than the \$34.7 million originally requested by PG&E, PG&E will not be able to fund the full scope of energy statement revisions described in testimony.

12. The Settlement Amount of \$19.012 million covers the costs of customer outreach and inquiry, and for the specific IT functionalities and tasks identified in the settlement agreement, although no specific amounts are allocated to individual tasks.

13. The RCES settlement, along with the full evidentiary record of testimony on RCES issues, contains sufficient information for the Commission to discharge its future regulatory duties relating to the Customer Energy Statement.

14. The RCES settlement meets the goals of (a) improving the clarity and usefulness of the billing information in the Customer Energy Statement, (b) motivating the customer to understand the effect of their behavior on energy usage, and (c) promoting customers' interest in pursuing dynamic pricing options.

### **Conclusions of Law**

1. The Commission will not approve a settlement unless it is reasonable in light of the whole record, consistent with law, and in the public interest.

2. The Commission will not approve an all-party settlement unless the settlement commands the unanimous sponsorship of all active parties, sponsoring parties are fairly reflective of the affected interests, no settlement term contravenes statutory provisions or prior Commission decisions, and the settlement conveys sufficient information to permit the Commission to discharge future regulatory obligations with respect to parties and their interests.

3. The all-party settlement submitted in this proceeding, covering RCES issues, satisfies the Commission's criteria for reasonableness and should be approved. The pending motion to approve the RCES settlement should be granted.

4. PG&E should be authorized to proceed with implementation of the RCES project in accordance with the provisions set forth in the Settlement approved and adopted, as set forth in Appendix 1.

5. PG&E should be authorized to record its actual costs associated with the implementation of the RCES project in the RCES One-Way Balancing Account pursuant to the accounting procedures approved and adopted in Attachment A of Appendix 1 to this decision, and transfer the balance to the appropriate revenue adjustment mechanism at the end of each year, as outlined in Attachment A to Appendix 1, for recovery in rates in its Annual Electric and Gas True-Up Proceedings.

6. Subject to the requirements for the RCES One-Way Balancing Account as outlined in Attachment A to the settlement (included in Appendix 1), ratepayers will only pay the revenue requirements associated with actual expenditures up to \$19.012 million.

## **O R D E R**

### **IT IS ORDERED** that:

1. The November 15, 2011, motion, filed by Pacific Gas and Electric Company, which requests approval of the settlement agreement on Revised Customer Energy Statement issues, is hereby granted.

2. The Revised Customer Energy Statement Settlement Agreement appended to this decision as Appendix 1 is hereby approved and adopted.

3. In accordance with the terms of the approved Settlement, Pacific Gas and Electric Company is directed to implement the terms of the adopted Revised Customer Energy Statement Settlement (RCES), including the RCES one-way balancing account in conformance with the accounting procedures as prescribed

in Attachment A to the settlement, and reproduced in the appendix to this decision.

4. Pacific Gas and Electric Company is authorized to transfer the balance in the Revised Customer Energy Statement One-Way Balancing Account to the appropriate revenue adjustment mechanism at the end of each year, as prescribed in Attachment A to the settlement, and as attached to this decision, for recovery in rates through its Annual Electric and Gas True-Up Proceedings.

5. Pacific Gas and Electric Company is authorized to file an advice letter for approval of its revised customer energy statements in accordance with the terms and conditions of the adopted settlement.

6. Application 10-03-014 remains open.

This order is effective today.

Dated March 8, 2012, at San Francisco, California.

MICHAEL R. PEEVEY  
President  
TIMOTHY ALAN SIMON  
CATHERINE J.K. SANDOVAL  
MARK J. FERRON  
Commissioners

I abstain.

/s/ MICHEL PETER FLORIO  
Commissioner

**APPENDIX 1**

**Settlement Agreement on the Revised Customer Energy  
Statement Issues in PG&E's Application 10-03-014**

[D1203015/A1003014 APPENDIX 1](#)