
Testimony of The Utility Reform Network in the Smart Meter Opt Out Program Phase 2 of PG&E, SCE, SDG&E, and SoCalGas

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I. Introduction

This testimony is sponsored by Jeffrey A. Nahigian, Senior Economist with JBS energy, Inc., on behalf of The Utility Reform network (TURN). Mr. Nahigian has over 25 years of experience analyzing electric and gas utility issues and has appeared before this Commission on numerous occasions. His qualifications are included with this testimony as Attachment A.

In this testimony, TURN addresses the proposed SmartMeter Opt-Out Programs (SOP or SOPs) of Pacific Gas and Electric (PG&E), Southern California Edison (Edison), San Diego Gas and Electric (SDG&E) and Southern California Gas Company (SoCalGas). TURN's analysis of the IOU's SOPs has been limited by resources and therefore we have focused on the areas of testimony that have the most effect on utility ratepayers.

A large portion of this testimony analyzes and discusses PG&E's proposed SOP which proposes to charge the vast majority of its opt out costs to its overall body of ratepayers. TURN also makes a number of adjustments to Edison's proposed SOP costs. Finally, TURN provides its policy recommendations on treatment and allocation of SOP costs and provides additional recommendations to reduce opt out costs as well as its comments on the Sempra Utilities' SOP proposals.

A. Utility Cost Proposals

TURN provides the following table that reports the utilities' various SOP proposals, their forecast of SOP participants, and their forecast of costs per participant.

Table 1: Forecast of Utility SOP Costs and Partipants

	Total Cost	Estimated Customers	Cost per Customer
PG&E	\$ 43,109,954	54,000	\$ 798
Edison	\$ 20,989,000	25,055	\$ 838
SDG&E	\$ 1,474,755	3,000	\$ 492
SoCalGas	unknown	32,000	unknown

II. TURN's Evaluation of PG&E and SCE Opt-Out Costs and Charges

A. *PG&E Proposal to Allocate SmartMeter Opt Out Costs*

PG&E forecasts that it will cost over \$43.11 million in capital and expense to implement its SOP for 54,000 participants in 2012 and 2013. PG&E's SOP forecast is, by far, the most expensive of any of the investor owned utilities (IOUs), with Edison coming in a distant second place with a 2012-2014 forecast of \$20.989 million in capital and expense to serve a forecast of 25,055 SOP participants.

Unlike the Sempra utilities or Edison, PG&E proposes to allocate the vast majority of its SOP costs to its general body of ratepayers. PG&E's SOP expenditures translate into revenue requirements of \$16.030 million for 2012-2013. PG&E forecasts that it will receive \$7.736 million in additional revenues from SOP participants during 2012-2013 – resulting in net revenues of \$8.294 million it intends to charge its remaining body of ratepayers (PG&E, Chapter 6, Table 6-1, p. 6-2).

While PG&E has forecast more SOP costs than the rest of the utilities combined, it has also chosen not to apply these costs to its proposed SOP fees, but to maintain the current generic interim opt out fees adopted by the Commission. The result of these two conditions is to then charge ratepayers \$8.3 million over 2012-20313. TURN strongly opposes both PG&E's cost forecast as well as its suggestion to charge its body of ratepayers for the net costs of SOP that are not recovered in opt out fees.

In the next sections TURN provides its recommendations for adjusting a number of PG&E's proposed SOP costs. Some of the adjustments to PG&E's forecast of SOP costs are based on TURN's belief that many of these costs are not incremental to the utility. TURN does not dispute that some of the SOP costs are "new" costs, but contends that just because a cost is new to the utility, does not necessarily translate into an incremental cost that deserves incremental ratepayer funding. TURN also adjusts some of PG&E's proposed costs to ensure that PG&E is not using this application to fund other programs that already have a separate funding mechanism, such as PG&E's Smart Meter program that is still subject to the cost limitations authorized in Dec. 06-07-027 and Dec. 09-03-026.

Finally, TURN makes a number of adjustments to PG&E's proposed cost forecast based on a review of PG&E's SOP workpapers.

1. Customer Operations Support

PG&E forecasts that it will spend \$8.749 million on customer operations support to serve 54,000 opt out customers over 2012-2013. Activities are divided into a) Customer Communications (\$1.523 million), b) Customer Inquiries (\$1.240 million), Billing Operations (\$2.663 million), and Program Management (\$3.323 million). On a per customer basis, PG&E forecasts it will cost \$162/customer just to provide customer support activities.

Customer operations support costs are an example of an overall problem with the utilities' various cost forecasts. In general, the cost requests are based on the premise that a new cost is an incremental cost. TURN agrees that SOP costs are new to the utility because the program is new. However, some of the costs forecast in these applications are the same types of costs the utility incurs every day to serve its customers. For instance, costs for customer inquiries, customer notifications and billing operations are routine costs for the utilities. The important question to answer is "are the costs that form the basis of the current rates sufficient to cover the SOP costs being forecast in this proceeding?" For instance, if a utility forecasts that it will cost \$100 million in a GRC to provide customer inquiry services to customers, then forecasts that it will cost an additional \$10 million to provide those same services to SOP customers--then records only \$80 million for those functions-- the SOP are not truly incremental costs and the utility has the ability to recover both the GRC and SOP costs in existing rates. TURN has made this finding in a number of cases for both PG&E and Edison.

a. Customer Communications

This account covers PG&E's costs for communicating information about the SOP to customers. PG&E requests recovery of \$1.524 million over 2012-2013 (\$28.21/customer). PG&E recorded \$1.382 million of these costs in the first six months of 2012 (91% of the costs). The main cost driver in this period was mailing certified letters to customers on the Extended Delay List. PG&E workpapers show that activity cost PG&E \$1.140 million – an extraordinarily costly task. TURN notes that sending certified letters was

done as the result of a Commission order.¹ The other tasks included in Customer Communications providing a) door hangers, b) printing up FAQ (frequently asked questions) sheets, and c) mailing future Opt Out letters (PG&E WP 2-2).

With the exception of the certified letter mailings (ordered by the Commission) these costs are typical customer communications costs that would be booked to PG&E's Customer Engagement Department.² To evaluate the incremental nature of these costs it is helpful to understand how much money PG&E has in current rates to fund these activities, relative its recorded costs.

In its 2011 GRC (A.09-12-020) PG&E forecast that it would cost over \$68.50 million for PG&E to undertake and complete all of its 2011 customer engagement activities (Workpapers supporting PG&E-4, Ch. 4, p. 4-1a, included as Attachment B).

