BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of Modifications to its SmartMeter™ Program and Increased Revenue Requirements to Recover the Costs of the Modifications. (U39M).	Application No. 11-03-014 (Filed March 24, 2011)

PACIFIC GAS AND ELECTRIC COMPANY'S (U39M) REPLY COMMENTS ON PROPOSED DECISION OF COMMISSIONER PEEVEY MODIFYING ITS SMARTMETER PROGRAM TO INCLUDE AN OPT-OUT OPTION

ANN H. KIM
CHONDA J. NWAMU

Pacific Gas and Electric Company
77 Beale Street, B30A
San Francisco, CA 94105
Telephone: (415) 973-6650
Facsimile: (415) 973-5520
E-Mail: CJN3@pge.com

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: December 19, 2011

I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission's (CPUC or Commission) Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) hereby responds to other parties' comments on Commission President Peevey's Proposed Decision Modifying PG&E's SmartMeter Program to Include an Opt-Out Option (Proposed Decision or PD).

II. DISCUSSION

A. Consistent With Many Parties' Opening Comments, PG&E Supports Offering Customers an Analog Meter Opt-Out Alternative in Addition to the Radio-Off Alternative Set Forth in the Proposed Decision

PG&E supports approval of an analog meter option, in addition to the non-communicating radio-off option, in response to customers' and parties' continued requests for an analog meter alternative in Opening Comments, as well as in customers' direct communications to PG&E and the Commission. PG&E took note that in Opening Comments many parties assert that the only acceptable alternative to communicating SmartMeters™ is an analog meter opt-out alternative.

Independent studies repeatedly have affirmed SmartMeters™ safety and accuracy. For example, the California Council on Science and Technology's report affirms that radio frequency transmissions from SmartMeters™ are safe, and that this technology operates well within the Federal Communications Commission's compliance-standards. However, PG&E seeks to be responsive to a small percentage of its customers who continue to have concerns about digital and wireless technology. PG&E would like to ensure that the adopted SmartMeter™ opt-out program resolves the concerns of those customers who do not want to receive a SmartMeter™, even with the radio-off.

PG&E has heard these customers' requests, and respects that they do not accept SmartMeters™. While this is inconsistent with the direction in which California's energy policy is heading, PG&E firmly believes that "choice" is both important and necessary, and that the choice that this Commission authorizes should be a meaningful one for all customers. Accordingly, PG&E encourages the Commission to approve analog mechanical meters as an alternative option, in addition to the non-communicating radio-off meter option, for residential customers who wish to opt-out of PG&E's SmartMeter™ program.[1]

PG&E continues to believe strongly in the value and safety of SmartMeter™ technology and the many benefits that it delivers to customers, as well as the role that it plays in advancing development of the State and National Smart Grid. But PG&E also believes in customer choice. PG&E proposed "radio off" to balance these interests, believing that it would both grant customers a meaningful opt-out alternative and ensure the continued reliability of the SmartMeter™ network. Now, PG&E also supports an analog meter option. If approved, residential electric and gas customers will be able to choose their preferred opt-out alternative – analog or radio off. As recognized in the PD, PG&E will be unable to collect interval energy usage data for opt-out participants who choose the analog meter option. PG&E requests that the Commission modify the PD to include an analog meter option in addition to the radio-off option.

B. Contrary to TURN, DRA and Aglet, PG&E's Balancing Account Cost Recovery Proposal is Reasonable, Supportable and Should Be Approved

PG&E's proposed balancing account treatment is the most appropriate cost recovery mechanism given that Opt-Out is a CPUC-mandated program and actual costs will vary based on the opt-out participation rate. As PG&E noted in its Application, supporting Testimony and Opening Comments, variations in the opt-out adoption rate can significantly impact opt-out program costs, such as the costs to adequately strengthen the mesh network. A few parties argue in their opening comments that PG&E's request for recovery of its costs of implementing the Opt-Out Program should be rejected because it is unreasonable or unsupported. For example, Aglet and DRA recommend that PG&E be required to file a new application to recover its costs, rather than seeking a decision on its proposed costs in the existing application or in ERRA proceedings. (Aglet, p.6; DRA, p.10.) The Commission should reject Aglet's and DRA's

[1] Analog "mechanical" meters are generally available for standard residential service only. Certain residential electric service tariffs, such as net metering for customers with solar accounts, cannot be supported by an analog meter. Customers on these tariffs will need to receive the radio-off alternative if they choose to opt-out. The vast majority of residential customers receives standard electric service and can be served by an analog meter if they choose. Gas customers would have an option of a traditional analog meter with no module or a gas meter with the transmitting module turned off (radio-off).

recommendation, because the Commission should decide PG&E's cost recovery request now, on its merits, rather than deferring a decision into the indefinite future. PG&E's proposed balancing account treatment ensures that PG&E will recover only those costs actually incurred to implement the program. Because actual opt-out participation rates will impact the costs of the program, balancing account treatment appropriately provides the necessary cost recovery flexibility while protecting ratepayers from overpayment. Specifically, under PG&E's proposed traditional balancing account mechanism, if actual costs are less than the approved revenue requirements, customers' rates will be trued up to reflect the over-collection.

