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 11-03-014 (Filed March 24, 2011)

COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON THE NOVEMBER 22, 2011 PROPOSED DECISION OF COMMISSIONER PEEVEY MODIFYING PACIFIC GAS AND ELECTRIC COMPANY'S SMARTMETER PROGRAM TO INCLUDE AN OPT-OUT OPTION

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INTRODUCTION

Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates (DRA) submits these comments recommending modifications to the Ordering Paragraphs and Proposed Decision ("PD") of Commissioner Peevey in the above-captioned Proceeding.[1] DRA's recommendations are fully supported by proposed modifications and additions to the PD's findings of fact (FOF) and conclusions of law (COL) as set forth throughout these comments and exhibited in Appendix A (showing redline changes compared to the PD) and Appendix B (clean version).

Modifications to the PD are necessary to correct errors in findings of fact and to remedy conclusions of law that are not supported – not even by the information PG&E has submitted in this proceeding. DRA also recommends changes to avoid excessive, unnecessary, or duplicative costs to provide the opt-out option, much of which will be borne and subsidized by all ratepayers rather than by the customers who chose the opt-out option. DRA's recommended revisions are directed to achieving the following protections for all ratepayers:

- Ensure PG&E does not modify its electric SmartMeters to become capable of collecting interval energy consumption usage data for electric opt-out customers without a prior consideration of the costs to achieve this incremental functionality.

- Clarify that PG&E is not required to collect interval gas usage data from gas opt-out customers.

- Require a higher initial fee for residential customers who opt-out of two SmartMeters (electric and gas) than customers who opt-out of one (electric only or gas only).

- Clarify and add ratepayer protections to the provisions allowing PG&E to seek recovery of the net costs to provide the opt-out options.

- Require PG&E to continue and retain the delay list temporarily and until either customers are able to sign up for the opt-out program or the Commission has resolved any applications for rehearing.

DRA's recommended additional protections are essential in light of the Assigned Commissioner's failure to develop a record to support the findings of fact and conclusions of law and recent determination that hearings are not necessary. Adopting DRA's recommendations

[1] Pursuant to the Administrative Law Judge's December 5, 2011 e-mail to the service list of A.11-03-014, DRA's comments do not exceed 25 pages.

will better ensure that total costs are minimized and that parties are given a meaningful opportunity to challenge PG&E's cost figures. Further, although there has been no formal record submitted, like the PD DRA has made citations to and relied upon the following references submitted by PG&E: PG&E Application A.11-03-014, PG&E Modifications to the SmartMeter Program Prepared Testimony (March 24, 2011); PG&E's Filing in Response to Administrative Law Judge's October 12, 2011 Ruling Directing it to File Additional Cost Information (October 28, 2011) ("PG&E's October 28, 2011 Cost Filing"), and PG&E's Response to Administrative Law Judge's October 18, 2011 Ruling Directing it to File Clarifying Radio Frequency Information (November 1, 2011) ("PG&E's November 1, 2011 RF Emissions Filing").

COMMENTS

1. It is not Reasonable to Require the Capability of Collecting of Interval Electricity Consumption Data from Opt-Out Customers without First Determining the Incremental Costs.

DRA generally supports the PD's goal of ensuring that opt-out customers, like all retail customers, are able to participate in any time-variant rate programs adopted by the Commission. That would require the storage and non-remote retrieval of interval electricity consumption data for customers with a non-communicating electric SmartMeter. But the Commission should assess the costs to develop and deploy this capability first, because it is not currently provided by PG&E's electric SmartMeters, before requiring PG&E to make the system and meter modifications. Estimating these additional costs is critical because ratepayers as a whole will likely subsidize significant portions of the opt-out program implementation costs. The Commission should, therefore, seek to balance its interest in subjecting opt-out customers to ongoing state energy objectives with an interest in finding an overall least-cost solution for providing customers an opportunity to opt-out of receiving a wireless electric SmartMeter.