PG&E recently filed its notice of intent (NOI) to file its Test Year 2014 general rate case. That filing provides all of PG&E's recorded costs for 2011. Those recorded costs indicate that PG&E only spent about ¼ of its forecast budget on customer care activities.

Attachment C to this testimony is a compilation of PG&E's 2014 NOI testimony that describes its 2011 recorded costs for customer care activities.³ The sum of all of the 2011 recorded costs for MWC EZ amounts to mere \$17.424 million versus PG&E's 2011 forecast of \$68.305 million – **a difference of over \$51.0 million!**⁴

Clearly, PG&E has sufficient funds in rates to cover the new costs of communicating with customers on its opt-out program. Its request for even more funding to communicate with potential opt-out customers is not incremental and therefore should be denied with the following exception. As stated, the largest component of Customer

¹ Workpapers (WP 2-2) explains that certified letters were sent only in February which recorded \$796,250 to this task. The remaining \$343,448 was spent in March through June 2012. PG&E workpapers include a note about subsequent freight handling charges, but the workpapers are unclear on whether there are other costs included within this category.

² Customer Engagement activities are analogous to Customer Services and Information (CS&I). These activities engage and communicate with industrial, agricultural, commercial, and residential customers.

³ PG&E books its costs for customer care expenses to its major work category (MWC) EZ.

⁴ PG&E's 2011 GRC was decided in a settlement that was adopted by the Commission in D. 11-05-018. That settlement essentially authorized PG&E's original 2011 request for \$68.508 million.

Communications costs is the costs of mailing the certified letters that were ordered by the Commission. PG&E pegs these costs at \$1.14 million over a four month period. However, PG&E's workpapers indicate that the certified letters were mailed in February 2012, the month that PG&E's workpapers indicate that it spent \$796,250 complying with this Commission directive. TURN does not oppose this particular expense because it was caused by a Commission directive. Therefore, TURN recommends that the Commission authorize only this amount (\$796,250) for opt-out customer communications costs. The Commission should reduce PG&E's opt out cost forecast by \$727,309.

b. Customer Inquiries and Enrollments

PG&E requests cost recovery of \$1,239,604 for its SOP related customer inquiries expenses (Table 2-1, p. 2-2). PG&E states that its request is based on only the actual incremental costs it incurred through June 2012 (PG&E, p. 2-7). PG&E's actual recorded customer inquiries costs as of June 2012 were \$1,149,604 (WP, 2-2) – not the \$1,239,604 reported in PG&E's cost request (PG&E, Table 2-1, p. 2-2). PG&E's workpaper indicate it forecasts an additional \$90,000 in costs for July 2012 to the end of 2013.

The Commission should deny PG&E's entire request for recovery of customer inquiry costs. PG&E has not sufficiently demonstrated that these costs are incremental costs that cannot be paid for by the costs contained in PG&E's existing rates. TURN admits these costs are associated with a new program and tariff adopted by the Commission. However, when the utility files its forecast test year, it routinely forecasts increased expenses for both known and unknown future regulatory actions. For instance, its current 2014 NOI asks an additional \$1.6 mm/year to add another two hours per month training for its 1,020 customer service representatives (CSR) to train them to deal with increasing call topics such as SmartMeter devices, credit policies and other complex topics (2014 NOI, PG&E-5, p. 2-9 – included as Attachment D).

PG&E has also not sufficiently demonstrated the costs of SOP customer inquiry and enrollments cannot be covered by existing rates. PG&E claims it only wants recorded cost recovery and not future cost recovery because future call volumes will drop off

(PG&E, 2-7).⁵ Thus PG&E only classifies this cost as incremental due to the actual volume of calls and not the nature or subject of the calls. TURN agrees that the subject and nature of these calls is not incremental. However, TURN disagrees that the volume levels cited by PG&E constitute an incremental cost. The cost and volume of these calls is well within any forecasting error and can be paid for within existing rates.

PG&E's opt-out customer inquiry workpapers do not provide the numbers of calls or the type of communication used in those calls (i.e., CSR handled call, automated call (IVR), e-mail, other). However, using information from PG&E's 2011 GRC and 2014 NOI we can approximate the number of calls contained in PG&E's opt-out workpapers to consider whether the volume of calls forecast in this proceeding are sufficient to classify them as incremental. TURN finds that they are not.

Using recorded data on the number and costs of CSR calls, we have calculated some statistics to demonstrate that even the greater number of calls fielded in the February-June recorded period are well within the call volumes PG&E considered in its TY 2011 GRC.

PG&E's 2014 NOI workpapers show that PG&E's customer service representatives (CSR) fielded 9.505 million calls in 2011. That results in an equivalent monthly average of 792,132 CSR-handled calls in 2011 (PG&E 2014 NOI, PG&E-5, p. 2-15 and 2-16, included as Attachment E). Those workpapers indicate that 51% of the calls received in 2011 were handled by CSRs at an average cost of \$8.76/CSR-handled call. TURN then calculated total costs for the SOP calls in the recorded period of February through June 2012 (\$774,992). Given that 51% of the calls PG&E received in 2011 were handled by CSRs, TURN similarly assumed that 51% of the total SOP costs were associated with CSR-handled calls (\$394,050). TURN then backed into the number of calls per month using PG&E's recorded average cost per CSR-handled call of \$8.76/call. This resulted in approximately 44,938 SOP-related calls handled by CSRs. TURN then used PG&E's recorded costs for February through June 2012 to spread the number of CSR-handled calls to those months in the same manner as PG&E allocated the costs.

⁵ Although as stated, PG&E does request its forecast customer inquiries costs.

The result shows that the number of customer inquires calls received for SOP related calls constitute less than 0.5% of the total annual CSR-handled calls for 2011. That figure was derived by dividing the number of opt-out CSR-handled calls calculated for 2012 (44,938) against the number of 2011 recorded CSR-handled calls contained in PG&E's 2014 NOI workpapers (9.505 million calls). This very small number of additional SOP calls falls well within any forecasting error contained in PG&E's 2011 GRC forecast.

