

Proceeding No.: A.10-07-\_\_\_\_\_  
Exhibit No.: \_\_\_\_\_  
Witness: Glen C. Breed

Application of San Diego Gas & Electric Company (U 902 E) for Approval of its Proposals for Dynamic Pricing and Recovery of Incremental Expenditures Required for Implementation.

**PREPARED DIRECT TESTIMONY OF**  
**GLEN C. BREED**  
**CHAPTER 2**  
**SAN DIEGO GAS & ELECTRIC COMPANY**

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

July 06, 2010



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1 implementation of PSW can only be successful with extensive input and participation from  
2 customers.

3 A new customer care operational workgroup will be formed to assist customers with the  
4 transition process, adjusting to their new rates, and learning how to control energy costs.

5 Additional staffing and training will be provided to customer contact center and field  
6 representatives. The new operations staff will also administer the campaigns and maintain the  
7 customer information systems necessary to support ongoing communications and  
8 ReduceYourUse notifications.

9 My testimony will describe new customer tools and other technology enhancements that are  
10 essential to the success of this transition. New online tools will help customers analyze their  
11 energy usage, make decisions about their rate options, and interact with SDG&E through its  
12 website. In conjunction with new customer-facing tools, upgraded back-office systems will  
13 allow SDG&E to efficiently convert approximately 117,000 electric accounts to the new rate  
14 options and dynamically update and maintain customer information. The technical discussion  
15 of these system enhancements can be found in the prepared direct testimony of SDG&E  
16 witness Daniel J. Shulman (Chapter 5).

## 17 **B. Summary of Incremental Costs**

18 Incremental expenses for new Customer Service activities related to PSW implementation are  
19 estimated to be \$29.2 million in direct costs<sup>3</sup> for the years 2010 – 2015. The following table  
20 summarizes the estimated incremental operations & maintenance (O&M) and capital costs  
21 covered by this testimony.

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<sup>3</sup> Direct costs do not include labor and non-labor loaders. The appropriate loaders are applied and calculated in the testimony of SDG&E Witness Fredrick W. Myers (Chapter 6).

**TABLE GCB-01**  
**SUMMARY OF INCREMENTAL COSTS TO IMPLEMENT PEAKSHIFT AT WORK**  
**(Direct Costs in Millions of Dollars)**

<b>ACTIVITY</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>TOTAL</b>
<b><u>PSW Outreach &amp; Education Costs</u></b>							
O&M Costs	\$0.2	\$1.8	\$2.3	\$3.9	\$2.8	\$1.3	\$12.3
Capital Costs	\$0.0	\$0.6	\$0.8	\$0.0	\$0.0	\$0.0	\$1.4
<b>Subtotal</b>	<b>\$0.2</b>	<b>\$2.4</b>	<b>\$3.1</b>	<b>\$3.9</b>	<b>\$2.8</b>	<b>\$1.3</b>	<b>\$13.7</b>
<b><u>PSW Operations Costs</u></b>							
O&M Costs	\$0.3	\$1.3	\$2.2	\$3.2	\$2.2	\$1.6	\$10.8
Capital Costs	\$0.1	\$4.2	\$0.3	\$0.0	\$0.0	\$0.0	\$4.7
<b>Subtotal</b>	<b>\$0.4</b>	<b>\$5.6</b>	<b>\$2.6</b>	<b>\$3.2</b>	<b>\$2.2</b>	<b>\$1.6</b>	<b>\$15.5</b>
<b>Total PSW O&amp;M Costs</b>	<b>\$0.5</b>	<b>\$3.1</b>	<b>\$4.5</b>	<b>\$7.1</b>	<b>\$5.0</b>	<b>\$2.9</b>	<b>\$23.1</b>
<b>Total PSW Capital Costs</b>	<b>\$0.1</b>	<b>\$4.8</b>	<b>\$1.1</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$6.1</b>
<b><u>TOTAL PSW COSTS</u></b>	<b>\$0.6</b>	<b>\$8.0</b>	<b>\$5.7</b>	<b>\$7.1</b>	<b>\$5.0</b>	<b>\$2.9</b>	<b>\$29.2</b>

The subsequent sections describe in greater detail the incremental functions and activities represented by these costs.

**C. Organization of Testimony**

My testimony is organized as follows:

- **Section II: Background.** Summarizes the 2008 rollout of the CPP-D (Default) rate to large customers and reviews previously approved funding for PSW and the small business population;
- **Section III: Description of the Small Business Market.** Describes the eligible population and challenges of preparing the market for change;
- **Section IV: Discussion of the PSW Rate.** Discussion of the rate design for the small business market;

- 1 • **Section V: Customer Education and Outreach.** Summarizes costs, goals for the  
2 outreach plan, general approach to the market, estimated expenses, and key resources and  
3 tools;
- 4 • **Section VI: Customer Service and Operations.** Summarizes costs and discussion of  
5 major cost elements; and
- 6 • **Section VII: Witness Qualifications**

## 7 **II. BACKGROUND**

### 8 **A. Initial Rollout of Default Critical Peak Pricing (CPP-D), May 2008**

9 SDG&E received Commission approval to transition its eligible large (>200 kW) and  
10 medium (20 – 200 kW) customers to CPP-D effective May 1, 2008 (D.08-02-034). The initial  
11 wave consisted of over 1,700 accounts that had communicating 15-minute interval meters and  
12 met all of the other eligibility requirements for the tariff. All but approximately 70 of these  
13 were large customers who were assigned to an SDG&E Account Executive (AE). This  
14 market was considered well-prepared for the introduction of CPP-D.

15 SDG&E's transition plan included the development of CPP-D information packages that were  
16 sent to every eligible customer; an online rate comparison tool for customers; and other  
17 support through workshops, webinars, and online web content. In addition, most customers  
18 completed individual consultations with their AE before making their decision about CPP-D.  
19 The first year Bill Protection guarantee was an effective selling point in this process.

20 In one-on-one meetings with customers, the AE's assisted their customers with understanding  
21 their options, including how to use the rate analysis tool to select a Capacity Reservation  
22 Charge (CRC). Many customers still elected to keep their CRC set at the default level of  
23 50%. With the bill protection guarantee, customers could take a wait-and-see approach to  
24 their CRC decision.

1           **B.       PSW Rollout – Post Smart Meter Deployment**

2           The initial rollout of CPP-D targeted a group of customers who already had the  
3 communicating interval meters necessary to be billed on the rate. These are not the smart  
4 meters approved in SDG&E’s Advanced Meter Infrastructure (AMI) application; rather, the  
5 interval meters will be replaced by smart meters in a later phase of deployment.  
6 Deployment of smart meters to the mass market, including small nonresidential, began March  
7 2009. Customers with time-of-use meters (*a.k.a.* medium customers) and customers with  
8 interval data recorders (primarily large) will have their smart meters installed in the latter  
9 phase. The AMI project is also building the meter data management system (MDMS) and  
10 associated systems as a foundation for billing and presenting the interval data online. Once  
11 these systems are completed, SDG&E’s Rate Design Window final decision and supporting  
12 settlement agreement requires that customers have 12 months of smart meter data available  
13 for analysis purposes, prior to their transition to PSW.<sup>4</sup>

14           **C.       Funding in Other Proceedings for Small Non-Residential or PSW**

15           **1.       AMI Proceeding**

16           No funding for PSW was included in the approved settlement for SDG&E’s  
17 AMI project. The small nonresidential class of customers was initially scheduled to  
18 participate in the Peak Time Rebate (PTR) program along with the residential sector.  
19 In accordance with Commission guidance from the Pacific Gas & Electric Rate Design  
20 Window decision,<sup>5</sup> SDG&E decided to transition the small nonresidential segment  
21 directly onto the new PSW tariff, and bypass PTR.

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<sup>4</sup> D.09-09-036 adopting Joint Party Settlement in Application 08-11-014; Appendix A, Item 10 of Attachment A.

<sup>5</sup> PG&E Dynamic Pricing Decision, D.08-07-045.



1 Removing small nonresidential from the PTR program, however, did not result  
2 in cost savings to either of the PTR or AMI projects. Being less than 10% of the  
3 potential PTR population, which also included residential, there were no computer  
4 system efficiencies to be gained or other savings that could be applied to the PSW  
5 project.