DRA agrees in theory that customers who wish to opt-out of receiving a wireless SmartMeter should remain subject to ongoing state energy objectives, including participation in time-variand pricing or demand response programs.[2] But this principle should not be imposed at any or all costs. There is currently no information (let alone any record) on the additional costs

[2] See DRA Response to PG&E's Application, p. 5 (Recommending that the Commission consider preserving system-wide and individual customer benefits as much as possible by retaining certain functional requirements for alternative metering systems.)

to develop, deploy, and collect data from non-communicating electric SmartMeters capable of interval data storage, for either a radio-off or a digital (radio-out) option.[3] Without information about these costs, which would be incremental to PG&E's projected costs for a radio-off or radio-out option presented in the October 28, 2011 Cost Filing, there is no support for the PD's conclusion that "there is little difference in cost between the various non-communicating opt-out options."[4]

PG&E's Application notes that for the radio-off option, "the meter reader will only be able to collect cumulative usage data, not all usage intervals that are available through the SmartMeter system."[5] PG&E assumed there would be no incremental capital expenditures required for the metering endpoint to deploy its preferred "radio-off" proposal.[6] This would no longer be a valid assumption because PG&E's electric SmartMeters will need modifications to become capable of collecting interval meter data (for example, upgrades to firmware or the installation of new hardware such as battery). Nor do PG&E's monthly meter reading cost estimates for the radio-off or radio-out option reflect the additional time that may be required to perform interval data collection by meter readers, or the cost of new handheld collection devices.[7] Further, total opt-out implementation costs could increase if PG&E is permitted or required to deploy the opt-out option shortly after the effective date of the decision, but then has to return another time to each opt-out customer premises to modify or swap-out the meter with one capable of interval data collection capability. PG&E estimates that the field installation costs of meters are a significant cost item.[8]

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[3] PG&E has not provided estimated costs for this capability for the radio-off or a digital SmartMeter. See October 28, 2011 Cost Filing, p. 2 (PG&E estimates the net incremental cost of new digital meter is $29.28). While there is no data on the record of the cost of solid state or time-of-use meters, or other non-communicating digital interval meters, DRA understands that it would be more expensive than this estimate.

[4] PD p. 26.

[5] PG&E Prepared Testimony p. 2A-4. DRA also understands from the September 14, 2011 workshop that PG&E SmartMeters cannot store hourly interval energy data if the radio communications module is disabled.

[6] PG&E Prepared Testimony p. 2A-4.

[7] PG&E's October 28 Cost Filing pp. 4B, footnote 1 (for radio off, "[t]he average time per read is based on cumulative reads of kWh... interval data collection would require additional time and new handheld collection devices"); 2B, footnote 1 (same).

[8] PG&E's October 28, 2011 Cost Filing p. 4D, line item 6 (Installation cost estimated at over $ 18 million for 145,800 opt-out customers),

At the same time, there is no need for the Commission to mandate interval data capability for opt-out customers in this PD. The PD itself finds that interval data collection is not needed at this time—and not before January 1, 2014.[9] Accordingly, DRA recommends that the Commission require PG&E to provide cost estimates for a radio-off meter capable of collecting interval data for billing purposes and to consider the costs before committing ratepayers to pick up the incremental tab. There is no basis in fact or law to support the Commission's conclusion of Law No. 9 when the costs are completely unknown. DRA therefore recommends the following modifications and additions to the PD, including a requirement that PG&E include cost information for the interval data capability details in its Advice Letter filing required pursuant to the Ordering Paragraph (OP) No. 2:[10]

> <u>AMENDED FOF NO. 9</u>: PG&E's application provided cost estimates for a radio-off option utilizing electric SmartMeters that are not capable of collecting interval energy consumption data to use for billing purposes with the communications module disabled.
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> <u>NEW FOF</u>: PG&E did not provide cost estimates to modify a non-communicating electric SmartMeter to be made capable of collecting interval energy consumption data to use for billing purposes with the communications module disabled.
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> <u>AMENDED COL NO. 4</u>: The best opt-out option to be adopted must balance the concerns expressed by customers against California's overall energy policy with minimizing the total opt-out option costs.
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> <u>AMENDED COL NO. 5</u>: All residential customers are subject to ongoing state energy objectives, even if they are allowed an opportunity to opt-out of receiving a wireless SmartMeter.
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> <u>AMENDED COL NO. 6</u>: It is desirable that the selected opt-out option has the capability to take advantage of smart grid benefits in the future, but the reasonableness of requiring this capability must be determined in light of total estimated additional costs and expected benefits.
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> <u>AMENDED COL NO. 9</u>: It would be reasonable to require the non-communicating electric meter (radio-off or radio-out) to have the capability of capturing interval energy consumption data for use for billing purposes by

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[9] PD at 21.

