



Smart Meters, Rates and the Customer Relationship



December 5, 2008
Pacific Northwest Demand Response Program
Portland, OR

SDG&E Smart Meter Goals

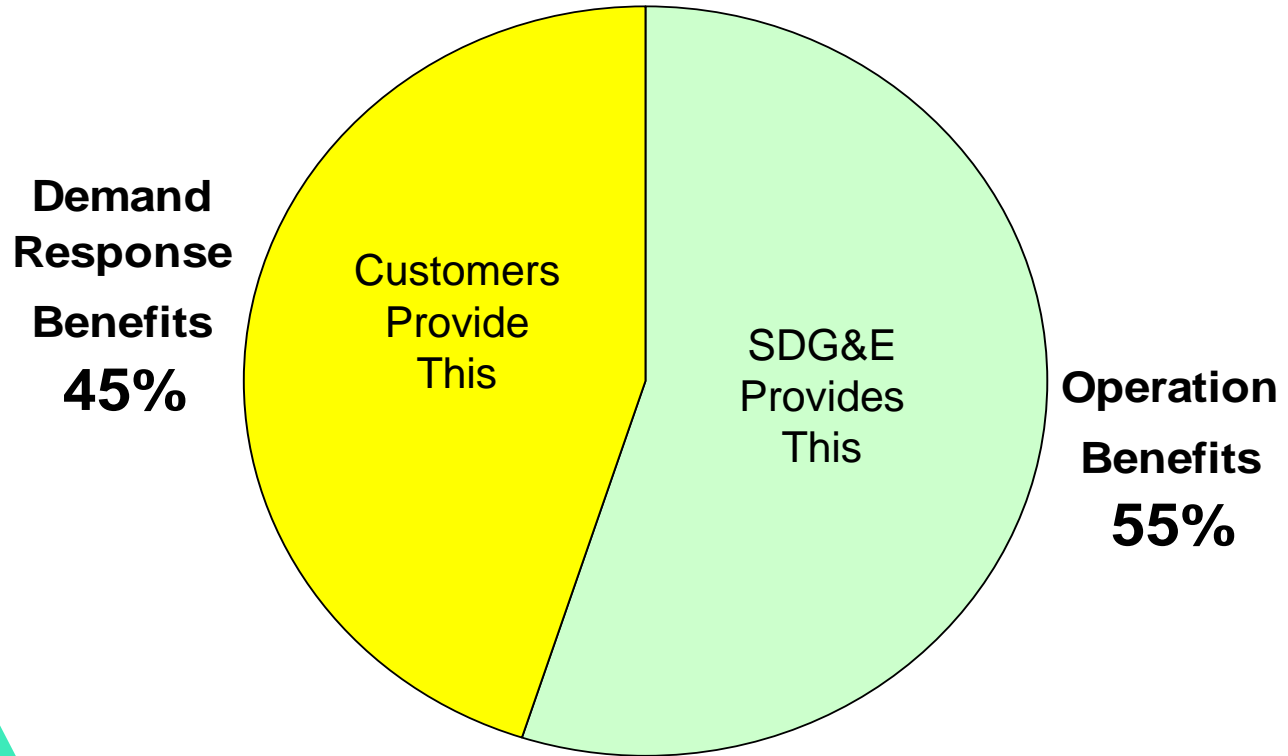


- Install AMI/smart metering for all SDG&E electric and gas business and residential customers
 - Historic opportunity –touching every customer premise -never been done before
- Enhance customer service and improve utility operations
- Provide foundation for SDG&E’s smart grid and smart premise
- Ensure delivery of net positive benefit
- Recognize this is not a typical utility infrastructure project
 - This is new program that touches virtually every department
 - Leading edge technology means we are one of the first

And most importantly, we’re not “just” installing a new meter...

***We’re starting to recreate our relationship with customers
and transform our company***

Smart Meter Business Case



DR reduces the need to invest in peaker plants that only need to run two weeks during the year.

Our Perspective



- Smart Meter initiative launches a paradigm shift
 - Data – Data – Data
- Creates opportunities to:
 - Educate consumers in a more timely and pertinent way
 - Understand customers' behavior and influence behavior change
 - Provide rates that drive demand response, conservation and energy efficiency
- Peak Time Rebate for residential customers is the first expression of the paradigm shift

The Residential Market



- 1.3 Million Residential Customers
- Diverse, ethnic, and multilingual customer base
- Six distinct segments with distinct characteristics and attributes
- Complex four-tiered rate structure
- 70% of customers' consumption does not exceed tier two

Peak Time Rebate – What is it?