Indeed, PG&E's 2011 GRC forecast of the number of CSR-handled calls in test year 2011 turned out to be considerably higher than the number of calls it actually recorded it handled in 2011. Attachment E shows that PG&E recorded 9.505 million CSR handled calls in 2011. In the test year 2011 general rate case, PG&E forecast that it would receive over a 1.14 million more CSR-handled calls – or 10.645 million calls in 2011 – than it actually received (Attachment F). At PG&E's recorded average cost per CSR-handled call (\$8.76/call), that's a savings of \$9.986 million. This is more than enough money to accommodate PG&E's SOP customer inquiry costs.

c. Program Management

PG&E requests cost recovery for \$3.323 million in project management costs (PMO) for the entire SOP project.⁶ PG&E calculates its PMO costs as equally split between capital and expense on the same basis as its annual request for capital and expense. PG&E claims that it estimated the costs for PMO activities using the average actual costs incurred in the first months (it does not say which months or how many months) of program operations and holding this amount constant throughout the end of 2013 (PG&E, p. 2-9 and 2-10).

TURN's primary recommendation is that the Commission deny PG&E's request for PMO costs in its entirety. PG&E has not demonstrated that the costs for these activities cannot be paid for in existing rates, similar to its customer inquiry and engagement activities. Furthermore, PG&E has failed to demonstrate the reasonableness of any project management costs or its forecast of those costs. PG&E claims that it merely

⁶ While PG&E included its request for PMO cost recovery as a sub-section in its chapter discussing Customer Support activities, its proposed PMO costs are associated with the entire SOP project.

calculated an average monthly costs from recorded costs in the first months of the program and held that figure constant (Id).

That constant figure in 2012 is \$148,000 per month, but it is not derived as an average of February through June or even February through May 2012 monthly costs. That \$148,000 figure in workpapers is calculated as the sum of \$65,000, \$21,000, and \$62,000 (WP 2-4, Cell H10). PG&E did not provide any explanation as to what these costs represent, where they came from, or how they were derived. The total figure of \$148,000 per month then becomes PG&E's "forecast" of PMO costs over the next thirteen months. PG&E provides no explanation as to why PMO costs should remain constant during 2012-2013 when the vast majority of costs, activities, and SOP enrollments have already occurred. PG&E basically assumes it will have the same monthly PMO costs for a program that signs up somewhere between 7,000 and 8,000 customers a month as it does for a program that signs up 500 customers per month.

In addition, PG&E's allocation of costs between capital and expense is arbitrary at best, using the same percentage-split of capital and expense as that requested in 2012 and 2013 for the entire SOP program. The Commission should reject PG&E's request for PMO funding because a) PG&E has not demonstrated that these costs are truly incremental, b) PG&E's calculation of its PMO expenses is inconsistent with its testimony, and c) PG&E's costs are inadequately explained.

In contrast, Edison's SOP proposal forecasts a total of \$440,000 for project management for a three-year period (averaged at \$146,000 per year), compared to PG&E's request for \$3.323 million for two years of program management. This is a more reasonable level of program management costs than those proposed by PG&E. Therefore, if the Commission does not entirely reject PG&E's program management costs, it should apply Edison's average annual PMO costs of \$146,000 to PG&E's 2-year program for a PMO budget no greater than \$292,000 over 2012-2013.

2. Meter Exchange and Meter Purchase Costs

PG&E forecasts that it will have to spend \$17.118 million to both purchase and exchange meters for its SOP (PG&E workpaper 3-2 and 3-3). Meter exchange costs for 2012-2013 are \$14.665 million (WP 3-3) and meter purchase costs (WP 3-2) are forecast at \$2.45

million. TURN discusses its adjustments to these proposed costs in the following sections.

a. PG&E Inappropriately Attempts to Book Costs for Completing its SmartMeter Deployment as an Opt Out Cost

PG&E explains that meter exchange costs includes the capital costs to travel to the customers' premises, remove the SmartMeters at that premise, and install a newly-purchased analog meter. Meter exchange costs also include the cost for PG&E to "make a field visit to a customer's residence for purposes of installing a SmartMeter and the customer does not provide reasonable access to PG&E to install a SmartMeter after being provided notice of eligibility for service under this Opt Out program and not electing to opt-out" (PG&E, p. 3-5). This category of cost also includes the cost to remove analog meters and replace them with SmartMeters at residences after a SOP customer has moved from the residence.

PG&E forecasts total meter exchange costs of \$14.507 million. TURN recommends reducing PG&E's forecast by \$11.45 million. TURN proposes this reduction because it believes PG&E is inappropriately attempting to book SmartMeter deployment costs to SmartMeter Opt-Out Program (SOP).

PG&E's workpapers show that the utility intends to book its future unable to complete (UTC) meter installation costs-- normally booked to the SmartMeter Balancing account -- to its SOP beginning in July 2012.

"Remaining UTCs to be attempted via the SOP 7/1/12 [through] 12/3/13" (WP 3-3 and 3-2, cell B24).

PG&E's workpapers reveal that PG&E intends on booking the costs to drive by 250,000 UTC meter sites to the SOP at a unit cost of \$44/per site. Most of these UTC sites are not potential SOP participants, but are associated with the last, most difficult, sites for PG&E to access. UTC meter installations have been a major stumbling block to completing PG&E's SmartMeter deployment and are caused as much, if not more, by non-standard meter configurations, installation difficulties in heavy urban areas, and hard-to-reach rural areas. UTC meter installations are caused by a multitude of factors not related to customer access refusals.

Attachment G provides PG&E's last monthly report from its Smartmeter Steering Committee. That report discusses the remaining challenges PG&E faces in completing its deployment. Chief among those challenges are completing UTCs meter sites that entail "difficult to complete" meter installations due to non-standard meter configurations in heavy urban areas. The following quote is from PG&E's section concerning remaining challenges to deployment completion.

- Mass deployment nearly complete. Remaining meter installs in less concentrated geographic areas.
- Field Deployment team addressing less common meter types, customized solutions and final installations in areas containing meters left to exchange.
- Increase number of Unable-To-Complete meters due to non-standard meter installations in heavy urban areas (SF) and access refusals related to Customer Choice.

(PG&E Monthly SmartMeter Steering Committee Report to the CPUC, July 2012, p. 4).

Thus, few UTC sites are associated with opt out customers. Most of those UTCs are the result of technical difficulties in completing "non-standard" meter configurations, usually located in heavy urban areas and are a cost of SmartMeter deployment and not the SOP.

On the same page of the July monthly report, PG&E hints that it has "revised its process for addressing SmartMeter installations and UTCs" (Ibid). In what might be termed the "response" to the challenges section listed in the bullets above, PG&E discusses its intended actions to address the challenges of completing its SmartMeter deployment.

- Continuing to complete requests for opt-outs in a timely manner
- Revised process is being implemented to address remaining SmartMeter installations and UTCs.
- Term Sheet and 2012-2013 Schedule in place with installation contractor. Remaining meters were released as of July 2, 2012.