## 6 2. 2008 General Rate Case (GRC)

7 No funding for PSW was requested in the 2008 GRC; however, funding for the  
8 rollout of CPP-D was requested and approved in that case.<sup>6</sup> No Information  
9 Technology (IT) costs were requested. SDG&E's approved request included cost  
10 recovery for converting eligible Large (>200 kW) usage customers to the CPP-D rate.  
11 Cost recovery for medium nonresidential customers (20-200 kW) was also not  
12 included.

### 13 III. DESCRIPTION OF THE SMALL NON-RESIDENTIAL MARKET

#### 14 A. Overview of the Market

15 Table GCB-02 summarizes the approximate number of customer meters that are  
16 eligible to default to the PSW tariff.

17 **TABLE GCB-02**  
18 **SMALL COMMERCIAL AND AGRICULTURAL POPULATION**  
19 **ELIGIBLE FOR PSW<sup>7</sup>**  
20

Segment	Number of Meters
Small Commercial	113,960
Small Agricultural	3,650
<b>Total</b>	<b>117,610</b>

21  

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<sup>6</sup> SDG&E 2008 General Rate Case Phase II Decision, D.08-02-034.

<sup>7</sup> Approximate population total as of 06/18/2010

## **B. Challenges of Introducing PeakShift at Work**

Preparing the small nonresidential market for PSW represents a significant educational challenge. Rate changes under any circumstances are difficult topics to communicate effectively, because the typical small business owner is concerned almost exclusively with the cost impact of a rate change, not the explanation for it. The introduction of PSW, however, is not like the introduction of an optional rate where a self-interested customer will study the rate on their own, or seek the advice of others. All eligible small nonresidential customers will be defaulted to PSW unless they proactively select another option. For this to happen, customers must have at least a basic understanding of the rates, and this requires that SDG&E extend every effort and pursue every avenue for helping customers through the process.

In addition to the challenge of understanding PSW, the customer will also be asked to take a much more active role in managing their energy usage, since this will have a direct effect on their energy bill. To make a fully informed decision, and to successfully manage their costs under the new rates, there are a substantial number of new behaviors that the customer will be encouraged to adopt.

- Study the information resources and tutorials available online;
- Enroll in My Account and access the PSW tools;
- Use the online presentment tool and study their energy usage profile;
- Run the rate comparison tool under different scenarios and rate options;
- Proactively select PSW as their preferred rate via the online enrollment form, or alternatively, select one of the other rate options;
- Provide SDG&E with their contact information so they can be notified on ReduceYourUse Days and also receive information about energy reducing solutions;
- Develop a personal demand reduction strategy for ReduceYourUse Days; and

- Implement that strategy on ReduceYourUse Days.

Expecting all customers to take these steps after the initial wave of outreach, or even a majority of customers, is unrealistic. SDG&E outreach must also be designed to guide the customers who will not proactively study their options at this time. Once they are on PSW, the customer care plan will continue to encourage customers to use the available tools provided for them.

Finally, given the state of the current economy, many small businesses are struggling to survive and are deeply concerned with any changes that might worsen their bottom line. The introduction of TimeOfDay (TOD) pricing, with its higher daytime (on-peak) rates, and PSW, with its higher ReduceYourUse Day prices, will not be received favorably without a substantial campaign to prepare the market by helping customers understand how they can benefit from making an informed decision.

#### **IV. DISCUSSION OF PEAKSHIFT AT WORK**

##### **A. Description of PeakShift at Work**

PSW is a dynamic rate that will be the new default rate for small commercial and agricultural customers. The design includes TOD energy prices with a rate adder that takes affect on special ReduceYourUse Days when energy prices are expected to soar. As with its predecessor CPP-D, SDG&E may call up to 18 ReduceYourUse Days in a year, based on the same triggers as CPP-D. Customers will be notified the day ahead that the next day will be a ReduceYourUse Day, and that the PSW rate adder will be in affect during the on-peak time period.

PSW and the other rate options will provide nonresidential customers with pricing that more accurately reflects the cost of energy. When prices go up, customers can choose to either pay the higher cost, or reduce their energy usage and save money. On the other side of

1 the cost equation, energy usage that occurs during nights or weekends<sup>8</sup> will have lower energy  
2 prices. Most importantly, given the lack of experience this customer market has with time  
3 variant pricing, SDG&E has designed the rate to mitigate any extreme bill impacts.

4 In order to be eligible for transition to PSW, the customer must have a smart meter and twelve  
5 months of billable quality interval data. Direct access accounts, commercial CARE accounts,<sup>9</sup>  
6 traffic control and lighting accounts are not eligible. Special provisions for new customers  
7 with no billing history will be discussed later.

## 8 **B. Customer Rate Options**

### 9 **1. Default Rate: PeakShift at Work**

10 Once a customer is scheduled to default to PSW, they will have several rate  
11 options to consider. If they do not actively self-select an option, they will  
12 automatically be placed on the PSW rate on the scheduled date. As with all SDG&E  
13 electric rates, PSW includes a utility rate schedule and a commodity rate schedule.  
14 The PSW rate will consist of a new two-period TimeOfDay utility rate (Schedule AS-  
15 TOD for the small commercial and Schedule PA-TOD for agricultural customers), and  
16 PSW for commodity, as discussed in detail in Chapter 4 (Hansen).

### 17 **2. Optional Rate: CPP-D (a.k.a. PeakShift Plus at Work)**

18 For the customer who is more confident about their ability to manage their  
19 energy usage, they may select or opt-in to the CPP-D tariff, which was designed for  
20 customers > 20 kW, as an alternative to PSW. CPP-D provides greater potential bill  
21 savings for the customer, as well as the option to protect load from peak day charges

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<sup>8</sup> Examples include refrigeration, security or parking lot lighting, businesses that primarily operate on nights or weekends, 24-hour operations, etc.

<sup>9</sup> The California Alternate Rates for Energy (CARE) program is available for qualified non-profits with tax-exempt status under IRS Code 501(c)(3).

1 with the customer reservation charge (CRC). Using the CRC option, a customer can  
2 protect against high monthly costs in those months where there are multiple  
3 ReduceYourUse Days.

### 4 **3. Optional Rates: EECC-AS-TOD and EECC-PA-TOD**

5 The second option available to the small nonresidential customer will be a two-  
6 period TOD rate, often referred to as the Otherwise Applicable Rate (OAR). As  
7 mentioned previously, this tariff will have the same underlying TOD structure and  
8 energy prices as the PSW rate; however, it will have a SeasonalDemand Charge.

9 When a customer chooses to opt-out from their initial PSW offering, they will  
10 be placed on this OAR and are required to stay on this option for 12 months. After the  
11 initial 12 months, a customer may choose to opt-in to either of the PSW rates at any  
12 time, regardless of their original anniversary date, however they are ineligible for first  
13 year bill protection.

### 14 **4. TimeOfDay for all Non-Residential**

15 In addition, with the movement of all small nonresidential customers to time-  
16 variant rates, either PSW or TOD, SDG&E also proposes to move the remaining  
17 medium and large nonresidential customers to time-variant rates, specifically CPP-D  
18 (also referred to as PeakShift Plus at Work). With this, the opt-out option for all  
19 customers would be a TOD rate option. This is discussed further in Chapter 4  
20 (Hansen).

### 21 **5. Discussion of PeakShift at Work Design Considerations**

22 **Impact of TimeOfDay Pricing:** With the completion of this initiative, all  
23 eligible customers will be converted to some form of TOD pricing. Regardless of  
24 whether they choose PSW or opt out to EECC-AS-TOD or EECC-PA-TOD, all

1 customers will need information on TOD pricing. The education must help customers  
2 understand how their bill under TOD pricing is affected by both the amount of energy  
3 they use, and the time of day when they use it. To simplify this concept, SDG&E is  
4 proposing that the PSW rate only have two (2) time periods: on-peak and off-peak.

5 A common concern that most small businesses share is the perception that  
6 there are no opportunities to shift or reduce energy usage in response to energy  
7 prices.<sup>10</sup> To overcome this, the education must offer realistic energy reducing  
8 solutions, including simple low cost or no cost solutions, and solutions that the average  
9 small business owner can easily implement.