[10] Appendix A shows a redline comparison of DRA's recommended additions and modifications to the Findings of Fact, Conclusions of Law, and Ordering Paragraphs compared to those in the PD.

January 1, 2014 only if developing this capability does not materially increase the total costs of the opt-out program.

AMENDED OP NO. 1: Pacific Gas and Electric Company's (PG&E) SmartMeter Program is modified to include an option for residential customers who do not wish to have a wireless electric and/or gas SmartMeter installed at their location to have a non-communicating meter.

AMENDED OP NO. 2(a): [The Advice Letter filing shall:] a. Identify the non-communicating electric and gas meters (radio-off or radio out) to be offered as the opt-out option to residential customers. PG&E shall include affidavits by both the meter manufacturer selected to provide the opt-out option and the head of PG&E's SmartMeter Program that provides the estimated incremental costs to make the selected non-communicating electric SmartMeter capable of collecting interval energy consumption data for PG&E to use for billing purposes by January 1, 2014 and the date when such capability will be ready for deployment. In the Advice Letter filing PG&E shall state whether it proposes to add this capability to the selected opt-out option.

2. The PD Should State That Non-Communicating Gas Meters will not be Made Capable of Tracking Interval Consumption Data.

The PD does not state that interval data collection is required for gas meters, and DRA does not interpret the PD to require PG&E to develop this additional capability for a non-communicating gas SmartMeter.[11] Nevertheless, to avoid any confusion or doubt, the findings of fact and conclusions of law should be clearer. The PD should be revised to explicitly state that interval (daily usage) gas consumption data is not needed for customers who chose a non-communicating gas SmartMeter, and therefore it would not be reasonable for PG&E to develop the capability for a non-communicating gas SmartMeter to track interval gas consumption at additional cost to ratepayers.

While California may be moving toward implementing time-varying pricing or time-of-use rates for retail electricity customers, the same is not true for natural gas. Gas is bought by utilities primarily on a monthly basis and there is little benefit today to providing the information provided by advanced meters for natural gas.[12] The potential value of assessing near-real-time usage information for demand response or time-variant pricing does not apply to hourly or daily gas usage information. Accordingly, there is no basis in law and no evidentiary basis to

[11] See PD Ordering Paragraph 2(a) requiring a non-communicating option for the electric SmartMeter to be capable of collecting interval energy consumption data.

[12] See D.10-04-027, Dissent of Commissioner John Bohn.

conclude that opt-out customers should be subject to interval gas data collection. DRA proposes the following additional finding of fact and conclusions of law to support and achieve the recommended clarification:

> NEW FOF: PG&E did not provide cost estimates to modify a non-communicating gas SmartMeter to be made capable of collecting interval energy consumption data for billing purposes with the communications module disabled.
>
> NEW COL: Because time-variable use rates are not proposed for PG&E's retail gas customers it would not be reasonable to require a non-communicating gas SmartMeter to collect interval gas consumption data.

3. The PD Should Require Customers to Pay a Higher Initial Fee to Opt-Out for Two Meters (Electric and Gas), Relative to One Meter Only.

DRA supports requiring the payment of an initial fee by customers who elect to opt-out of having a wireless SmartMeter, and if further recommends that the Commission consider requiring opt-out customers to pay a higher initial fee to elect to have two, rather than one non-communicating SmartMeters (for both electric and gas services). Customers should have an incentive to make a separate and independent decision whether to select to have a non-communicating SmartMeter. PG&E has stated that there are differences in the radiofrequency (RF) emissions characteristics of the two meters, and it would be reasonable to impose a higher initial fee if a customer chooses to have both radio modules disabled.

First, PG&E's gas and electric SmartMeters employ different technologies and have different RF transmission profiles. Although the Commission has never conducted fact-finding or taken evidence on this issue, PG&E has submitted data on RF emissions stating that the gas modules have lower RF transmission by duration and power.[13] PG&E's RF Emissions Filing states that the gas module is a one-way transmitter, which sends but does not receive signals from PG&E's head-end system or any other meters.[14] This is in contrast to electric SmartMeters, which operate in the mesh network and both receive and transmit (or re-transmit) signals.[15] Further, PG&E states that the average duration of transmission for a gas SmartMeter module in a

[13] PG&E's November 1, 2011 RF Emissions Filing.