DRA argues that a new application is needed for three reasons: 1) DRA believes an after-the-fact reasonableness review is necessary to provide parties an opportunity to "challenge the reasonableness of PG&E's cost assumptions" and that actual, recorded cost information is needed to assess cost reasonableness; 2) DRA contends that the PD should be revised to not require PG&E to provide the capability of collecting electric interval data from opt-out customers without first determining the incremental costs of implementing the capability; and 3) DRA believes that the Commission should approve any additional program functionality prior to PG&E's implementing it.[2]

Contrary to DRA, the cost information and forecast revenue requirements in PG&E's application and testimony in this proceeding are fully supported, and the Commission should decide PG&E's cost recovery and balancing account request now, on its merits. Costs for the PD's new requirements (i.e., for collection of interval data and treatment of Delay List customers) and the analog meter option were not included in its application.[3] Therefore, PG&E's Opening Comments addressed this situation, by proposing an Advice Letter filing immediately following the issuance of the Decision to complete the record on forecast costs. In the interest of providing its customers with access to the Opt-Out Program as soon as possible,

[2] DRA Opening Comments, pp.2, 10-12.

[3] PG&E has submitted cost data for an analog meter option in *Pacific Gas and Electric Company's Response to Administrative Law Judge's October 11, 2011 Ruling Directing it to File Additional Cost Information* (October 28, 2011).

PG&E urges that the Commission reject the call for a new, separate application and authorize PG&E to proceed with the Program with an adopted revenue requirement and balancing account treatment based on the current record, augmented by the Advice Letter updating for new final decision requirements. Parties, such as DRA, which seek more information on the costs of the new PD requirements, will have an opportunity to review those costs and provide comments on the Advice Letter.

The PD also should make clear that the Opt-Out Program is a Commission-mandated program and therefore the purpose of the further review of PG&E's costs booked into the balancing account should be limited to verifying PG&E's costs and ensuring that the forecast revenue requirements are incremental to PG&E's existing revenue requirements.

DRA's concern that the cost recovery mechanism ultimately adopted by the Commission provide for a review of any major new program elements prior to PG&E's implementing them is legitimate but premature. DRA cites a specific example of PG&E potentially developing the capability to remotely turn the radio off/on in an electric SmartMeter™. DRA argues that a new application is needed to assess whether it is reasonable for PG&E to proceed with an estimated $2 million development cost without a review of the potential cost savings. DRA's concern is premature because PG&E has *not* proposed to include this remote turn-off capability in its Opt-Out Program; rather, the cost estimate was produced in response to the ALJ's order requiring additional cost information to be filed on October 28, 2011. Regardless, PG&E agrees with DRA that major new changes to the Opt-Out Program should not be undertaken without Commission review and approval. First, if the nature of the changes would require modification of the SmartMeter™ Opt-Out Tariff, PG&E already would be required to seek approval for such tariff changes through an Advice Letter filing, subject to comment by interested parties. Second, if the proposed modification to the program significantly increases the Program's costs and revenue requirement over the amount adopted by the Commission in this proceeding, PG&E would request prospective approval for revised revenue requirements again subject to CPUC review and comment from interested parties.

TURN argues that 50% of PG&E's costs of implementing the CPUC-mandated Opt-Out Program should be borne by shareholders and not recovered by PG&E in rates. (TURN, pp.16-19.). TURN argues that this is fair because PG&E shareholders should bear the risk of the CPUC-mandated program through a reduction in their return on rate base. TURN's argument is unsupported, unfair and unlawful. There is no evidence in the record that PG&E assumed the risk of a CPUC-mandated Opt-Out Program, nor is there any record to support TURN's wholly punitive disallowance of 50% of PG&E's forecast costs to implement the program. TURN's 50% disallowance proposal should be rejected.

C. Contrary to DRA's and Aglet's Opening Comments, PG&E's Estimated Opt-Out Program Costs Already Include a Credit for Analog Meters That Have Not Been Replaced And Remain At Opt-Out Customers' Premises

DRA suggests that, for customers who are currently on the Delay List and still have an analog meter during the SmartMeter™ deployment period, it "may be appropriate to require PG&E to credit the costs for the initial field trip to change-out an analog meter and install a SmartMeter™ or digital meter to the approved AMI costs, and not add incremental charges for that visit to opt-out program." (DRA, p.11) PG&E agrees and has already provided an estimate of that credit during the deployment period in its workpapers submitted in support of its cost estimates.[4] The credit is applied as a reduction to the overall SmartMeter™ deployment program costs and results in reduced costs and fees for all Opt-Out Program participants who opt out during the deployment period. The credit for non-replaced analog meters during the deployment period would likewise apply if the Commission additionally adopts an analog meter opt-out option as supported by PG&E.