10 **Lower ReduceYourUse Day Price:** The PSW ReduceYourUse Day rate was  
11 adjusted downward from cost based levels to lessen the impact of peak days for small  
12 business customers. This adjustment takes into consideration that ReduceYourUse  
13 Days tend to come in clusters during the hot season, and that monthly bills can contain  
14 as many as four, five or even more ReduceYourUse Days in a single billing period.  
15 The cumulative impacts of multiple ReduceYourUse Days within a billing period can  
16 significantly increase a customer's monthly bill, particularly if the customer does not  
17 reduce their usage on a ReduceYourUse Day.<sup>11</sup>

18 The PSW ReduceYourUse Day rate is structured as an adder to the underlying  
19 TOD price, and the TOD prices are the same for both PSW and the OAR. SDG&E  
20 believes this is a more transparent way for customers to compare the two options.

21 With the underlying TOD rates being equal, the customer can focus on the trade-off

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<sup>10</sup> Small Business Focus Groups about the CPP Rate, Mar 2009

<sup>11</sup> Customers have two options to protect against this: 1) They can opt out; or 2) they can select CPP-D with a CRC.

1 between ReduceYourUse Day charges for up to 18 times a year on the PSW rate,  
2 versus the SeasonalDemand Charge on the OAR.

3 **Hedging Option;** PSW does not have a capacity reservation charge (CRC)  
4 component, which provides a hedge against ReduceYourUse Day charges. In focus  
5 groups, small business customers found this option confusing. By leaving it out, PSW  
6 represents a more basic form of dynamic pricing with, as mentioned previously, a  
7 more transparent comparison with the optional OAR rate. For customers looking for a  
8 CRC option and a more accurate (i.e. fully allocated) TOD price option, they may  
9 select the CPP-D tariff.

10 **First Year Bill Protection;** As with CPP-D, PSW will offer a First Year Bill  
11 Protection guarantee, which states that the first year on PSW will result in a lower  
12 annual bill than under the OAR rate, or SDG&E will refund the difference. This has  
13 proven to be an effective tool to convince customers to try the new dynamic rate.  
14 Once on the rate, the customer care plan will provide the customer with the tools,  
15 information, and solutions to convince them they made the right decision. SDG&E is  
16 proposing an extension of the Bill Protection offered to CPP-D customers, to include  
17 customers who initially opt-out of PSW. This proposal would allow customers who  
18 initially opt-out of PSW to still get Bill Protection if they proactively select PSW prior  
19 to their first anniversary.

20 A more detailed description of the rate design can be found in the prepared  
21 direct testimony of SDG&E witness Hansen (Chapter 4).

### 22 **C. PeakShift at Work Procedural Differences with CPP-D**

23 SDG&E's experience with the initial CPP-D rollout has prompted several procedural  
24 changes or clarifications in implementing PSW.

1                   **1.       Phased-in approach to PSW Transitions**

2                   With the existing schedule for smart meter installations, and some uncertainty  
3                   on the timeframes for completing computer systems, there will likely be a backlog of  
4                   eligible customers ready for transition to PSW. Converting the entire backlog in a  
5                   single month would create an annual spike in workload and customer calls that would  
6                   carry on through the life of PSW.

7                   Therefore, with this initial transition to PSW, SDG&E proposes to distribute  
8                   the customers across the calendar year and 21 billing cycles. This would be  
9                   accomplished by scheduling transitions in a controlled manner, averaging about  
10                  10,000 a month, while retaining the flexibility to accommodate customers who request  
11                  to be put on the rate immediately.

12                  SDG&E also proposes to avoid transitions during the summer season in order  
13                  to avoid putting customers at risk for experiencing multiple ReduceYourUse Days and  
14                  a higher monthly bill in their first few months on the rate. This approach will give  
15                  SDG&E time to initiate a customer care plan that will prepare new PSW customers for  
16                  ReduceYourUse Days.

17                  **2.       Transition to the rate shall occur 45 days after scheduling**

18                  The CPP-D tariff called for transitioning the customer to the new rate on the  
19                  first day of eligibility, and then giving the customer 45 days to opt-out to the OAR.  
20                  Using this approach, customers would be sent a bill under the CPP-D rate before their  
21                  45-day time limit to opt out had expired. If they chose to opt out, these customers  
22                  would then need to be rebilled on the OAR for the first month. With the large volume  
23                  of PSW-eligible customers, this approach is inefficient.



1           SDG&E proposes that eligible customers stay on their current rate schedules  
2 until the first regularly scheduled billing cycle that is at least 15 days from the date  
3 that (1) the customer notifies SDG&E they want to move to PSW; (2) the customer  
4 notify SDG&E they want to opt out; or (3) the 45-day opt out period ends. On that  
5 billing cycle, customers in categories (1) and (3) will be moved to PSW and customers  
6 in category (2) will be moved to the OAR.

### 7           **3.       New Customer Handling**

8           New customers represent a policy challenge for PSW since they lack the  
9 necessary 12 months of bill history on which to analyze their options. SDG&E is  
10 proposing that a new customer be placed on the OAR initially, and then be given a 45-  
11 day period to make their rate selection. This will avoid the operational impacts from  
12 placing new customers on PSW, and then rebilling those who choose to opt-out.  
13 Instead, new customers will be sent an enrollment package and if they proactively  
14 select PSW, or elect to default to PSW, that change will take effect at the end of the  
15 opt-out period. This approach should be less confusing for the customer as well.

16           SDG&E is considering other approaches for assisting new customers as well.  
17 If they have a previous account with SDG&E that is relevant to their new account, the  
18 rate comparison could be run using history from the previous account. SDG&E is also  
19 planning to offer generic load shapes in its rate comparison tool, covering a wide  
20 spectrum of business or building types, which the customer will be able to select for  
21 analyzing their rate options.

### 22           **4.       PSW Revenue Under-/Over-Collection Treatment**

23           SDG&E is proposing to track and record differences in annual revenues  
24 collected under PSW compared to the OAR, and to recover these revenue differences

in the commodity rates of the small nonresidential class. By allocating the revenue differences to the small nonresidential class (the only customers who are eligible to take service on PSW), SDG&E will ensure that no cross-subsidization occurs from PSW. Similar treatment was adopted previously for handling revenue differences resulting from CPP-D, which were allocated only to the medium and large nonresidential class, and PTR, which was allocated only to the residential class. The rate treatment for the under-/over-collection is discussed in detail in the testimony of witness Hansen (Ch. 4).

**V. CUSTOMER EDUCATION & OUTREACH**

**A. Summary of Education & Outreach Costs**

This section describes the costs associated with the education and outreach efforts. SDG&E estimates that incremental costs will be \$13.7 million for the 2010-2015 timeframe. The following table summarizes these costs.

**TABLE GCB-03  
INCREMENTAL COSTS FOR PSW OUTREACH AND EDUCATION  
(Direct Costs in Millions of Dollars)**

<b>ACTIVITY</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>TOTAL</b>
<b><u>PSW Outreach &amp; Education Costs</u></b>							
<b>O&amp;M Costs</b>							
Research	\$0.1	\$1.1	\$0.7	\$0.3	\$0.3	\$0.1	\$2.6
Outreach & Communications	\$0.0	\$0.3	\$0.9	\$2.9	\$2.3	\$1.0	\$7.4
Website	\$0.0	\$0.4	\$0.7	\$0.7	\$0.3	\$0.3	\$2.3
<b>Sub-Total O&amp;M Costs</b>	<b>\$0.2</b>	<b>\$1.8</b>	<b>\$2.3</b>	<b>\$3.9</b>	<b>\$2.8</b>	<b>\$1.3</b>	<b>\$12.3</b>
<b>Capital Costs</b>							
Website	\$0	\$1	\$1	\$0	\$0	\$0	\$1.4
<b>Sub-Total Capital Costs</b>	<b>\$0</b>	<b>\$1</b>	<b>\$1</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1.4</b>
<b><u>TOTAL COSTS</u></b>	<b>\$0.2</b>	<b>\$2.4</b>	<b>\$3.1</b>	<b>\$3.9</b>	<b>\$2.8</b>	<b>\$1.3</b>	<b>\$13.7</b>

The following sections discuss each of the elements found in the preceding table.

## **B. Goals for the Outreach and Education Campaign**

The customer experience on PSW will span two distinct stages of the process: the Education and Transition stage, and the Post-Transition stage. Because of this, goals for the outreach plan must vary as well. In the first stage, the objective is to prepare and convert the small business population to the new rates. In the second stage, the objective is to provide ongoing customer services, communications and education on managing energy costs.

