



California Public Utilities Commission

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Press Release

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PUC DECISION GIVES COMMERCIAL BUILDING TENANTS A TOOL TO LOWER POWER BILLS AND INCREASE ENERGY EFFICIENCY AND DEMAND RESPONSE

SAN FRANCISCO, September 6, 2007 - The California Public Utilities Commission (PUC) today adopted marginal costs, revenue allocation, and rate design for Pacific Gas and Electric Company (PG&E) as part of the utility's General Rate Case. The PUC decision also adopts new rules for PG&E that will permit the submetering of tenants in high rise commercial buildings. Submetering will offer building tenants a new tool to improve their energy efficiency and participate in demand response, furthering goals outlined in the Energy Action Plan.

In many high-rise commercial buildings, it is not practical for a utility to individually meter each tenant. Instead, the utility meters the building as a whole. The building owner then allocates the electric bills to individual tenants. Prior to today's decision, building owners were prohibited from charging tenants based on the individual tenant's electricity usage. Instead, bills were generally allocated on the basis of square footage. A tenant who uses a lot of energy may pay the same as another tenant that has taken advantage of energy efficiency measures and has decreased their energy usage. This rule runs contrary to the state's current energy efficiency and demand response policies, and is not consistent with the state's focus on reducing greenhouse gases, the PUC determined.

To rectify this, the PUC modified PG&E's rules so that building owners can submeter their tenants in high rise commercial buildings. The tenant would have to agree to be submetered in its lease.

"Energy efficiency and demand response can be a big win for California consumers, utilities, and the electricity system in general. To the extent that it results in both peak demand reduction and a reduction in energy consumption in general, it is also a win for the California environment. Long-term, I believe that this may be the most important benefit of all," said PUC President Michael R. Peevey. "The inability for commercial building tenants to reap in the benefits of investments made

in energy efficiency and demand response has been a hurdle in achieving the full potential of our preferred resource program goals. All it takes is price signals and a customer willing to make an investment in order to take advantage of the potential cost savings.”

“The prohibition on submetering in commercial buildings has been a barrier to energy efficiency for decades,” said Commissioner Dian M. Grueneich. “I am pleased that this barrier is being removed in PG&E’s service territory. This decision sets an example that the other utilities and the rest of the country can follow.”

“With this change, commercial building tenants will have a new opportunity to control their energy costs and help protect the environment,” said Commissioner Rachelle Chong. “Large building tenants will have a much stronger incentive to invest in energy efficient equipment and participate in demand response programs.”

The new rule resulted from an agreement between PG&E and the Building Owners and Managers Association (BOMA). BOMA’s California members alone manage 600 million square feet of office space that have an estimated demand of approximately 3,500 to 4,000 megawatts. Up to 1,600 megawatts of demand is controlled directly by building tenants, not building owners and managers. A 20 percent demand reduction in this portion of load, which has been achieved by buildings, would yield about 320 megawatts, equivalent to the capacity of a mid-sized gas fired power plant.

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