- A “quasi” dynamic rate enabled by Smart Meters to provide demand response
- Works in conjunction with the residential rate and provides customers an incentive when they reduce their electricity consumption below a determined level during “events”
- Customers can only benefit, i.e. carrot not stick
- Incentive based on performance and provided as a bill credit
- PTR is the first step in introducing dynamic pricing to residential customers – “training wheels”

Our Approach for Launching PTR



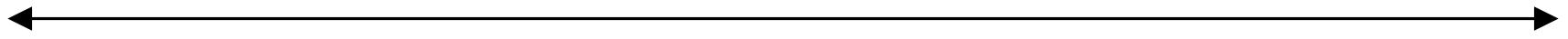
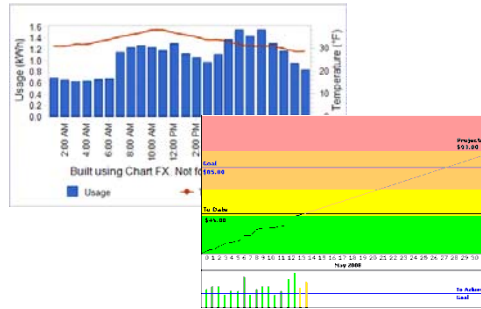
- The framework for customer education and customer performance
 1. Give customers goals
 2. Give customers tools and information
 3. Reinforce positive behavior
 4. Provide training and support

Key Strategies



- Deliver customer performance by using a customer-centric and research-based design
 - Create meaningful customer experiences
 - Understand customer behavior
 - Balance rational and emotional elements
- Involve customers in creation of requirements and drivers for education and behavior change
 - Tools
 - Data presentment
 - Event day notification & feedback
 - Motivational themes
- Orchestration is key

Tools



Data

Information

Knowledge

Wisdom

Data Presentation



- Access to individual data is key to understanding
- Allow customers to define a goal
- Display rate tiers
- Allow a variety of comparisons
 - Customer-centric comparison
 - Last month, last year, same time last year, and so on
 - Society-centric comparison
 - The average for homes with a specified square footage or specified number of occupants, etc.
- Include a customer defined notification feature
 - “Notify me when my bill gets to \$100” or “Notify me when I’m into Tier 3.”

Notification & Feedback



- Allow customers to be notified through their channel of choice: email, text message, and voice
- Enable notifications to multiple household members
- Notification message should be simple, pragmatic, and to the point
- Provide customers next day feedback on how they performed

Motivational Themes



- **PRIDE**
 - A California initiative
 - Connection to environmental issues
 - I was asked to do it
- **GAIN**
 - Taking control of your energy use
 - Perhaps some savings – but not necessarily from PTR
- **FEAR**
 - Outages
 - Higher energy prices
- **IMITATION**
 - My neighbor is doing it / My boss is doing it

The Orchestration



When you hear a Flex Alert:

- Turn off all unnecessary lights.
- Postpone using major appliances until after 7 pm.
- Turn your air conditioning thermostat up to 78° F.

1. Link to existing programs when applicable



5. Rebate appears on bill, applied to social good, or for enabling technology

Register for My Account

Peak Day Notification
Sign up yourself and members

You (Account Holder)

Name
Joan Smith

Email
Email Address

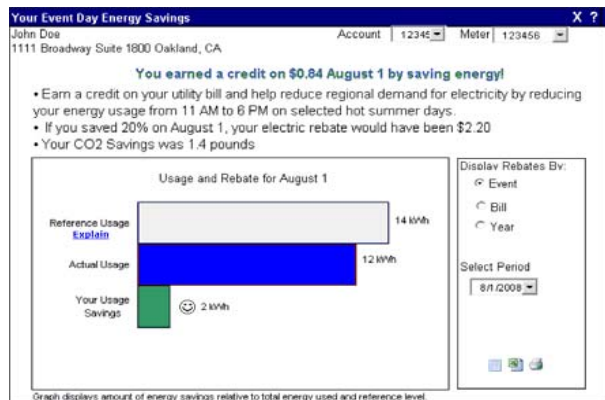
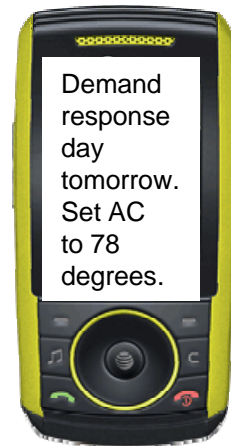
Text Message
Cell Phone Number

Voice
Phone Number

Best Time to Call
9 AM

2. Acquire customer notification info

3. Notify customers day-ahead of peak days



4. Present usage and rebate results

Moving Forward – PTR Implementation



- Develop supporting technology infrastructure
- Develop positioning
- Develop integrated marketing communications plan
- Continue co-creation with customers

Moving Forward – Rate Strategy



- Develop dynamic rate strategy based on recently approved CPUC decision in the PG&E Dynamic Pricing proceeding
 - Default TOU / CPP for all Commercial/Industrial
 - Optional RTP for Commercial/Industrial
 - Optional TOU / CPP / RTP for Residential
- Rate options will be implemented in conjunction with AMI implementation schedule

Contact Information



Thank you!

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