### **1. Education and Transition Stage**

The overall goal for this stage is to have customers report they were satisfied with the transition experience. In order to achieve this goal, there are several underlying building blocks that will be closely monitored. Creating a satisfactory experience requires customers who are informed and engaged in the process. The following are key determinants and corresponding metrics of success:

- Percentage of customers reporting they are aware of and understand the PSW tariff and the other rate options;
- Percentage of customers using the online tools and information resources;
- Percentage of customers reporting they are aware of strategies for managing costs on the new rate options; and
- Percentage of customers reporting they were satisfied with the overall transition experience.

Customer research will take the lead role in establishing the baseline levels of awareness and understanding, and will continue to monitor progress throughout the entire campaign. Metrics from the SDGE.com website will record how many customers use the online presentment system or the rate comparison tool. Operations

1 staff will monitor all results and, if necessary, adjust or refine the campaign. As  
2 customers complete the transition process, overall satisfaction will be measured  
3 through a post-transition survey.

4 Customer satisfaction with the PSW transition experience will also be  
5 determined by the quality of the customer care infrastructure that SDG&E provides for  
6 customers. Providing quality customer service is essential in both stages of the PSW  
7 experience. To achieve this, well trained staff will be added to the Business Contact  
8 Center and in the field, and new computer functionality will enable the efficient  
9 exchange of customer information between systems.

## 10 **2. Post-Transition Stage**

11 As customers complete their transition to the new rates, SDG&E will begin  
12 monitoring PSW- related calls and questions. Special training and handling  
13 procedures, including personal field visits, will be implemented specifically for  
14 customers with billing concerns. Outreach will focus on tips and strategies for  
15 managing energy costs, and demand response and energy efficiency solutions will be  
16 offered in partnership with SDG&E's Customer Programs department. The goals and  
17 performance metrics for this stage will include:

- 18 • Percentage of customers contacting SDG&E with PSW questions and  
19 percentage of questions elevated to field staff;
- 20 • Percentage of customers who report they were satisfied with their  
21 response after contacting SDG&E with a PSW question;
- 22 • Percentage of customers participating in offered programs or services;  
23 and

- Percentage of customers providing demand response on ReduceYourUse Days.

Helping customers reduce their costs on PSW involves helping them to adopt new energy management and demand reduction strategies. Customers will need the ongoing support of a customer care and outreach operation from SDG&E in order to build up and maintain this capability. The success of this effort will ultimately be measured by the rate of participation in and actual load reduction achieved on ReduceYourUse Days.

### **C. General Approach to the Small Business Market**

SDG&E is very concerned about the reaction small business customers will have to PSW, and this is the basis for the large scale campaign proposed here. Given the current economic climate, the apprehension over rate changes is understandably acute among business customers, and the challenges of communicating a complex topic to this market are significant. Unlike the introduction of a new tariff where interested customers self-select, transitioning or “defaulting” the entire population to PSW requires a much broader and compelling effort in order to build interest and win over customers who are either time-constrained or skeptical about the benefits.

An extraordinary effort will be placed in the initial design and development of the outreach plan. Some details of the plan will only emerge later in the design process, since the entire outreach plan spans three different stages: 1) Pre-Launch Design and Build; 2) Customer Education and Transition; and 3) Post-Transition Customer Care. The following sections outline the major components in each of three stages.

#### **1. Pre-Launch Design and Build Stage (2010 – 2012)**

1           The Pre-Launch stage covers the period of time beginning with project startup  
2 through the design, development and construction of all elements of the outreach  
3 plan. This period roughly corresponds with the completion of SDG&E's smart meter  
4 project, which will be completed by the end of 2011. The key components of this  
5 stage include the following.

6           **Stakeholder Outreach:** SDG&E began talking to key stakeholders such as  
7 trade organizations, chambers, and business improvement districts, in 2009.  
8 Stakeholder outreach and participation will continue throughout the entire process, and  
9 SDG&E will look for innovative ways to incorporate stakeholders as champions for  
10 PSW.

11           **Exploratory Research:** SDG&E initiated research on rate design issues in  
12 2009. In 2010, exploratory research will determine communication preferences,  
13 sources of information, segment differences and all other information needed to  
14 conduct the campaign. A substantial effort will be made to identify hard-to-reach or  
15 other segments requiring specialized outreach strategies.

16           **Pilot Studies:** SDG&E will undertake pilot studies designed to provide  
17 detailed insight into the energy usage patterns of typical small businesses, and the  
18 energy efficiency/demand response solutions that will enable customers to succeed on  
19 the new rate options. The pilot funded by PSW will include forecasted and historic  
20 analysis of energy usage data and analysis of the bill impacts under PSW. SDG&E  
21 will also leverage the results from other pilots being sponsored by the Smart Meter  
22 group and Customer Programs.

1           **Codesign:** Codesign panels, in which customers and stakeholders actively  
2 participate in designing key elements of the outreach campaign, will be run at various  
3 junctures throughout the development stages.

4           **Voice of the Customer:** This effort involves renaming and reinventing the  
5 language used in customer communications, allowing customers to help put the  
6 messaging in their own words and avoiding industry jargon. Extensive customer  
7 testing of all collateral and content is planned.

8           **Instructional Consultant:** SDG&E will hire an instructional consultant to  
9 design, story-board and customize PSW information for presentation across the variety  
10 of brochures, website content, presentations, workshops, videos, and target audiences  
11 developed for the campaign.

12           **Website Resources:** Website resources will be built and tested during this  
13 stage. Customer facing resources will include the online presentment and rate  
14 comparison tools, an educational library, and a self-enrollment window. Extensive  
15 customer usability testing is planned in this stage.

## 16           **2. Customer Education and Transition Stage (2012 – 2014)**

17           The Education and Transition Stage will begin after the completion of smart  
18 meter installations and when systems for presenting energy usage and billing  
19 customers on PSW are launched. Education will begin roughly 6 months prior to the  
20 Transition stage. The key components of this stage include the following:

21           **Staging of Transitions:** Attempting to convert all 117,000 customers in the  
22 same month would create a permanent annual spike in workload that would be  
23 difficult to manage. Instead, SDG&E will spread the transitions over a calendar year,  
24 skipping the summer months of July, August, and September so that customers aren't

1 exposed to multiple ReduceYourUse Days and higher bills before they're ready to  
2 respond.

3 **Online Presentment and Rate Comparison:** SDG&E will offer a state-of-  
4 the-art online vendor hosted tool for displaying customer energy usage and running  
5 rate comparison analyses. As an alternative, SDG&E's Customer Energy Network<sup>12</sup>  
6 will enable customers to select other online presentment options such as Google's  
7 PowerMeter.

8 **Internal Training and Communications:** A change management function  
9 will ensure that all SDG&E employees are aware of the new rate options being  
10 adopted by small business customers, and are familiar with key concepts.

11 **Reference Brochures:** Fundamental information explaining time-of-use,  
12 dynamic pricing, and online customer tools and resources will be published and  
13 distributed in print and electronic formats, as well as multiple languages.

14 **Online Information Library:** An online information library will be launched  
15 containing electronic copies of all brochures, and a wide range of articles on topics  
16 related to time-of-use and dynamic pricing. Segment specific case studies and articles  
17 on energy management strategies will be available, as well as video tutorials. SDG&E  
18 will explore the use of a blog or other means to encourage the user community to  
19 contribute ideas and information.

20 **Video Tutorials:** Communicating the complexities of PSW can be greatly  
21 simplified through the use of Adobe Flash® style animation or videos. A time-

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<sup>12</sup> The Customer Energy Network is located on SDGE.com and provides a list of providers who are authorized to access Smart Meter energy usage information and present it to customers via their own Internet portal. Customers have the option to sign up with a qualified provider as an alternative to SDG&E's own presentment system. Currently Google is the only authorized provider.



1 constrained audience is more likely to watch a video than read a fact sheet, and videos  
2 can be distributed through other innovative channels.

3 **Social Media:** Policies concerning SDG&E's use of social media channels are  
4 currently in development. These important new channels will have a role in the  
5 overall outreach strategy.

6 **Paid Media:** A media campaign will be launched to deliver a high-level  
7 message about PSW and the upcoming rate changes.

8 **Customer Workshops:** Customer workshops will be held throughout the  
9 service territory wherever geographic clusters of small businesses are located.

10 **Stakeholder Participation:** SDG&E will look for innovative ways to involve  
11 Stakeholders in the education and transition process. Ideas include recruiting  
12 Stakeholders to be advocates for PSW or to provide segment specific support, case  
13 studies or other information to their membership.