The second and third bullet points are extremely important in evaluating PG&E's SmartMeter Opt-Out Request. Viewed in a vacuum, these bullet points look innocent enough. PG&E is merely revising its plan to finally complete its SmartMeter deployment. However, when viewed in the context of its workpapers in this proceeding,

it is clear that PG&E intends on booking costs to the SOP budget for completing its SmartMeter deployment **that should only be funded through the mechanisms in Dec. 06-07-027 and Dec. 09-03-026.** PG&E is inappropriately attempting to book costs that should only be booked to the SmartMeter balancing account to its proposed SOP costs. The Commission should deny PG&E's attempts here and provide a strong warning to the utility that it will not condone this type of behavior.

The reason that PG&E is attempting to use SOP to complete its SmartMeter deployment is simple. PG&E has spent its entire budget for this project. In its last semi-annual report to the CPUC on its SmartMeter program, PG&E reports that its Board of Directors has authorized \$39.0 million in shareholder funds to complete its deployment. It also reports that it may incur additional costs to complete the project above this \$39.0 million in shareholder funds (Twelfth Semi-Annual Report to the CPUC on the Status of its SmartMeter Deployment, p. 4, also included in Attachment H).

b. TURN's Adjustments to PG&E's Meter Exchange Costs

PG&E's proposed meter exchange costs are calculated as a combination of recorded costs for February through June 2012 and forecast costs for August 2012 through the end of 2013. The six months of recorded costs are hard-wired values in PG&E workpapers, while the seventeen month forecast is based on a formula. Half of the forecast formula calculates the monthly costs for Wellington Electric (PG&E's SmartMeter installation vendor) to drive to 250,000 UTC meters during the forecast period. The other half of the formula calculates PG&E's monthly installations costs for actually changing out 8,037 electric and 6,576 gas meters for the forecast period (WP 3-3).

The Commission should not authorize any SOP cost forecast that includes costs that should be booked as a SmartMeter deployment cost. The costs to pay PG&E's vendor to drive by 250,000 UTC sites should be only booked to the SmartMeter balancing account. That adjustment reduces PG&E's total meter exchange costs from \$14.507 million (TURN did not remove electric analog meter testing costs) to \$3.507 million.

While PG&E claims that it based its forecast of costs on its recorded unit costs for meter exchanges, PG&E never provided information (in testimony or workpapers) on the actual number of meters it exchanged during the recorded period. Thus, it is impossible for TURN to verify PG&E's claim without further discovery. In the event that TURN

does obtain this recorded unit cost information, it reserves the right to update its recommendations for PG&E's meter exchange costs at that time.

3. Meter Purchase Costs

PG&E forecast that it will spend \$1.741 million to purchase analog meters to install at opt out customer premises. TURN's primary recommendation is for the Commission to exclude this entire amount from PG&E's proposed SOP costs. PG&E had ample notification that it may need to use some of the analog meters it changed out through the SmartMeter deployment. Indeed, PG&E touts its "careful planning" (PG&E Chapter 1, p. 1-2) for the SOP and how it formed a committee to deal with this program as of October 2011. Unfortunately, PG&E's careful planning failed to save analog meters for SmartMeter Opt-Out customers, despite the fact that it was installing (replacing electric analog meters), on a weekly basis, between 30,000 and 40,000 SmartMeters (PG&E September 2011 Smartmeter Report to the Commission, p. 6). Despite touting its own planning efforts, PG&E's proposal to give away and not reuse analog meters for its SOP participants is unreasonable and imprudent. The Commission should summarily deny PG&E's request to purchase additional analog meters.

Oddly, while PG&E workpapers indicate it will only purchase 4018 electric analog meters and 3,288 gas analog meters⁷, its response to DRA discovery indicates that PG&E has already purchased ten times the number of electric analog meters and twice the number of gas analog meters it forecast it would purchase in workpapers (WP 3-2).

In response to DRA data request #3-5 (Attachment I), PG&E amazingly reports that as of July 2012, it had purchased 49,488 electric meters and 6,240 gas meters. Amazingly, PG&E was asked to explain its forecast of analog purchases, and it referred to the exact cells in its workpapers (WP 3-2) that report it intends on purchasing only 4,018 electric analog meter purchases and 3,288 gas analog meter purchases – in the same paragraph that it explains it's purchased close to 54,000 electric and gas analog meters.

PG&E's request for cost recovery of its meter purchases should be denied by the Commission. PG&E did not adequately plan to save and reuse its analog meters as did

⁷ PG&E forecasts that electric analog meters cost \$28/meter and gas analog meters cost \$60/meter.

the other utilities. PG&E's cost request is based on purchasing ten times the number of electric analog meters (49, 488) than it forecasts it will need (4,018) and twice the number of gas analog meters (6,240) than it forecast (3,288).

If the Commission disagrees with TURN's recommendation and decides to fund PG&E's proposed meter purchases, it should limit those costs to the volume of meters and meter purchase prices contained in PG&E's workpapers (PG&E 3-2). That amounts to total meter purchase costs of \$309,785.

4. Information Technology Costs

PG&E requests a total of \$10.351 million in capital and expense to fund its proposed SOP information technology (IT). It asks for \$4.270 million in Customer Support IT, \$5.531 million for Network IT, and \$550,000 to upgrade its hand-held meter reading devices. TURN discusses its recommendations for each of these activities below.

a. Customer Operations Support IT

PG&E requests a total of \$4.270 million for Customer Operations Support IT. The project is broken into two phases. The first phase would fund automation of rates and billing functions for SOP participants and cost \$1.515 million. The second phase would automate the field work and enrollment process for SOP participants. TURN does not oppose the first phase of this IT project, but does oppose funding second phase of this project.

On September 5, 2012 PG&E had a meeting with members of the Division of Ratepayer Advocates (DRA), Aglet, and TURN to allow PG&E to explain its workpapers. In that meeting, PG&E explained that it had embedded cost savings from Phase I (PG&E, Table 4-3, p. 4-7) of its Customer Support Operations IT project into its billing operations workpapers (WP2-3). In particular, PG&E explained that it had embedded a cost savings resulting from its Phase I IT project (automated billing) in its billing workpapers. That savings was shown as a reduction in billing costs of \$175,000/month in November 2012 to \$59,536/month in December 2012, which equates to a forecast of \$115,464/month bill calculation savings. PG&E appears to have adequately demonstrated that its proposed Customer Support Operations IT project will result in tangible savings to ratepayers.

On the other hand, Phase II of this Customer Support Operations IT project shows no savings. There is no discussion of operational savings from this Phase of its IT program, and no record in either testimony or workpapers indicating any savings.