[14] Id., Response to Question No. 1.

[15] Id., Response to Question 2.a (Mesh Network Message Management message transmit electric usage data from neighbor meters).

24-hour period is 0.676 seconds, with a maximum per 24-hour period of 0.689 seconds (99.9th percentile).[16] This total (under 1 second per day) is lower than the stated average and maximum calculated transmission frequency for the electric SmartMeter that PG&E provided (45.3 seconds and just under 15 minutes, respectively).[17] PG&E's RF Emissions Filing also indicates that gas meters effectively do not have any unscheduled transmissions, other than a tamper alarm which is rare, compared to a wireless electric SmartMeter.[18] Finally, PG&E has stated that the RF emissions at the source when a meter is transmitting are lower for the gas standard range and extended range modules compared to the electric SmartMeter's communication radio (900 MHz).[19]

With these differences in the gas and electric SmartMeter emissions characteristics, at least some customers may not be as concerned about receiving a non-communicating gas SmartMeter as they are about an electric SmartMeter. As DRA has previously argued, the lack of any public vetting in any proceeding on RF emissions and transmission duration is a significant shortcoming.[20] Still, PG&E's statements that the gas meters have a shorter cumulative transmission frequency, do not make unscheduled transmissions except to send a tamper alarm, and have a lower calculated average exposure over 30 minutes compared to the electric SmartMeter could provide customers with a reason to select the opt-out provision for their electric SmartMeter only. Customers should be given an incentive to separately consider the relative emissions and other sources of concerns, which may lead a customer to decide to retain a wireless gas SmartMeter even if he or she opts for a non-communicating electric SmartMeter.

Second, it would be reasonable to impose a higher initial fee when a customer elects to have two non-communicating SmartMeters (for both the electric and gas accounts) rather than

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[16] Id. Response to Question 2.

[17] Id.

[18] Id. Response to Questions 2, 3, 4.

[19] Id. Table 6-1.

[20] See DRA's Motion to amend the scope of the proceeding to include data on radio frequency emissions and to order PG&E to serve supplemental testimony on the costs of an analog meter option, July 22, 2011, pp. 3-8.

one (for either an electric or gas account).[21] Some incremental time will be required at each customer site to modify two meters, in order to both turn off the gas module and change-out the electric meter or disable the radio, compared to the time to modify one meter. For example, a reasonable and appropriate additional fee could be $10 - $20 to elect opt-out for both gas and electric meter. This estimate assumes that a meter technician would need to spend an additional 7 - 15 minutes at the customer site to modify two meters rather than one, PG&E's hourly rate of $85.33 for the meter technician, and that the same technician can perform the required work on both meters.

It is also reasonable to assume other opt-out costs will increase to serve a customer who chooses a non-communicating SmartMeter for both gas and electric service. For example, the costs may be higher for monthly meter reading for two accounts compared to one account if the time required to conduct monthly meter reading is longer for a customer with both a non-communicating gas and electric meter. This could occur if electric meters will need to be read with an automated handheld device (to collect interval energy usage data) while the gas meter dials must be read by eye and recorded by hand on a separate device, and if the meters are located in different locations on the premise. Back-office administration costs (e.g., billing or accounts management) may be higher to service one customer with two non-communicating meters. Accordingly, it is reasonable to impose a higher initial fee when a customer elects to opt out for two services. Further, if PG&E's subsequent information on actual costs reveals that such costs are higher, the Commission should revise the monthly charges to be higher for customers with two non-communicating meters.

Accordingly, the PD should impose an appropriate adder to the initial opt-out fees for residential Non-CARE and Non-FERA Customers who wish to have a non-communicating meter for both gas and electric service. This is also reasonable to provide an incentive for customers to make a separate opt-out decision for their gas and electric accounts. DRA therefore recommends the following changes to the PD:

> <u>NEW FOF</u>: The costs to provide the opt-out option will be higher if a customer chooses to have non-communicating SmartMeters for both their electric and gas

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[21] Because the PD imposes no initial fees for CARE and FERA Customers, there would be no need to revise the proposed initial fees for these customers to opt-out for two meters.

accounts, relative to the costs if a customer chooses a non-communicating SmartMeter for only one (electric or gas) account.