14 **Rate Election Package:** When scheduled for transition, customers will receive  
15 an Election Package summarizing their choices and the date by when they must  
16 respond.

17 **Door-to-Door Campaign:** During this stage, SDG&E will launch a door-to-  
18 door campaign for up to 40% of the customers. Tactics for targeting certain segments  
19 or neighborhoods will be drawn from the exploratory research studies, as well as the  
20 direct input from customers and stakeholder groups. The campaign will be timed to  
21 reach out to businesses at the point in time when they have to make their PSW  
22 decision.

1                   **3.       Post-Transition Customer Care Stage (2014 – 2015)**

2                   The Post-Transition stage will begin as customers complete the transition  
3                   process and begin receiving bills on PSW. The objectives of this stage are to manage  
4                   billing questions, reinforce key ideas, and to help customers adopt demand response  
5                   capabilities. The key components of this stage include the following.

6                   **Monitoring of Key Performance Indicators** Operations staff will begin  
7                   monitoring key performance statistics during the previous stage and continue through  
8                   this stage as customer transitions progress. These metrics will include numbers of  
9                   calls to the BCC, satisfaction as measured by post-transition surveys, use of tools and  
10                  performance on ReduceYourUse Days.

11                  **Customer Service:** Additional staffing and training will be provided for the  
12                  Business Contact Center and field representatives. Special procedures will be  
13                  instituted for handling billing questions including monitoring the types of questions be  
14                  asked. SDG&E will ensure that any concerns are dealt with promptly and resolutions  
15                  are communicated internally.

16                  **Cross-Marketing of Programs:** Energy Efficiency and Demand Response  
17                  program offerings will be leveraged, tailored and marketed to PSW customers in this  
18                  stage. Programmable communicating thermostats (PCTs) and other load control  
19                  devices will be marketed as automated demand response solutions for customers.

20                  **Shadow Billing:** Shadow billing will provide the customer with a monthly  
21                  rate comparison printed right on their bill. This comparison will help customers see  
22                  how the difference between the two rates manifests itself through the year.

1                   **PSW Newsletter and Case Studies:** A regular bulletin or newsletter will  
2 reinforce key ideas and help keep customers prepared for responding on  
3 ReduceYourUse Days.

4                   **Performance Measurement and Anniversary Support:** Results from  
5 ReduceYourUse Days will encourage customers on the new rates, by providing  
6 performance reports. The anniversary package will also summarize the customer  
7 results.

8                   **Customer Workshops:** Workshops for customers will shift their focus to  
9 energy efficiency and demand response topics as PSW customers seek energy  
10 management solutions.

11                   **Post-Transition Research:** Research in this stage will focus on participation  
12 and demand response performance trends, including segment specific trends. Targeted  
13 outreach based on this research will be designed to continue providing customers with  
14 the latest information.

15                   **D. Additional Tools and Resources**

16                   **1. Online Decision Support Tools**

17                   SDG&E will provide its customers with state-of-the-art online decision support  
18 tools. These include an online presentment system for assisting customers with  
19 understanding and analyzing their historical usage and their bills. A rate comparison  
20 calculator will allow customers to analyze different scenarios, under different rate  
21 options, and consider the impact to their energy costs. As with other information  
22 technology specifics, these tools and estimated costs are discussed in the prepared  
23 testimony of Witness Shulman (Chapter 5).

## 2. Relationship Management System

The development of a customer relationship management (CRM) system for managing small business communications is essential to the success of PSW.

Enrollment on PSW requires a dynamic two-way relationship between SDG&E and the customer, one that spans distinct phases and multiple customer touch points. The CRM will be asked to perform essential operations such as sending out ReduceYourUse Day notifications and managing the anniversary and new enrollment processes. Customer information will need to be updated continuously, and CRM automation is required to efficiently and accurately process a large population.

Keeping customers engaged and empowered is crucial to the successful implementation of PSW. The CRM provides SDG&E with a tool to manage and coordinate the customer experience through the various stages of PSW. Customers will be asked to respond to numerous alerts and communications throughout the year, and the CRM will track their responses. The CRM will enable SDG&E to generate more personalized and customized communications that provide greater value for the customer.

CRM systems have been demonstrated to improve overall customer satisfaction.<sup>13</sup> For SDG&E, this should also translate into higher rates of demand response, and, through cross-promotion, improved participation in energy efficiency and demand response programs.

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<sup>13</sup> Mithas, Sunil; Krishnan, M.S.; Fornell, Claes, "Why Do Customer Relationship Management Applications Affect Customer Satisfaction?" Journal of Marketing, Vol. 69, October 2005, p.201.

1           **3.       Business Call Center and Customer Service**

2           The Business Call Center (BCC) will play a large role in the success of the  
3           outreach and transition efforts. The BCC gained valuable experience in the initial  
4           rollout of CPP-D in 2008, and additional staffing plus extensive training will prepare  
5           them for PSW. The functions performed in this area are described in Section VI  
6           Customer Service and Operations, found in the next section of my testimony.

7           **E.       Estimated Costs for Research and Participatory Activities**

8           This section describes the costs associated with customer research and customer  
9           participatory activities for PSW. SDG&E estimates that incremental costs for this effort will  
10          be \$2.6 million for the 2010-2015 timeframe.

11   **TABLE GCB-04**  
12          **INCREMENTAL COSTS FOR RESEARCH AND PARTICIPATORY ACTIVITIES**  
13   **(Direct Costs in Millions of Dollars)**

<u>ACTIVITY</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>TOTAL</u>
<u>PSW Research Costs</u>							
<u>O&amp;M Costs</u>							
Non-Labor	\$0.1	\$0.9	\$0.6	\$0.2	\$0.2	\$0.0	\$2.0
Labor	\$0.0	\$0.2	\$0.2	\$0.2	\$0.1	\$0.0	\$0.6
<b>Sub-Total O&amp;M Costs</b>	<b>\$0.1</b>	<b>\$1.1</b>	<b>\$0.7</b>	<b>\$0.3</b>	<b>\$0.3</b>	<b>\$0.1</b>	<b>\$2.6</b>
<u>Capital Costs</u>	-	-	-	-	-	-	-
<b>TOTAL COSTS</b>	<b>\$0.1</b>	<b>\$1.1</b>	<b>\$0.7</b>	<b>\$0.3</b>	<b>\$0.3</b>	<b>\$0.1</b>	<b>\$2.6</b>

15           Customer research will be used extensively throughout all phases of PSW. Initially,  
16           exploratory research will identify preferred methods of communication, differences by  
17           segments, and niche segments with limited or specialized communication needs. Specialized  
18           needs could result from lack of access to the web at work, lack of email or text message  
19           capability, or perhaps a preference for in-language communications. The study will also try to  
20             
21

1 understand which segments rely primarily on their trade organizations or community groups  
2 for their information versus other means of receiving information.

3 Later on, customer research will be used to test all materials and web content  
4 developed for customers. Specialized consultants will be brought in, including an Educational  
5 Consultant and a Usability Architect for the website, in order to develop, test and refine all  
6 content for all types of media. Usability testing will be conducted to optimize the web  
7 design. Research will also measure the success of the campaign, including goals associated  
8 with awareness and understanding, and measuring the customer's experience with the process.  
9 SDG&E will also emphasize involving customers and customer stakeholder groups in the  
10 design and review process.

11 Codesign panels will be formed to elicit customer and stakeholder input on the design  
12 and content of all educational materials. Once designed, all messaging, materials, and web  
13 content will be tested with customers for understanding and user friendliness prior to  
14 publishing. This customer input will ensure that communication objectives are being  
15 achieved with material that customers find effective.

16 Customer research will also be responsible for tracking and measuring important goals  
17 for the PSW process. This will include regular measurement of awareness of PSW,  
18 understanding of key message objectives, and satisfaction with the overall experience.

19 As mentioned previously, SDG&E will undertake pilot studies designed to provide  
20 detailed insight into the energy usage patterns of typical small businesses, and the energy  
21 efficiency / demand response solutions that will enable customers to succeed on the new rate  
22 options. These studies will rely on the growing number of smart meters to provide the  
23 necessary interval data. A 3<sup>rd</sup> party consultant will manage the project, with the goal of  
24 producing case studies for the 50 most common types of small businesses. In a related effort,

SDG&E's Load Research group will be studying the relationship between the load shapes of typical businesses and the expected bill impacts. These studies will be used to develop case studies on the most common business types found in the SDG&E service territory.