PG&E proposal to invest \$2.568 million to automate future enrollment for future SOP customers is a classic case of “closing the barn door after the horse has escaped”. The vast majority of all customer SOP enrollments – for all of the utilities – have already occurred. During the recorded period (February through May 2012) PG&E was enrolling between 6,000 and 8,000 customers a month. In June 2012, PG&E added a mere 464 customers (WP 1-3) and forecast similar monthly enrollment figures throughout the remainder of 2013. After June 2012, PG&E forecast a limited number of additional Opt-Out enrollees. Because the volume of future enrollees is so limited, it makes little sense to spend over \$2.6 million to automate the enrollment and field dispatch activities.

Had PG&E provided any level of operational savings with its Phase II IT request, TURN would consider it in the same manner it evaluated PG&E’s Phase I project.

Unfortunately, there are not observable and tangible savings associated with this IT project. Thus, PG&E has not provided the Commission with the necessary burden of proof that this investment is reasonable. The Commission should reduce PG&E’s request by \$2.568 million.

b. Network IT

PG&E forecasts that it will need to spend \$5.531 million to enhance its mesh network and ensure that the system’s communication capabilities are maintained. PG&E’s SmartMeter system is based on a mesh technology that uses both meters and other communicating devices to ensure data is properly transferred back to PG&E. Because SmartMeters also serve as potential communicating devices, when they are replaced by analog meters, it is possible that new communication devices must be installed to maintain the communications link.

TURN understands and appreciates the need to ensure that the SmartMeter system maintains its communications capabilities and does not oppose funding devices that are found to be necessary and used and useful to the system.

However, given PG&E's attempts to book costs to this program that should properly be booked to the SmartMeter balancing account, TURN is hesitant to support PG&E's IT Network funding request. Dealing with the mesh network and ensuring a seamless communication channel for the SmartMeter deployment is still an important and outstanding issue, regardless of SOP issues. PG&E still has a large number of outstanding unable to complete meters that have nothing to do with SOP participants. They entail non-standard meter configurations, heavily populated areas, as well as the meters in outlying rural areas – all of which have the potential for communications difficulties and the need for additional network nodes.

In its July 2012 Executive Steering Committee Report to the Commission (p. 4), PG&E describes its status working on completing the SmartMeter network.

- Initial design cope of the electric network is complete
- Whether additional electric network is necessary is subject to ongoing review, particularly in light of customers opting out of SmartMeter Program.
- Tracking opt-outs to assess impacts on network.
- Working with technology supplier and internal stakeholders to address network coverage in “hard-to-reach” areas.

PG&E's report indicates that some network coverage issues are caused by its SOP participants. TURN understands this. However, PG&E also acknowledges that network and communication issues are not solely caused by the SOP, but also impacted by other causes unrelated to SOP participation. As shown in the fourth bullet (above) PG&E has an outstanding communication issue related to meters in “hard to reach” areas. PG&E reports that it is still working with its technology supplier to solve this problem, which indicates that it is still working on a final solution to this problem.

The Commission should understand that, while its network communication problems are partially caused by opt out participants, PG&E's network communication problems are also driven by conditions in “hard to reach” areas, where a final technological solution must still be devised. Thus, PG&E has two causes of network communication problems, with each of the causes or conditions being funded in separate accounts (i.e., SmartMeter Balancing Account and SmartMeter Opt-Out Account).

Given that PG&E has already spent its entire SmartMeter Budget (and contingency) and is completing its meter deployment with shareholder funds, it is vital that the Commission establish a strong demarcation that ensures PG&E does not use SmartMeter Opt-Out funding to mitigate network communication problems caused by the SmartMeter System in general.

Because of this concern, the Commission should not adopt any forecast of PG&E's Network IT costs. It should instead, order PG&E to record its costs of IT Network costs over 2012-2013 and include an audit of the hours spent engineering these Network solutions, the number of nodes or other communication devices installed and a demonstration that both the engineering and device costs were only necessary to implement the SOP and not the SmartMeter Program generally. PG&E should provide that information in its impending 2014 general rate case for intervening parties' and the Commission's evaluation.

c. Meter Reading Devices

PG&E requests \$550,000 to purchase 350 new Itron hand-held meter reading devices, the same number of docking stations, and software. PG&E forecasts that it will cost \$1.10 million in all for this capital purchase, and that it intends on requesting half of the cost recovery in this proceeding and the other half in its upcoming 2014 general rate case (PG&E Chapter 4, pp. 4-10 and 4-11). TURN recommends that PG&E's entire request be considered in the general rate case to ensure a consistent and more thorough evaluation of these costs

It is always more difficult for outside parties and the Commission to evaluate "identical" utility cost recovery requests in two separate forums. This leads to both regulatory inefficiencies, duplications, and in some cases obfuscation. PG&E's request to split its recovery of meter reading devices is a good example of this problem.

In general rate cases, utilities that request recovery for capital projects that cost more than \$1.0 million are required to explain, document, and provide supporting explanations and data justifying that request. Capital projects that cost less than \$1.0 million are not held to this higher regulatory scrutiny. Less expensive capital projects are normally bundled together in "blanket" accounts with other projects that cost less than \$1.0 million. PG&E's request to recover half of its capital costs for handheld meter

reading devices would do just that. It would lump the \$550,000 capital request with other less expensive projects and avoid the greater scrutiny associated with evaluating capital projects' costing \$1.0 million or more.

Indeed, TURN has been evaluating PG&E's NOI since it's filing in July 2012 and has used some of that information in this proceeding. The Commission should know that there is no mention in PG&E's NOI testimony or workpapers of handheld meter reading devices, confirming TURN's concerns.

With regard to PG&E's cost recovery request in this proceeding, TURN notes that PG&E's workpapers are based on unreasonable assumptions concerning the number of devices PG&E's "needs". PG&E proposes to buy 350 devices, 350 docking units, as well as associated software (WP 4-8). PG&E forecasts a total of 54,000 SOP customers, which translates into 1 meter reader for every 154 opt out customers – translating into a rate of seven meter reads per day (based on twenty weekdays in a month). This is not a credible assumption. Further adding to this inconsistent showing is the fact that PG&E's NOI assumes that it will retain 196 meter readers in 2014 (Attachment J) – a far cry from the 350 meter readers assumed in this proceeding.

It is exactly these types of inconsistencies that the Commission and intervening parties need to avoid in ensuring that the Commission's regulatory responsibilities are achieved. Therefore, PG&E's request for cost recovery of its proposed purchase of handheld meter reading devices should be evaluated in its upcoming 2014 general rate case proceeding.