NEW COL: It is reasonable to assess a higher initial fee on a customer who selects the opt-out option for two meters (both gas and electric account) than a customer who selects the opt-out option for one meter.

AMENDED OP 2(d): e. Adopt the following fees for residential customers selecting the opt-out option:

For Non-CARE and Non-FERA Customers Selecting the Opt-Out Option for One (Gas or Electric) Meter:
Initial Fee $90.00
Monthly Charge $15.00/month[22]

For Non-CARE and Non-FERA Customers Selecting the Opt-Out Option for Two (Gas and Electric) Meters:
Initial Fee $110.00
Monthly Charge $15.00/month

For CARE and FERA Customers:
Initial Fee $0
Monthly Charge $5.00/month

4. The PD Should Incorporate Additional Ratepayer Protections in the Authorized Method for the Cost Recovery.

DRA supports the PD's determination to allow PG&E to seek recovery of net costs later and to authorize PG&E to establish a memorandum account to track costs. Given the uncertainty and difficulty of predicting the opt-out option costs and the Assigned Commissioner's decision to not develop an evidentiary record on cost issues, it would not be reasonable to approve a revenue requirement. It also would not be reasonable to authorize PG&E's request to establish balancing accounts because this treatment would not provide for further reasonableness review of the costs. Accordingly, DRA recommends that the PD adopt more explicit protections to ensure that ratepayers have a meaningful opportunity to challenge PG&E's implementation cost

[22] Ordering Paragraph 2(d) indicates the monthly charge will be $11.00/month for Non-CARE and Non-FERA customers. This appears to be a typographical error because it is inconsistent with the findings in the PD. See PD p. 2 (stating monthly charge will be $15.00 for a non-CARE customer), p. 32 ("We find that a more reasonable monthly fee for Non-CARE customers is $15.00/month.") DRA supports assessing a monthly fee of $15.00/month, at least until PG&E provides actual cost data, which could provide the basis for a decision to increase or decrease the monthly opt-out fee.

claims in the subsequent application for cost recovery. The PD should be explicit that PG&E will submit information to be used in an after-the-fact reasonableness review of the opt-out costs. PG&E also should be required to provide actual program revenues and costs in connection with the cost recovery application, not years later.

First, DRA recommends modifying the PD to clarify that PG&E must file a separate application to recover the net costs associated with providing the opt-out option and specify that cost recovery will be subject to a reasonableness review. DRA is concerned because the Ordering Paragraphs do not explicitly identify a requirement for a reasonableness review. Ordering Paragraph 2(4)[sic -2(e)] states only that "[r]ecovery of the net costs shall be through PG&E's annual ERRA proceedings." The PD indicates that the Commission not pre-judge whether recovery of booked costs and revenues is appropriate and an intent to subject PG&E to an after-the-fact reasonableness review. But the PD falls short because the Ordering Paragraphs are silent on the standard of reviews and do not expressly require PG&E to file supporting testimony and workpapers with an application in ERRA to recover any net opt-out costs.

The PD's decision to reverse the preliminary finding from the Scoping Memo that hearings would be necessary[23] means that the parties have had no opportunity to cross examine PG&E's witnesses or to submit intervenor testimony to challenge the reasonableness of PG&E's cost assumptions. An after-the-fact reasonableness review is critical because it will both enhance the incentive for PG&E to minimize the total costs of providing the opt-out option (by creating a risk that expenditures would be found unreasonable and thus paid for by PG&E's shareholders) and ensure that ratepayer advocates have a pre-determined process to examine and challenge PG&E's costs. Accordingly, DRA recommends making the requirement of a reasonableness review explicit by including one in the Ordering Paragraph that authorizes PG&E to establish the opt-out memorandum accounts. PG&E could file this application in either ERRA or as a stand-alone application, and it should be served on the service list of this proceeding.