#### F. Estimated Costs for Outreach and Communications

This section describes the costs associated with general outreach activities and the publication of communication materials for customers. SDG&E estimates that incremental costs will be \$7.4 million for the 2010-2015 timeframe.

**TABLE GCB-05**  
**INCREMENTAL COSTS FOR OUTREACH AND COMMUNICATION ACTIVITIES**  
**(Direct Costs in Millions of Dollars)**

<b>ACTIVITY</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>TOTAL</b>
<b>PSW Outreach &amp; Communication Costs</b>							
<b>O&amp;M Costs</b>							
Communications Non-Labor							
Education	\$0.0	\$0.0	\$0.2	\$1.1	\$0.0	\$0.0	\$1.3
Transition	\$0.0	\$0.0	\$0.0	\$0.3	\$0.4	\$0.1	\$0.8
Customer Care	\$0.0	\$0.0	\$0.0	\$0.1	\$0.3	\$0.1	\$0.5
Anniversary	\$0.0	\$0.0	\$0.0	\$0.0	\$0.3	\$0.7	\$1.0
<b>Sub-Total</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.2</b>	<b>\$1.5</b>	<b>\$1.1</b>	<b>\$0.9</b>	<b>\$3.7</b>
Outreach Non-Labor							
Paid Media	\$0.0	\$0.0	\$0.3	\$0.3	\$0.3	\$0.0	\$0.9
Door-to-Door	\$0.0	\$0.0	\$0.0	\$0.7	\$0.7	\$0.0	\$1.3
Other	\$0.0	\$0.1	\$0.2	\$0.2	\$0.0	\$0.0	\$0.4
<b>Sub-Total</b>	<b>\$0.0</b>	<b>\$0.1</b>	<b>\$0.5</b>	<b>\$1.1</b>	<b>\$1.0</b>	<b>\$0.0</b>	<b>\$2.7</b>
<b>Sub-Total O&amp;M Non-Labor</b>	<b>\$0.0</b>	<b>\$0.1</b>	<b>\$0.6</b>	<b>\$2.6</b>	<b>\$2.1</b>	<b>\$0.9</b>	<b>\$6.3</b>
O&M Labor	\$0.0	\$0.2	\$0.3	\$0.3	\$0.2	\$0.1	\$1.1
<b>Sub-Total O&amp;M Costs</b>	<b>\$0.0</b>	<b>\$0.3</b>	<b>\$0.9</b>	<b>\$2.9</b>	<b>\$2.3</b>	<b>\$1.0</b>	<b>\$7.4</b>
<b>Capital Costs</b>							
	-	-	-	-	-	-	-
<b>TOTAL COSTS</b>	<b>\$0.0</b>	<b>\$0.3</b>	<b>\$0.9</b>	<b>\$2.9</b>	<b>\$2.3</b>	<b>\$1.0</b>	<b>\$7.4</b>

SDG&E's outreach plan will explore the use of all channels for distributing information to customers, including newer social media channels. The information will be customized for each channel, based on the feedback from the exploratory research study and the customer codesign panels. The goal is to give the customer multiple exposures to PSW

1 information, recognizing that customers will vary in the ways they receive and respond to  
2 information.

3           The communication expenses presented here include the costs for the design, printing  
4 and mailing of marketing materials to customers. Direct mailing of communications is  
5 expected to decline over time as customers switch to electronic communications as their  
6 preferred choice and they provide SDG&E with their email address.

7           Outreach expenses include the costs for customer workshops, paid media, stakeholder  
8 and community events, and door-to-door campaigns. Special attention will be directed  
9 towards stakeholder groups such as the trade associations, chambers and community groups to  
10 find creative ways to include them into the process. SDG&E estimates that about 50% of  
11 small business customers are members of a chamber of commerce or a professional trade  
12 association.

13           The following sections summarize the elements of the outreach plan by campaign.  
14 Details of the cost estimates presented here can be found in the workpapers accompanying  
15 this testimony.

### 16           **1.       Education**

17           The education phase is the single largest campaign of the outreach plan. The  
18 objective for this stage will be to build the foundation of knowledge needed for  
19 understanding the PSW rate and its options. The education phase will begin as soon as  
20 supporting computer systems are ready to launch and a preponderance of customers  
21 have one year of smart meter interval data.

22           As part of the outreach campaign, a paid media campaign will help deliver a  
23 high-level message to a large portion of the population, preparing customers for  
24 change. Customer workshops will be held throughout the service territory, wherever



1 clusters of businesses are located. Specialized exhibits, presentation packages, DVDs,  
2 and information packages will be developed for this effort.

3 The customer communication plan includes three high-impact reference  
4 brochures designed as educational building blocks to prepare customers for their rate  
5 transition. Plans call for these brochures to be mailed in the 6-month timeframe prior  
6 to the transition. Topics will encourage customers to use the online resources and  
7 explain the underlying concepts of time of use and dynamic prices. SDG&E expects  
8 to have a wealth of information available from its pilot studies, organized by business  
9 type, so that customers can see concrete examples of how PSW can work for them.

## 10 **2. Transition**

11 The objective for the transition phase will be to support the customer decision  
12 process, and to efficiently and accurately process their selections. The transition phase  
13 will occur as customers complete the 6-month education phase. Once scheduled, the  
14 transition will take 45 days to complete after the scheduled start date.

15 Transition costs include the development of a PSW rate election package. A  
16 rate election package will be sent to each customer, and will summarize the rate  
17 options introduced in the education phase, the decisions that must be made, and the  
18 response date. The bill protection guarantee will be emphasized. Once the response  
19 date has occurred, all customers will receive a confirmation letter of their rate  
20 selections, even if they elected to default to PSW.

1 Transition costs will include a door-to-door campaign, planned for up 40% of  
2 the population, in order to provide customers with individualized help with their rate  
3 decisions.

### 4 **3. Care & Maintenance**

5 The Care & Maintenance phase of the campaign starts once the customer  
6 begins their one-year commitment on PSW. The objectives of this stage include  
7 establishing and maintaining direct communications with the customer, preparing  
8 them for responding on ReduceYourUse Days, offering them tips and strategies for  
9 controlling costs, cross-marketing programmable thermostats, energy efficiency and  
10 demand response programs, and building awareness of other home area network  
11 (HAN) enabled devices that will help the customer.

12 The Care & Maintenance costs include the costs of ongoing communications  
13 with PSW customers. A newsletter and targeted communications for selected  
14 segments are planned.

### 15 **4. Bill Protection / Anniversary**

16 The Anniversary stage shares similarities with the Transition stage. The  
17 objective will be to help the customer understand their previous year's results, and to  
18 assist them with making the best selection for the upcoming year. In the first year, this  
19 stage will include the bill protection analysis (and bill credit if the protection guarantee  
20 is invoked). This effort will reinforce with customers how to use the available online  
21 tools to help with their decision.

22 The Anniversary costs include the development of a rate option package that  
23 will be similar to the original transition package, but oriented to the returning  
24 customer. The first-year anniversary package will address Bill Protection. All

1 packages will emphasize using the available online tools to understand their energy  
 2 performance and analyze their options.

3 **G. Estimated Costs for Website Enhancements**

4 This section describes the costs associated with the design and publishing of all online  
 5 educational content, access to various online tools and other web solutions necessary to  
 6 support PSW. SDG&E estimates that incremental costs for this effort will be \$3.7 million for  
 7 the 2010-2015 timeframe.