D. TURN's Proposed Self-Read Program Would Negatively Impact the Customer Experience and Increase, not Reduce, Costs Related to the Opt-Out Program

TURN proposes that the Commission should authorize a "self-read" meter-reading option with a lower fee. (TURN, pp.3, 21). TURN notes that PG&E has had a "Plastic Card" self-read

---

[4] PG&E workpapers, p.WP 2A-2, see credit of -$430,868

program in place since 1989 and that PG&E does "not charge extra for this program." TURN fails to recognize that the extra costs associated with the Plastic Card program are borne by all customers.

Under PG&E's Plastic Card program, a meter reader enters the information shown on the customer's plastic card into PG&E's billing system using the hand-held meter reading device. If the customer fails to place the card in the designated location and the meter reader cannot record the customer's monthly read, the customer's bill is estimated in the billing system. The meter reader must read the meter every six months to verify the plastic card readings provided by the customer. These verified field reads are then used to true-up the current bill and make corrections to previous estimated bills if warranted.

PG&E's experience with the Plastic Card program is that the cost of cancel-rebills and corrections, plus the cost of administering the program, outweigh the savings of a meter reader skipping the self-read customer's meter on the route for ten out of twelve months. PG&E urges that the Commission reject TURN's self-read proposal. Contrary to TURN's speculation, it will not result in lower costs for the Opt-Out Program.

E. All Opt-Out Customers Should Bear Some Portion of the Incremental Costs of the SmartMeter™ Opt-Out Program

PG&E agrees with the Commission, DRA and TURN that customers participating in the Opt-Out Program should bear some reasonable portion of the incremental costs of the program via an initial fee and ongoing monthly fees. As supported by PG&E's cost data filing in this proceeding, PG&E will incur Opt-Out Program costs under either an analog or a radio-off opt-out alternative, and the program costs will increase if the CPUC approves offering both analog and radio-off as proposed here by PG&E. Opt-out participants who have requested this non-standard meter offering (i.e., Opt-Out) should bear a reasonable proportion of the incremental costs associated with the opt-out.

TURN contends that the PD's rationale for socializing most of the costs is flawed and rests on factual error. (TURN, pp.10-16) As explained in its Opening Comments (p.9), PG&E

defers to the Commission with regard to its policy decision to spread some portion of the opt-out costs among all customers. PG&E renews its request, however, that the Commission reverse the PD's elimination of an initial fee for CARE and FERA customers for this elective program, and adopt a $20 initial fee for CARE and FERA in addition to the ongoing monthly fee.

F. PG&E Supports DRA's Proposal That Dual Commodity Opt-Out Customers Pay a Higher Initial Fee Than Single Commodity Opt-Out Customers

PG&E supports DRA's proposal for a higher initial fee for dual commodity customers ($110 for Non-CARE customers) compared to single commodity customers ($90 for Non-CARE customers) (DRA Comments, pp.6-9). Generally, a simpler fee structure will allow customers to more readily understand the SmartMeter™ Opt-Out Program and speed the implementation process. In this case, however, PG&E believes customers will find a fee structure that reflects the difference in the underlying initial implementation costs to be more equitable. PG&E further requests that, for revenue accounting purposes, the Commission affirm that the single commodity initial fee be charged to either electric or gas revenues depending on the customer's commodity and the dual commodity initial fee be allocated between electric and gas revenues using the customer factor adopted in PG&E's GRCs (currently at 55/45 electric/gas).

PG&E does not, however, support DRA's proposal that dual commodity customers be given a choice between selecting the Opt-Out option for one or both of their meters. This approach unnecessarily complicates the Program and would cause additional implementation costs -- which would also be borne by non-participants. DRA's arguments supporting their proposal rest solely on differences in radio frequency emissions between gas and electric meters, (See, DRA Comments, pp.6-7), while the PD makes clear that the "…alleged effect of RF emissions on health is not material to the resolution of this application." (PD, p.17). PG&E urges the Commission to reject DRA's proposal and retain the current approach where dual commodity customers participating in the Opt-Out Program opt-out for both their gas and electric meters. Alternatively, if the Commission adopts DRA's approach, the PD should also be modified to clarify that, should customers initially elect to only opt-out of one commodity but later decide to opt-out of the second commodity, they would be charged a second initial fee for the second commodity.

