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**NOTIFICATION OF APPLICATION FILING BY PACIFIC GAS AND
ELECTRIC COMPANY (PG&E) FOR APPROVAL TO RECOVER IN RATES
THE COST OF THE SMARTMETER PROGRAM UPGRADE**

**TO: STATE, COUNTY AND
CITY OFFICIALS
December 18, 2007**

What is the SmartMeter Program Upgrade?

The SmartMeter Program Upgrade is a proposed upgrade to Pacific Gas & Electric Company's (PG&E) Advanced Metering Infrastructure (otherwise known as "SmartMeter") program. PG&E believes that the upgrade will provide benefits to our customers and further the State's energy conservation policies.

In Decision 06-07-027, the California Public Utilities Commission (CPUC) approved PG&E's current SmartMeter Program, which is installing advanced meter technology to allow PG&E to remotely read customer meters and to record hourly electricity use and daily gas use.

PG&E believes a few upgrades to its current SmartMeter Program are appropriate and timely. These recommended upgrades are consistent with the CPUC's desire to use advanced technology to enhance customer involvement in energy demand management and improve energy conservation throughout the state of California.

What is this Application filing about?

On December 12, 2007, PG&E filed an application with the CPUC, requesting authority to recover approximately \$623 million in electric rates to upgrade PG&E's SmartMeter Program. The upgrades consist of:

- an integrated load limiting connect/disconnect switch;
- a Home Area Network (HAN) gateway device to enable two-way communication of electricity data and prices with customer appliances and other devices; and
- installing solid state meters that would support the previously-mentioned functionality

PG&E's request is for future rate recovery through electric distribution rates, beginning January 1, 2009, and continuing for 15 years. In this application PG&E is requesting cost recovery for the full cost of the SmartMeter Upgrade Project from customers.

Does this mean rates will increase?

Yes. Electric distribution rates will increase as early as January 1, 2009, for the SmartMeter Upgrade Project. The increase to electric distribution rates will increase charges for both bundled electric customers (customers who receive electric generation as well as transmission and distribution service from PG&E) and for customers that purchase electricity from other suppliers (e.g., direct access customers).

If the CPUC approves PG&E's request, bills for bundled electric customers who use less than 130% of their baseline allowance would not increase. The bill for a typical bundled customer using 550 kWh per month would increase \$0.26 from \$71.92 to \$72.18. The bill for a typical bundled customer using approximately twice the average baseline allowance, or 850 kWh per month, would increase \$1.87 from \$149.03 to \$150.90 per month. Individual customers' bills may differ.

PG&E will provide an illustrative allocation table of the increases among customer classes in its proposal in a bill insert to be mailed directly to customers beginning in January, 2008.

THE CPUC PROCESS

The CPUC's independent Division of Ratepayer Advocates (DRA) will review this application filing, analyze the proposal and present an independent analysis and recommendations for the CPUC's consideration. Other parties may also participate.

The CPUC may hold evidentiary hearings where the parties of record present their proposals in testimony and are subject to cross-examination before an Administrative Law Judge. These hearings are open to the public, but only those who are parties of record can present evidence or cross-examine witnesses during evidentiary hearings.

After considering all proposals and evidence presented during the hearing process, the CPUC will issue a draft decision. When the CPUC acts on this application, it may adopt all or part of PG&E's request, amend or modify it, or deny the application. The CPUC's final decision may be different from PG&E's proposed application filing.

FOR FURTHER INFORMATION

For more details call PG&E at 1-800-743-5000 • Para más detalles llame 1-800-660-6789
詳情請致電 1-800-893-9555 • For TDD/TTY (speech-hearing impaired) call 1-800-652-4712

You may contact the CPUC's Public Advisor with comments or questions as follows:

Public Advisor's Office
505 Van Ness Avenue, Room 2103
San Francisco, CA 94102
1-415-703-2074 or 1-866-849-8390 (toll free)
TTY 1-415-703-5282 or TTY 1-866-836-7825 (toll free)
E-mail to public.advisor@cpuc.ca.gov

If you are writing a letter to the Public Advisor's Office, please include the name and filing date of the application to which you are referring. All comments will be circulated to the Commissioners, the assigned Administrative Law Judge and the Energy Division staff.