8 **TABLE GCB-06**  
 9 **INCREMENTAL COSTS FOR WEBSITE ENHANCEMENTS**  
 10 **(Direct Costs in Millions of Dollars)**  
 11

<b>ACTIVITY</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>TOTAL</b>
<b><u>PSW Website Enhancement Costs</u></b>							
<b>O&amp;M Costs</b>							
Non-Labor	\$0.0	\$0.3	\$0.5	\$0.4	\$0.2	\$0.2	\$1.6
Labor	\$0.0	\$0.1	\$0.2	\$0.2	\$0.1	\$0.1	\$0.7
<b>Sub-Total O&amp;M Costs</b>	<b>\$0.0</b>	<b>\$0.4</b>	<b>\$0.7</b>	<b>\$0.7</b>	<b>\$0.3</b>	<b>\$0.3</b>	<b>\$2.3</b>
<b>Capital Costs</b>							
Design Web Solution	\$0.0	\$0.1	\$0.3	\$0.0	\$0.0	\$0.0	\$0.4
Video Tutorials	\$0.0	\$0.3	\$0.3	\$0.0	\$0.0	\$0.0	\$0.6
Labor	\$0.0	\$0.2	\$0.2	\$0.0	\$0.0	\$0.0	\$0.4
<b>Sub-Total Capital Costs</b>	<b>\$0.0</b>	<b>\$0.6</b>	<b>\$0.8</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$1.4</b>
<hr/>							
<b><u>TOTAL COSTS</u></b>	<b>\$0.0</b>	<b>\$1.0</b>	<b>\$1.5</b>	<b>\$0.7</b>	<b>\$0.3</b>	<b>\$0.3</b>	<b>\$3.7</b>

12 Several of the most significant costs are discussed in this section. SDG&E's goal is to  
 13 provide a rich and rewarding online experience for the customer, one that will continue to  
 14 draw customers back to the website as the primary vehicle for all of their PSW transactions.  
 15 The summaries presented here are supported by additional detail provided in the workpapers.

16 The use of multimedia flash style videos on the web has become essential in modern  
 17 communications, as it has proven to be one of the most effective ways to pull in an audience  
 18 to the website and communicate a complex topic. An educational consultant will be hired to  
 19  
 20

1 design video topics that both complement and expand on the direct mail materials, providing  
2 richer and deeper content. Examples of proposed topics for these tutorials include:  
3 “Understanding Your Energy Usage,” “What Causes Energy Prices to Change,” “Time of Use  
4 Pricing,” and “Adjusting Your CRC to Control Costs.”

5 Various online tactics will be explored to reach out and draw customers to the website,  
6 including paid online banner ads, paid search campaigns and social media. A User  
7 Experience Architect will be hired to build the web solution and coordinate the testing of  
8 designs with customers. An analytics consultant will be hired to analyze web logs in order to  
9 identify navigation trends and other insights that can improve the customer experience.

10 The capital costs included in this testimony are primarily associated with customer  
11 facing enhancements to SDGE.com, the company’s website. In addition to the design and  
12 development of online video tutorials, there are extensive upgrades planned for SDG&E’s  
13 secure online web portal, My Account. These enhancements include:

- 14 • Dynamic online forms for customers to enter their PSW elections, with the data  
15 linked directly to the CRM and SDG&E’s billing system;
- 16 • Secure links to SDG&E’s new online presentment system and the rate comparison  
17 tool; and
- 18 • Modifications to My Account to accommodate the needs of business customers,  
19 such as allowing multiple authenticated users the ability to view an account.

20 As mentioned previously, the details of other planned enhancements to SDG&E’s  
21 information systems, the development and installation of new online tools, and the majority of  
22 capital expenditures are found in the testimony of Witness Shulman (Chapter 5).

1 **VI. CUSTOMER SERVICE AND OPERATIONS**

2 **A. Summary of Customer Service and Operations Costs**

3 This section describes the costs associated with the customer service and operations  
4 functions. SDG&E estimates that incremental costs will be \$15.5 million for the 2010-2015  
5 timeframe.

6  
7 **TABLE GCB-07**  
8 **INCREMENTAL COSTS FOR CUSTOMER SERVICE AND OPERATIONS**  
9 **(Direct Costs in Millions of Dollars)**  
10

<b>ACTIVITY</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>TOTAL</b>
<b><u>PSW Operations Costs</u></b>							
<b>O&amp;M Costs</b>							
Customer Service	\$0.0	\$0.0	\$0.5	\$0.7	\$0.7	\$0.5	\$2.5
Operations	\$0.2	\$0.7	\$1.0	\$1.8	\$1.2	\$0.8	\$5.7
Facilities	\$0.1	\$0.7	\$0.7	\$0.7	\$0.3	\$0.3	\$2.7
<b>Sub-Total O&amp;M Costs</b>	<b>\$0.3</b>	<b>\$1.3</b>	<b>\$2.2</b>	<b>\$3.2</b>	<b>\$2.2</b>	<b>\$1.6</b>	<b>\$10.8</b>
<b>Capital Costs</b>							
Operations	\$0.1	\$0.3	\$0.3	\$0.0	\$0.0	\$0.0	\$0.7
Facilities	\$0.0	\$3.9	\$0.0	\$0.0	\$0.0	\$0.0	\$3.9
<b>Sub-Total Capital Costs</b>	<b>\$0.1</b>	<b>\$4.2</b>	<b>\$0.3</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$4.7</b>
<b><u>TOTAL COSTS</u></b>	<b>\$0.4</b>	<b>\$5.6</b>	<b>\$2.6</b>	<b>\$3.2</b>	<b>\$2.2</b>	<b>\$1.6</b>	<b>\$15.5</b>

11  
12  
13 The primary costs included in this section are for providing staffing for customer  
14 service, and setting up a permanent operations center for managing communication campaigns  
15 and updating customer and account information. The following sections discuss these costs in  
16 greater detail.

17 **B. Estimated Costs for Customer Services**

18 This section describes the costs associated with responding to customer inquiries about  
19 PSW. SDG&E estimates that incremental costs for this effort will be \$2.5 million for the  
20 2010-2015 timeframe.

**TABLE GCB-08**  
**INCREMENTAL COSTS FOR CUSTOMER SERVICE ACTIVITIES**  
**(Direct Costs in Millions of Dollars)**

<b>ACTIVITY</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>TOTAL</b>
<b><u>PSW Customer Service Costs</u></b>							
<b>O&amp;M Costs</b>							
Business Contact Center	\$0.0	\$0.0	\$0.2	\$0.5	\$0.5	\$0.2	\$1.4
Special Investigators	\$0.0	\$0.0	\$0.2	\$0.2	\$0.2	\$0.2	\$1.0
<b>Sub-Total Labor</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.5</b>	<b>\$0.7</b>	<b>\$0.7</b>	<b>\$0.5</b>	<b>\$2.4</b>
O&M Non-Labor	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1
<b>Sub-Total O&amp;M Costs</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.5</b>	<b>\$0.7</b>	<b>\$0.7</b>	<b>\$0.5</b>	<b>\$2.5</b>
<b>Capital Costs</b>	-	-	-	-	-	-	-
<b><u>TOTAL COSTS</u></b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.5</b>	<b>\$0.7</b>	<b>\$0.7</b>	<b>\$0.5</b>	<b>\$2.5</b>

The Business Contact Center (BCC) at SDG&E provides small and medium business customers with a staff that is specially trained in the more complex rates and account activities needed by business customers. The BCC participated in the initial deployment of CPP-D in May 2008, assisting customers through the process. That experience provided insight into the number and types of calls that might be expected when converting 117,000 small commercial and small agricultural accounts.

Given this experience, BCC management estimates they will receive an additional 72,000 calls per year with an average handling time of 14 minutes per call, or roughly 16,500 hours per year, during the peak transition years of 2013-2014. These hours will require the addition of 11 customer service representatives at the peak of PSW transitions, and decreasing to 6 as customer understanding and acceptance of PSW levels out.

The BCC will also proactively encourage customers to utilize the online resources available to them, and will be prepared to guide them through their online experience. A new

1 Call Center module will allow the BCC reps to see the same view as the customer sees. This  
2 effort will help build confidence and self-service capability among customers as they learn to  
3 navigate and find the answers to their question on the SDG&E website.

4 By providing extensive training to the BCC in call resolution, SDG&E believes it can  
5 resolve most calls over the phone. However customer calls that cannot be resolved over the  
6 phone will be routed to the next level of support provided by Special Investigators (SI's). SI's  
7 are trained to address complex questions, and usually meet with customers directly at their  
8 place of business. Being knowledgeable in all the programs and services available for the  
9 customer, the SI is an invaluable resource in resolving customer problems. Current estimates  
10 are that about 10% of PSW phone calls will be routed to the SI's, requiring the addition of  
11 four new special investigators. Non-labor expenses included here are for training costs and  
12 fleet vehicles. The workpapers provide greater detail on the estimates summarized in this  
13 section.

#### 14 **C. Estimated Costs for PSW Operations**

15 This section describes the costs associated with operational functions including  
16 administering PSW communication campaigns, processing customer contact and account  
17 updates, exception handling, and facility costs for incremental staffing. Project support  
18 includes project management through the Pre-Launch Design and Build Stage, and internal  
19 change management and training functions throughout the project. SDG&E estimates that  
20 incremental costs for this effort will be \$13.0 million for the 2010-2015 timeframe.