Table 2 below provides a comparison between PG&E's proposed SOP costs and TURN's proposed SOP costs.

Table 2 PG&E and TURN Proposed SOP Costs

2012-2013	PG&E	TURN
Customer Communications		
Expense	\$ 1,523,559	\$ -
Capital		
Customer Inquires		
Expense	\$ 1,239,604	\$ -
Capital		
Billing Operations		
Expense	\$ 2,663,203	\$ 2,663,203
Capital		
Program Management		
Expense	\$ 1,082,247	\$ -
Capital	\$ 2,240,928	
Meter Purchases		
Expense		
Capital	\$ 1,741,326	\$ 309,785
Gas Module Removal		
Expense		
Capital	\$ 711,101	\$ 711,101
Meter Exchanges		
Expense	\$ 158,000	\$ 158,000
Capital	\$ 14,517,448	\$ 3,507,000
Meter Reading		
Expense	\$ 6,881,469	\$ 6,881,469
Capital		
Customer Operations Support IT		
Expense	\$ 186,871	\$ 186,871
Capital	\$ 4,083,444	\$ 1,515,501
Network IT		
Expense	\$ 270,000	\$ -
Capital	\$ 5,260,753	\$ -
Meter Reading Devices		
Expense		
Capital	\$ 550,000	\$ -
Total	\$ 43,109,953	\$ 15,932,930

B. Southern California Edison's SOP Proposal

1. Hand Held Meter Purchases

Edison requests recovery of \$1.026 million to replace and upgrade its inventory of handheld meter reading devices (Attachment K). Edison's testimony does not describe either a) the request itself or b) an explanation of the reasonableness, prudence, or necessity of these costs. Edison's cost recovery request is unusually expensive on a per-unit basis and should be rejected. Finally, Edison already requested cost recovery for purchasing handheld meter reading devices in its 2012 general rate case application. Although the Commission has not issued a final decision on Edison's 2012 GRC, that is no reason for the utility to a) request cost recovery in this case and b) attempt to deceive the Commission by not informing that they had already requested cost recovery for these devices in another forum.

Edison explained its cost request in its 2012 GRC testimony.

In 2010, SCE's capital expenditure forecast is \$0.400 million to replace lost, stolen or damaged hand held devices. However, as the number of meter readers decreases with the deployment of Edison SmartConnect meters, we will have an adequate supply of handheld devices and therefore, our capital expenditure will reduce to \$0.100 million in 2011 and zero in 2012. In 2013 and 2014, the current Itron G5 handheld device will be obsolete and no longer supported. Itron's new handheld device will provide new technology to process meter reads from both optically and manually read meters. This is required for the approximately two percent of the existing meter population that will not be able to be read remotely and will require on-site reads. Therefore, in 2013, we will need \$0.300 million to procure 50 new handheld devices to support our 34 districts, and in 2014, we forecast expenditures of \$0.100 million for ongoing requirements. (SCE 2012 GRC, SCE-4, Vol. 4, Chapter 2, pp. 7-8, included as Attachment L).

This paragraph raises a number of issues the Commission should take note of. First, Edison is attempting to double charge or double recover these costs in this proceeding. Second, the unit costs implied in this paragraph are a) more reasonable than forecast in this proceeding but b) still more than double the unit cost reported by PG&E.

In this proceeding, Edison requests \$1.026 million to purchase handheld devices. The only mention or description of this request is contained in Edison's workpapers included as Attachment K (Edison WP, p. 16). Those workpapers explain that Edison

requests a total of \$637,500 in O&M expense and \$388,500 in capital over 2012-2014 for replacement of handheld meter reading hardware and software (totaling \$1.026 million).

In other SOP workpapers, Edison also forecasts that it will incur incremental meter reading costs based on the labor costs for 23.6 incremental full-time employees (FTE) (included as Attachment M). If we assume one device per meter reader, the unit cost request results in a cost of **\$43,458 per handheld meter reading device**. This is an unreasonable request and should be summarily rejected by the Commission.

Edison's GRC request also is based on unit costs that are considerably more expensive than that provided by other parties. Edison's GRC request states it will purchase 50 handheld devices for a total cost of \$300,000. That results in a unit cost of \$6,000 which is considerably higher than the unit costs reported by PG&E in its SOP application.

PG&E assumes the device will cost \$2,695/unit, its docking station \$190/unit, and associated software and implementation will cost another \$258/unit – a total of \$3,143/unit (PG&E WP, 4-8, included as Attachment N). PG&E's unit costs are more reasonable than what was presented by Edison in both this proceeding as well as its 2012 GRC testimony.

If the Commission decides not to summarily deny Edison's request for handheld devices, then TURN recommends the Commission adopt the following adjustment. TURN uses PG&E's total bundled handheld device unit cost of \$3,143/unit. We then multiply that figure by Edison's forecast of 23.6 meter readers hired to read SOP meters. That calculation results in a total cost of \$74,171. This is the maximum amount of cost the Commission should authorize Edison to recover for its proposed purchase of handheld meter reading devices.

Edison's workpapers indicate that its \$636,500 request results in a monthly fee of \$0.92/customer/month⁸ (Edison WP, p. 5). However, Edison's workpapers explaining its request for handheld devices show a total request of \$1.026 million (Edison workpaper, p. 16, Attachment K). If the total costs are actually \$1.026 million, then the

⁸ Edison's monthly fee is calculated by dividing the costs it classifies as "ongoing" by 690,026 meter reads.

monthly fee for this million-dollar request is \$1.489/customer/month. If Edison's workpaper on page 5 is correct and Edison's SOP fees are based on \$636,500 in costs, then Edison's monthly fee is \$0.92/customer/month. TURN's proposed \$74,171 cost for handheld devices equates to a \$0.107/customer/month charge. Thus the Commission should first clarify if Edison's requests \$1.206 million for handheld devices or \$637,500—to understand the correct number to adjust downward. In either case, any final SOP fee for purchase of handheld devices should be capped at a total cost of \$74,171 or \$0.107/customer/month.

2. Meter Reading

Edison forecasts that it will cost \$8.862 million to read meters for opt out customers over 2012-2014. Edison converts this cost to a \$12.84/customer/month opt out charge (\$8.862 million divided by 690,026 meter reads, Edison workpapers p. 5). Edison's charge for meter reading costs is quite high compared to PG&E's proposed \$5.00/customer/month and SDG&E's proposed \$8.54/customer/month meter reading charge. TURN does not accept Edison's meter reading cost and believe they are inflated relative to cost analysis it provided in its test year 2012 GRC (A. 11-11-007).