G. DRA's Proposal that the Delay List Should Be Extended Beyond the Final SmartMeter™ Opt-Out Decision is Illogical, Premature and Contrary to Law

The SmartMeter™ Delay List was intended as a short-term, interim measure pending CPUC approval of a SmartMeter™ Opt-Out Program. The Delay List provides an opportunity for customers who still have their analog meter to delay installation of a SmartMeter™ at their premises until the CPUC approves and PG&E is authorized to offer a choice to customers who do not want wireless SmartMeter™ technology installed at their premises. (*See, Assigned Commissioner's Ruling Concerning Customer Requests to Delay Installation of a Smart Meter*, issued September 21, 2011). Once the PD on PG&E's SmartMeter™ Opt-Out Program becomes a final decision, the rationale for the Delay List ceases to exist. As PG&E stated in its Opening Comments, after the Opt-Out Program is approved, PG&E will notify all customers on the Delay List and give them an opportunity to sign up to opt-out of the standard wireless SmartMeter™ installation. Once a customer has the ability to choose to opt-out, there is no reason to hold open the Delay List.

Further, continuation of the Delay List beyond a final decision would lead to continued uncertainty and customer confusion. PG&E filed its SmartMeter™ Opt-Out proposal in March 2011 in an effort to address customer concerns regarding wireless SmartMeter™ technology. Currently, the SmartMeter™ Program and opt-out is clouded with uncertainty. The CPUC's final SmartMeter™ Opt-Out Program decision will bring clarity to customers and allow customers and PG&E to end the prolonged "holding pattern" that is the Delay List. DRA's recommendation to unnecessarily extend the Delay List would essentially signal to customers that the uncertainty continues. Customers will not benefit from continued uncertainty, delay and confusion. PG&E wants to provide its customers a definitive resolution on a SmartMeter™ opt-out. DRA's proposal to extend the Delay List would completely undermine the CPUC-approved SmartMeter™ opt-out alternative(s).

DRA's speculation about a potential Application for Rehearing is premature and contrary to law. It is misguided for DRA to request that the CPUC effectively stay its own final opt-out decision (by maintaining the Delay List) based solely on speculation that an Application for Rehearing may be filed. Moreover, even if an Application for Rehearing is filed, the filing of the rehearing request does not excuse a party from complying with a final decision unless the Commission orders otherwise. Public Utilities Code Section 1735 states: "An application for rehearing shall not excuse any corporation or person from complying with and obeying any order or decision, or any requirement of any order or decision of the commission theretofore made, or operate in any manner to stay or postpone the enforcement thereof, except in such cases and upon such terms as the commission by order directs." Based on Section 1735, the Commission has discretion to stay a final Commission decision after an Application for Rehearing is filed. (See, D.11-11-020). DRA cites no legal basis (or logical reason) for the CPUC to speculate about whether a party will file an Application for Rehearing, and to further speculate that such party will also request a stay of the Delay List closure process pending resolution of the rehearing Application. DRA's request that the CPUC prejudge legal pleadings that have not been filed (and may never be filed) is misguided and should be ignored. Further, if the CPUC approves both an analog meter option and a radio-off option as supported here by PG&E, DRA's Delay List issue may become moot.

III. CONCLUSION

Pacific Gas and Electric Company is privileged to serve a diverse set of customers and wants to implement a SmartMeter™ Opt-Out Program that will address the concerns of those customers who do not want wireless SmartMeter™ technology. After careful review and evaluation of Opening Comments filed by parties, and letters and other communications from customers, PG&E has received the very clear message that some customers will only be satisfied with an analog meter option. PG&E respects this choice by its customers. Although PG&E continues to believe in the benefits of SmartMeter™ technology, PG&E understands that some customers do not want their individual meters to participate in the technology advancements encapsulated in the wireless SmartMeter™ mesh network. PG&E respects this customer choice and encourages the Commission to authorize PG&E to offer an analog meter, in addition to the radio-off meter, as the SmartMeter™ opt-out alternatives available to individual, residential electric and gas customers.

PG&E also urges the Commission to adopt PG&E's balancing account cost recovery proposal as described in its Application, supporting Testimony and Opening Comments.

PG&E looks forward to a final decision which will allow it to effectively complete its SmartMeter™ deployment while offering a choice of opt-out alternatives – i.e., analog or radio-off – for those customers who do not want their individual meters to be part of the wireless mesh network.

Respectfully Submitted,
ANN H. KIM
CHONDA J. NWAMU

By: /s/
CHONDA J. NWAMU

Pacific Gas and Electric Company
77 Beale Street, B30A
San Francisco, CA 94105
Telephone: (415) 973-6650
Facsimile: (415) 973-0516
E-Mail: CJN3@pge.com
Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: December 19, 2011