21

**TABLE GCB-09**  
**INCREMENTAL COSTS FOR PSW OPERATIONS**  
**For the Years 2010-2015**

<b>ACTIVITY</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>TOTAL</b>
<b>PSW Operations Costs</b>							
<b>O&amp;M Costs</b>							
Operations	\$0.0	\$0.1	\$0.3	\$0.9	\$0.9	\$0.7	\$2.9
Project Support	\$0.2	\$0.2	\$0.2	\$0.2	\$0.1	\$0.0	\$0.9
Facilities	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Sub-Total Labor</b>	<b>\$0.2</b>	<b>\$0.4</b>	<b>\$0.5</b>	<b>\$1.0</b>	<b>\$1.0</b>	<b>\$0.7</b>	<b>\$3.8</b>
Operations & Project Support	\$0.0	\$0.3	\$0.5	\$0.7	\$0.2	\$0.1	\$1.9
Facilities	\$0.1	\$0.7	\$0.7	\$0.7	\$0.3	\$0.3	\$2.7
<b>Sub-Total Non-Labor</b>	<b>\$0.1</b>	<b>\$1.0</b>	<b>\$1.2</b>	<b>\$1.4</b>	<b>\$0.5</b>	<b>\$0.4</b>	<b>\$4.5</b>
<b>Sub-Total O&amp;M Costs</b>	<b>\$0.3</b>	<b>\$1.3</b>	<b>\$1.7</b>	<b>\$2.5</b>	<b>\$1.5</b>	<b>\$1.1</b>	<b>\$8.3</b>
<b>Capital Costs</b>							
Operations	\$0.1	\$0.3	\$0.3	\$0.0	\$0.0	\$0.0	\$0.7
Facilities	\$0.0	\$3.9	\$0.0	\$0.0	\$0.0	\$0.0	\$3.9
<b>Sub-Total Capital Costs</b>	<b>\$0.1</b>	<b>\$4.2</b>	<b>\$0.3</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$4.7</b>
<b>TOTAL COSTS</b>	<b>\$0.4</b>	<b>\$5.6</b>	<b>\$2.1</b>	<b>\$2.5</b>	<b>\$1.5</b>	<b>\$1.1</b>	<b>\$13.0</b>

**1. Customer Operations for PSW**

Administering PSW involves establishing and managing a dynamic two-way communication relationship between SDG&E and the customer. A new work group, PSW Operations, will be responsible for administering all customer communication campaigns, including overseeing information flows and managing the contact information needed for ReduceYourUse notifications. In support of their function, PSW Operations will interface with the mailing house, the email provider, billing, and the notification system.

SDG&E gained experience with this activity when it was initially launched to support the CPP-D rollout in 2008. The effort however was largely a manual data entry function, as CPP-D used paper forms for capturing customer rate selections.

This approach is not sustainable for the much larger rollout of PSW. The testimony of



1 Mr. Shulman (Chapter 5) describes significant automation enhancements to the  
2 business process, linking the online tools and resources described previously, to the  
3 billing system (aka CISCO) and the CRM.

4 Staffing for this function must address a significant amount of exception  
5 handling, including but not limited to large volumes of return mail from both  
6 traditional mail and email. Some of the return mail is due to the normal cycle of  
7 turnover in small accounts, which runs as much as 10% - 15% annually. Also  
8 contributing to the volume, SDG&E will have no advance knowledge of where the  
9 decision-maker for each account is located (service address or billing address).  
10 Undelivered email from electronic notifications and outreach are another source of  
11 returns when email addresses become invalid. For all of these, staff must research the  
12 account, determine the proper resolution, and manually change the account  
13 information. Experience with CPP-D has shown that staff must be prepared for  
14 numerous special handling situations that require manual intervention in the  
15 enrollment process.

16 A new CRM will be the primary tool used in this operation. The CRM will  
17 determine customer eligibility and then execute the outreach campaigns under the  
18 direction of operations staff. CRM will capture the customer rate selections and  
19 contact preference information from the online forms, and then synchronize the  
20 information with the billing system and the customer notification system. Using the  
21 information provided by the customer, CRM will queue up the appropriate followup  
22 communications, and allow SDG&E to incorporate dynamic content and customer-  
23 specific information into the communications.

1           The staff will have responsibility for overseeing the operation of the CRM,  
2 including the flow of information into the system, the execution of the outreach  
3 campaign, and exception handling. Operational reports will be designed to report  
4 statistics on the status of the outreach campaign and customer preferences. Two  
5 product managers will manage the campaigns, monitoring operational reports and  
6 ensuring that CRM interfaces smoothly with the mail house and blast email providers,  
7 as well as the ReduceYourUse notification system.

8           Operations staff will be responsible for monitoring the various performance  
9 metrics and reports that will be implemented for this project. This includes metrics  
10 from the website showing customer use of the tools and educational resources. This  
11 includes monitoring customer response to communication campaigns, and the demand  
12 response performance on ReduceYourUse Days. This includes monitoring customer  
13 feedback from surveys and satisfaction studies, as well as other direct feedback from  
14 customers via the BCC or field staff.

15           Based on experience with handling existing CPP-D customers, SDG&E  
16 estimates it will need 10 incremental program assistants to process PSW enrollments  
17 during the peak of the transition effort in 2013-14, reducing to 5 by the end of the  
18 project. The workpapers provide greater detail on the cost estimates described here.

19           Measurement and Evaluation (M&E) required for PSW Demand Response is  
20 not addressed in this application. Because PSW will not be implemented until 2013,  
21 SDG&E plans to propose the M&E process for PSW and the associated cost in the  
22 2012-2014 Demand Response (DR) Application, scheduled to be filed in early 2011.  
23 This proposal will adhere to the DR load impact protocol adopted in D.08-04-050.

1                   **2.       Project Support**

2                   The Project Support function will be responsible for project management and  
3                   oversight functions during the building phase of PSW. This includes the development  
4                   of all communication materials, system interfaces, customer tools, website solutions,  
5                   and the CRM. This function will ensure that all policy decisions are implemented; that  
6                   systems are built to the requirements specified by the business units, and that the  
7                   necessary analytics and performance reports are in place for the PSW operations staff.  
8                   Most importantly, this function will ensure that the overall project scope will lead to  
9                   and ultimately support the customer experience objectives described previously in this  
10                  testimony.

11                  Change management is another key function that will be coordinated here.  
12                  Change management will be responsible for conducting an impact assessment study,  
13                  identifying the needs throughout the company, and implementing a solution. Training  
14                  will need to be designed and conducted for all customer contact personnel, and  
15                  ongoing training for areas such as the BCC and special investigators. Beyond the  
16                  frontline customer service staff, personnel throughout the company will need basic  
17                  information on PSW, and field personnel will need handouts for when they interact  
18                  with customers. Internal company manuals, policies, procedures, general customer  
19                  brochures, and many other resources within SDG&E that may be potentially affected  
20                  by PSW, will need to be identified and updated for PSW.

21                   **3.       Facilities**

22                  SDG&E will spend up to \$3.9 million in capital costs building facilities to  
23                  house project staff for the PSW project, and \$2.7 million in moving costs and  
24                  furniture. Project staff is expected to peak at over 100 people requiring office space.

1 Standard costs for the San Diego region are used in the workpapers reflecting the cost  
2 to build out a shell building that has basic plumbing, cabling, ducting, heating,  
3 ventilation and air conditioning. The estimates presented here use the same factors  
4 that were previously used in SDG&E's AMI business case. After internal review of  
5 the initial estimates, senior management imposed a budget target that is reflected in the  
6 costs presented here.

7 This concludes my direct testimony.

1 VII. WITNESS QUALIFICATIONS

2 My name is Glen C. Breed. My business address is 8306 Century Park Court, San  
3 Diego, California 92123.

4 I am employed by SDG&E as a Commercial Industrial Markets Manager. I have been  
5 employed by SDG&E since 1980 with over 20 years experience in research and planning for  
6 the commercial industrial market. My current responsibilities include coordinating the overall  
7 customer experience for the small and medium commercial segment through communications,  
8 outreach, and new customer service initiatives such as PSW. I have been in this position since  
9 March, 2008.

10 I received a Bachelor of Arts degree in Mathematics from the University of California,  
11 San Diego in 1976, and a Masters of Business Administration from the University of  
12 Redlands in 1995.