In its recent test year 2012 GRC forecast Edison reports it will still have to manually read close to 2% of its meters—even after its SmartConnect deployment is completed. Edison discusses this need in the section discussing its cost recovery request for handheld meter reading devices.

“Itron's new hand held device will provide new technology to process meter reads from both optically and manually read meters. This is required for the approximately two percent of the existing meter population that will not be able to be read remotely and will require on-site reads. Therefore, in 2013, we will need \$0.300 million to procure 50 new handheld devices to support our 34 districts and in 2014, we forecast expenditures of \$0.100 million for ongoing requirements (A. 11-11-007, SCE-4, V. 4, p. 8, included as Attachment L).

This quote establishes the fact that Edison assumes it will still have to read 2% of its meters after SmartConnect is fully deployed and that it will procure 50 handheld devices to do so. TURN assumes that Edison is buying one handheld device for per meter reader—resulting in the retention of 50 meter readers to read 2% of its remaining meters. Edison's test year 2012 GRC testimony indicates that traditionally it has read

approximately 5.0 million meters per month (A. 11-11-007, SCE-4, Vol. 2, p. 23, included as Attachment O). Thus, 2% of Edison's 5.0 million meters means that Edison forecasts that it will still have to manually read approximately 100,000 meters after SmartConnect is fully deployed. Edison also forecasts that it will cost \$12.340 million in 2013 to read meters – a combination of \$9.26 million in labor and \$3.080 in non-labor costs (Workpapers supporting SCE-4, Vol. 2, Ch. IV, p. 56, included as Attachment P).

However, in this proceeding, Edison doesn't explain to the Commission that it already plans to manually read 100,000 meters in 2013. Instead, it forecast it will hire 23.6 incremental full-time employees (FTE) to read a maximum forecast of 25,055 customer meters that will cost \$8.862 million.

Edison has not demonstrated that its costs for hiring these meter reading FTEs is not already contained in its 2013 request for \$12.340 million in meter reading costs or that the 50 FTEs it intends to retain to manually read meters in 2013 do not already include the cumulative 23.6 FTEs it claims it needs to complete opt out meter reading. It also has not sufficiently demonstrated why it takes 23.6 meter readers to read 25,055 meters per year, when its GRC filing assumes it can read four times this number of meters(100,000) with only double the FTEs (50) it assumes in the SOP application.

TURN therefore makes an adjustment to Edison's proposed SOP meter reading fees based on the assumption that the 50 meter readers that Edison forecasts it will retain in 2013 include the 23.6 cumulative meter readers assumed in the SOP application. Based on this, TURN uses the ratio of 23.6 to 50 (47.2%) to adjust Edison's 2013 GRC meter reading cost forecast of \$12.340 million. This calculation results in a total cost of \$5.82 million. This represents TURN's proposed meter reading costs for SOP participants. Using Edison's assumptions on volume of meter reads we convert this cost into a meter reading charge of \$8.44/customer/month – a reduction in Edison's proposed monthly charge of \$4.40/customer/month.

3. Jobs Skills Training (JST)

Edison's SOP testimony indicates it will cost over approximately \$1.002 million to train its customer service representatives (CSR) on SOP procedures including answering opt out inquiries, enrolling customers, explaining opt out fees, etc. (SCE, p. 24). Edison requests \$638,200 in expense and \$363,700 in capital for JST activities. Edison's

workpapers indicate that it will train 6,100 on opt out policies (Workpaper on Activities A. 7.02, 7.03, and 7.04, included as Attachment Q). The Commission should reject Edison's cost request in its entirety. Edison has failed to demonstrate that these costs are incremental. Also, the cost forecast contained in Edison's SOP workpapers is not credible, especially relative to its test year 2012 cost request for jobs skills training.

Edison explains the nature of training activities in its test year 2012 testimony on training customer service representatives (excerpt included as Attachment R). Edison explains that training CSRs is an ongoing process to ensure that CSRs are trained to respond to inquiries about new utility programs and tariffs.

This [training] includes updating and facilitating training for existing material as well as developing and facilitating training for capitalized software projects as discussed in SCE-04, Volume 4 for new rates and programs, dynamic pricing, CRM, CSS, SCE.com, MDMS, intelligent mail barcode, IVR, HAN, PEV, and Alerts and Notifications (SCE-4, Volume 2, p. 108-109, included as Attachment R).

Edison also explains in its GRC testimony that it conducted 528 classes involving 110,105 hours and 6,160 participants. In its test year 2012 GRC testimony, Edison requested \$773,000 to train all of its CSRS on a system-wide basis to deal with existing and forecast activities.

In contrast, Edison requests over \$1.0 million (30% more) to train the same number of CSRs on a single subject – SmartConnect Opt Out – that only affects 25,055 customers (at best). Put another way, Edison forecasts that it will cost \$0.15/customer (\$773,000 divided by 4.9 million customers) to train CSRs in the GRC and that it will cost \$39/customer (\$1.002 million divided by 25,005 customers) to train its CSRs on its Opt Out program and policies. Edison's forecast is based on opportunity--not on credibility – and it has not provided sufficient support for its inflated figures. The Commission should summarily reject Edison's cost request and lower Edison's initial SOP fee by \$22.21 (SCE workpapers, p. 5) and its proposed monthly fee by \$0.02/customer/month.

4. Customer Communications Organization (CCO) Costs

Edison forecasts that its Customer Communications Organization will incur \$838,400 to train CSRs, field customer calls, answer customer questions, and enroll potential SOP

participants. The request covers six activity areas (AO4.01, AO4.02, AO4.03, AO4.04, AO4.05, and AO4.06, Edison workpapers, pp. 21-26, included as Attachment S). The Commission should summarily reject Edison’s request because the utility has not demonstrated that these costs are incremental or that they cannot be covered by existing rates.

Edison’s forecast of CCO is based on it’s assumption that it will have to field 43,269 SOP calls in 2012, 301 calls in 2013, and 402 calls in 2014. Thus, Edison claims it will incur an additional \$838,400 over 2012-2013 to handle a little less than 44,000 calls. This number of calls is inconsequential compared to the average number of calls Edison must handle on a routine basis.