Second, DRA recommends modifying the PD to require PG&E to provide actual cost information as part of its application to seek net cost recovery, not in a separate and later Tier 1 Advice Letter process. Under Ordering Paragraph 5 PG&E does not have to report the actual revenue and cost information for more than two years, by March 31, 2014, but it may seek recovery of net costs earlier through its annual ERRA proceedings. Ratepayers will be better

[23] Assigned Commissioner Ruling and Scoping Memo, May 25, 2011, p. 6

protected from excessive costs and undue subsidization of the program costs if PG&E submits actual cost and revenue data at the same time as, and within its application for net cost recovery. This is particularly important in light of the abbreviated process of the instant proceeding, the Commission's failure to allow development of a record regarding opt-out costs, and because it appears that a large portion of the costs will be socialized and thus subsidized through increased rates for all ratepayers.[24]

Providing these cost data in connection with the cost recovery application is critical to allow ratepayer advocates to assess cost reasonableness and will help ratepayer advocates to ensure that PG&E is not "double dipping" by using the opt-out proceeding to recover cost overruns from the original AMI deployment authorization. For example, for customers who are currently on the delay list and still have an analog meter, 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.[25]

Ratepayer advocates may also seek to challenge any decisions by PG&E to develop additional capabilities for non-communicating SmartMeters if they do not reduce opt-out costs. For example, it may not be reasonable for PG&E to develop the capability to remotely turn the radio off/on in an electric SmartMeter, if PG&E cannot demonstrate that the additional development costs yields commensurate savings. PG&E estimated a cost of $2 million to develop a remote turn-off capability, which would likely not be available before early 2013.[26] If the development cost of $ 2.0 million does not reduce the net costs to provide the opt-out option (for example, because additional field visits would still required to install the meters or because

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[24] See PD p. 34.

[25] For example, PG&E implies that it will seek $125 per household as an "incremental" cost to turn the radio off even where a residential meter has not yet been converted from a legacy analog meter to a SmartMeter. PG&E Prepared Testimony, p. 2A-5. This may not be appropriate, given PG&E's cost estimate is $128 per visit where a SmartMeter <u>has</u> already been installed and a return visit is necessary to disable the radio, particularly if it would be more cost effective to receive SmartMeters from the meter manufacturer that already have the radio disabled, or for PG&E to disable radios in a meter shop prior to initial field deployment.

[26] PG&E's October 28, 2011 Cost Filing p. 4.

PG&E would still perform a customer visit even with the remote turn-on/off capability), then it would not be reasonable for PG&E to develop this additional functionality.[27]

Other potential challenges could arise to meter reading expenses or materials costs. For example, PG&E has not yet completed AMI deployment and may have planned to retain some meter-readers in the field at least until the completion of the AMI deployment in 2012 (or beyond). PG&E should not be able to recover costs for <u>all</u> meter-readers, but only meter-readers that it can demonstrate are incremental and whose time is needed only to service opt-out customers. If PG&E uses digital (radio-out) meters in lieu of radio-off SmartMeters it may be appropriate to credit the avoided cost of the electric SmartMeters at opt-out customer premises, which should have been funded through PG&E's approved revenues for AMI deployment. These are just limited examples of the kinds of challenges parties may—and should have the opportunity—to pursue, depending on the costs PG&E seeks to recover and the supporting data. These examples are not intended to be exhaustive or pre-judge the reasonableness of recovery for PG&E's net costs, but illustrate the importance of ensuring that ratepayer advocates have a meaningful opportunity to participate in a reasonableness review of the opt-out program's total implementation costs.

Providing this data earlier also would allow PG&E or ratepayer advocates to seek timely modifications to the initial opt-out fees, monthly charges, or other aspects approved by this final decision. The PD adopts a policy to charge residential customers for a portion of the costs if they participate in the opt-out option, and to recover the remaining costs from all residential customers.[28] An initial fee of $90 and assuming 145,800 opt-out customers would yield just over $13 million, which is only a fraction of PG&E's estimated total program costs.[29] The opt-out option costs are highly uncertain and will be better understood once PG&E has some experience implementing the opt-out option. It is important that parties do not have to wait two years before receiving information that could support revisions to the program costs and rate structure.

Accordingly, the PD should require PG&E to submit actual program revenue and cost information one year after program implementation, rather than requiring this information in a

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[27] PD p. 26.

[28] PD p. 34.

[29] PG&E's October 28, 2001 Cost Filing, p. 4D. (PG&E estimates over $18 million in installation costs plus over $57 million for other capital costs and expenses for network upgrades, information technology, and customer and operations support.)

separate Tier 3 Advice Letter process more than two years after the program implementation. DRA also recommends that the PD require additional specific cost information specified in DRA's suggested revisions to Ordering Paragraphs 2 and 5 below. DRA recommends the following changes to the PD in support of its recommended revisions:

> AMENDED COL NO. 12. Due to the significant cost uncertainties associated with providing an opt-out option, it is not reasonable to approve a revenue requirement at this time.
>
> AMENDED COL NO. 13 (PART 1). Since PG&E's implementation of the SmartMeter Program is consistent with the requirements of D.06-07-027, it should be allowed to seek recovery of the net costs of the opt-out option through submission of an application, which may be made in the annual ERRA proceeding.
>
> NEW COL (AMENDED COL NO. 13, PART 2): PG&E should be allowed to recover the net costs of the opt-out option only to the extent those costs are found after a reasonableness review to be appropriate, reasonable and not already being recovered in rates.
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> AMENDED COL NO. 18. PG&E should be authorized to establish two-way electric and gas Modified SmartMeter Memorandum Accounts to track revenues and the incremental costs associated with providing the opt-out option that were not provided for by PG&E's advanced metering infrastructure revenue requirement.
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> AMENDED COL NO 19. PG&E should provide information on the revenues collected and costs incurred to provide the opt-out option after the option has been in place for one year.
>
> AMENDED OP 3. (combine Ordering Paragraph No. 2(4)[sic – 2(e)] with Ordering Paragraph No. 5 into a single Ordering Paragraph No. 3 as follows)
>
> 3. PG&E is authorized to establish a new two-way electric and gas Modified SmartMeter Memorandum Account to track revenues and costs associated with providing the SmartMeter opt-out option. PG&E is authorized to seek recovery of the net costs by filing an application, which may be submitted with PG&E's annual ERRA proceedings, on or before March 31, 2013 for the period January 1, 2012 to December 31, 2012. Recovery shall be contingent upon a reasonableness review. PG&E's application for cost recovery shall be served on the service list in Application 11-03-014 and shall specify at least the following information:
>
> > a. The costs attributable to (i) field deployments for an initial servicing of end-point device to implement opt-out option, (ii) field deployments for subsequent modifications of end-point device, (iii) systems modifications

including to information technology systems, (iv) network upgrades, (v) information technology, (vi) customer communications and operations support, (vii) field deployments for meter to service opt-out customers; and (viii) other costs.

b. Credits or cost offsets for deployment costs funded pursuant to PG&E's revenue requirements approved in D.06-07-027 and D.09-03-026.

c. The number of customers that have selected the opt-out option for an electric meter only, for a gas meter only, and for both a gas and electric meter, and the number of customers who have "exited" the opt-out program;

d. The number of customers with a legacy analog meter on site at the time of installation of the opt-out option,

e. Revenues collected from opt-out customers, separated by type of charge (i.e., initial fee, monthly charge, CARE or FERA versus non-CARE and non-FERA customers).

f. A breakdown of what portion of revenues was collected from customers selecting the opt-out option and what portion of revenues was collected from all residential ratepayers.

g. An estimate of the total and per-opt-out customer costs PG&E will spend to implement the opt-out option for the period January 1, 2013 to December 31, 2013.

5. PG&E Should Retain the Delay List Until the Commission has Ruled on Likely Requests for Rehearing and/or Additional Implementation Details are Established.

The PD ends the requirement that PG&E maintain the delay list as-of the effective date of the decision.[30] This is premature, and creates a possibility for deployments to occur during a period of time in which customers have no ability to sign up to participate in the opt-out option or to sign up for a delay list. At the very least, the PD should require PG&E to retain the delay list until after PG&E has implemented a system for customers to sign up to participate in the opt-out option and has provided other information on how PG&E intends to minimize total deployment costs for customers who currently have an analog meter installed. Further, it is foreseeable that some parties will seek rehearing of this decision. DRA therefore recommends

[30] PD p. 44, Ordering Paragraph No. 3.

that the PD order PG&E to maintain the delay list until after the last day to file applications for rehearing of this Decision or, if any such applications are filed, the issuance of a Commission decision resolving such applications.