Included as Attachment T are workpapers from Edison’s test year 2012 that provide historic and forecast information on customer call volumes. The following Table summarizes that information

Table 3: Edison Call Volumes

	Year	Call Volume	Cumulative Increment from 2009
Recorded	2009	14,478,255	
Forecast	2012	15,330,526	852,271
Forecast	2013	15,564,971	1,086,716

As the table shows, the number of additional SOP calls forecast by Edison is not even within the margin of forecasting error. Edison forecasts it will handle over 1.277 million calls per month in 2012 and that on an annual average it will handle an additional 270,000 to 280,000 calls a year (2009-2013) and has requested funding to do so.

Compared to these numbers, Edison is forecasting an additional 43,269 calls in 2012 that translates into an average of 3,605 additional calls a month in 2012 – or 0.2% increase in 2012 monthly calls relative to the 2009 recorded average monthly call volumes. Edison’s monthly forecast of additional SOP calls in 2013 and 2014 amounts to 25 and 33 per month--respectively. These additional calls, again, are not even close to the incremental volume of calls Edison forecasts in its test year 2012 GRC. The Commission should find

that Edison has not demonstrated that its CCO costs are incremental and it should reduce Edison's cost forecast by \$838,400. According to Edison's workpapers, that adjustment reduces its Edison's proposed initial SOP fee by \$19.88 and its monthly fee by \$0.03/customer/month.

The following table is a comparison of TURN's recommended and Edison's recommended SOP charges.

Table 4: Edison and TURN Proposed Opt-Out Fees

	Edison	TURN
Non-CARE		
Initial Fee	\$ 98	\$ 56
Monthly Charge	\$ 24	\$ 19
CARE		
Initial Fee	\$ 78	\$ 45
Monthly Charge	\$ 19	\$ 15

III. Policy Issues Associated with Utility Opt Out Programs

A. Recovery of Opt Out Costs

With the exception of PG&E all the electric and gas utilities propose to recover their SOP costs in SOP charges. Edison and the Sempra Utilities all forecast SOP costs and propose to recover all of those SOP costs in SOP charges. Conversely, PG&E proposes to both a) maintain the interim fees adopted in Dec. 12-02-014 and b) recover all SOP costs not recovered by those interim SOP fees from its remaining body of ratepayers in base rates.

TURN supports Edison and the Sempra Utilities' proposals to recover SOP costs in SOP charges. This is consistent with traditional cost causation principles that dictate that the entities that cause costs to a utility should be charged those costs to the extent practicable. In this testimony TURN has disagreed with many utility calculations or definitions of incremental SOP costs cost, arguing that the utilities have not sufficiently proven that certain SOP costs are incremental in nature. But where utilities have sufficiently demonstrated the incremental nature of SOP costs, TURN agrees that they should be recovered in SOP charges.

In the event there is still a need to recover legitimate SOP costs that are not recovered in SOP charges, those additional costs should be booked to the utilities' respective advanced meter balancing accounts. TURN believes that the costs for accommodating customers that do not want an advanced meter are an additional cost of advanced meter deployment. Therefore, it is most appropriate to book any net cost to the utilities' advanced meter balancing accounts.

Both Edison and the Sempra Utilities propose to recover 100% of their opt out costs in SOP charges, so allocation of net costs is not an issue. However, net costs are an issue with PG&E because it proposes SOP charges that are not based on its SOP costs. In this case, the Commission should direct PG&E to book any excess SOP costs--not recovered by SOP charges--to its SmartMeter Balancing Account.

The Commission will likely have to make an adjustment to PG&E's filing before that is done. Specifically, any adjustments that are made to PG&E's proposed SOP costs, need to be tallied and added together. The Commission must then order PG&E to calculate the new revenue requirements that would result from those adjustments and measure those revenue requirements against the forecast of revenues that result from SOP charges. Any net costs that remain after this calculation should then be booked to PG&E's SmartMeter Balancing account.

B. The Commission Should Investigate Other Methods of Lowering SOP Charges

There may be some additional measures the Commission can take to lower the costs/charges for SOP customers. In particular, the Commission should investigate whether requirements for reading a customer's meter once a month can be changed to reading on either a bi-monthly, or other less frequent, basis.

For instance, there may be an opportunity for reducing ongoing monthly costs by offering opt out customers the option to be served under a level paying plan (also called balanced payment plan). In this case, the utility estimates the customer's most recent recorded annual bill and then charges that customer one-twelfth of that cost every month. While this option requires meters to be read on a regular interval, it does not require them to read on a monthly basis. Commission may find that the requirements

of serving level payment plan customers can still be achieved by reading their meters on a regular bi-monthly basis. The result may be that the utilities could then cut the cost of reading meters for those customers in half.

The Commission should also investigate whether it is feasible for opt out customers to provide meter self-read estimates that can then be trued up on some type of regular interval (to ensure the accuracy of those meter self-reads). This again, may be an efficient method of lowering ongoing opt out costs/charges while maintaining the utilities legitimate ability to accurately recover revenues from opt out customers.

These changes may require that the Commission make changes to the electric (and gas) rules governing metering and billing – which are all changes well within the Commission’s purview.

C. Opt Out Proposals of the Sempra Utilities

TURN did not have the time or the resources to be able to evaluate the SOP proposals of the Sempra Utilities. Generally, TURN’s purview covers all of California’s investor-owned utilities with the exception of SDG&E, a utility that is usually the purview of the Utility Consumers’ Action Network and the Division of Ratepayer Advocates (DRA).

While TURN does monitor and evaluate issues associated with the Southern California Gas Company (SoCalGas), we did not have either the time or resources to thoroughly evaluate SoCalGas’s SOP proposal at this time.

From a policy perspective, however, TURN believes that the Commission should consider issuing a directive to SoCalGas to re-evaluate its SOP plan in light of the fact that it is the only utility in this proceeding that has yet begun to deploy its advanced metering system. This puts the utility in advantageous position relative to other utilities that are all almost done with their advanced metering deployments. SoCalGas has the advantage of evaluating future opt out procedures and policies, because it comes to the table with an empty plate.

Included as Attachment U is an article from an on-line industry trade journal (intellegentutility.com) discussing a recent United Telecom Council webcast provide the following advice for utilities that have yet to deploy advanced meters.

Brown added that among CMP's (Central Maine Power) lessons learned was that utilities going into an AMI deployment should devise an opt-out provision from the start and build it into the business plan and perform a risk assessment of towns and cities that might seek to opt-out en masse and reach out to them (Attachment U).

TURN recommends that the Commission direct SoCalGas to do the same. SoCalGas should devise an opt-out plan that analyzes and proposes methods to reduce SOP costs and activities on a pre-emptive basis and present that as an advanced metering infrastructure pre-deployment plan for the Commission's approval.