The PD requires PG&E to submit a Tier 1 Advice Letter filing certifying opt-out program details within 15 days of the effective date of the order.[31] This information should be provided before PG&E ends the delay list, and the Advice Letter should further require PG&E to establish procedures that it will follow to minimize total costs to implement the opt-out option for customers who are on the delay list and currently have an analog electric meter installed. DRA understands from PG&E that well over 100,000 legacy meters remain installed associated with customers on the delay list; these customers may become the largest source of residential customers who select the opt-out option. It is reasonable to require PG&E to take steps to minimize the total number of site visits needed to implement the opt-out program, as this is a major cost driver of the program.[32]

Retaining the delay list could reduce the total number of customer site-visits required under the opt-out program because of the PD's decision to require PG&E to implement an option that is capable of collecting interval energy consumption data by January 1, 2014. PG&E does not currently have an electric SmartMeter with this capability. It would unnecessarily lead to increased opt-out costs if PG&E were to remove and replace existing analog SmartMeters with the radio off today, only to have to return at a later time to replace them with a different meter or modify the installed SmartMeter to become capable of collecting interval data.

PG&E has not claimed that it will increase opt-out costs if PG&E retains the delay list for a short time and as an interim measure until it has the final electric meter opt-out solution ready for deployment. As part of its AMI deployment process PG&E is currently accommodating customers with wireless SmartMeter deployed and existing analog meters for some accounts. It could be most cost-effective overall to retain the dual system during the time required to develop the non-communicating meter (to reduce total number of site visits) and to resolve near-term legal challenges. The PD should therefore require PG&E to specify in the Tier 1 Advice Letter filing procedures it will take to minimize customer site-visits for customers currently on the

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[31] PD p. 43 Ordering Paragraph No. 2.

[32] See PG&E's October 28, 2011 Cost Filing pp. 2-D (digital meter) and 4-D (radio off SmartMeter) indicating $128.00 to install per customer site-visit.

delay list and require PG&E to maintain a delay list until after it has established procedures to notify and allow delay list customers to sign up for the opt-out option.

For similar reasons, DRA alternatively recommends that the PD require PG&E to continue with the delay list until after the Commission has resolved any applications for rehearing. Given the extensive public outcry and debate about PG&E's SmartMeters, it is foreseeable that there will be legal challenges to the PD. While DRA will not speculate on the merits of any arguments that parties may present, the PD may be more open to challenges due to the Commission's reversal and decision not to establish a record following evidentiary hearings or intervenor testimony. Retaining the delay list until after any rulings on applications for rehearing will reduce the risk that the Commission may ultimately modify key opt-out program implementation details or require hearings as a pre-requisite to approving PG&E's SmartMeter Opt-Out Tariff.

DRA recommends the following changes to the PD in support of these recommended revisions:

> <u>AMENDED COL NO. 20</u>. The modifications to the SmartMeter Program should be implemented on a timeline and in a manner that seeks to minimize the total costs of providing the opt-out option, taking into account the time necessary for PG&E to prepare the selected opt-out option for deployment and in light of the foreseeability that some parties will seek rehearing of this decision.
>
> <u>AMENDED COL NO. 21</u>. The September 21, 2011 Assigned Commissioner's Ruling directing the utilities to allow residential customers to be placed on a delay list should no longer be applicable for PG&E as of the first day that PG&E has procedures in place to allow residential customers to begin signing up to participate in the opt-out option.
>
> <u>ALTERNATIVE AMENDED COL NO. 21</u>. The September 21, 2011 Assigned Commissioner's Ruling directing the utilities to allow residential customers to be placed on a delay list should no longer be applicable for PG&E following the last day to file applications for rehearing of this Decision or, if any such applications are filed, the issuance of a Commission decision resolving such applications.
>
> <u>INSERT NEW OP 2(d)</u>. Establish procedures that PG&E will follow to minimize total costs to implement the opt-out option.
>
> <u>AMENDED OP NO 4</u>. The September 21, 2011 Assigned Commissioner's Ruling directing the utilities to allow residential customers who had not yet received a wireless SmartMeter to retain their analog meter and to be placed on a delay list shall no longer be in effect for Pacific Gas and Electric Company as of

the first day on which PG&E has procedures in place to allow residential customers to begin signing up to participate in the opt-out option.

ALTERNATIVE AMENDED OP NO 4. The September 21, 2011 Assigned Commissioner's Ruling directing the utilities to allow residential customers who had not yet received a wireless SmartMeter to retain their analog meter and to be placed on a delay list shall no longer be in effect for Pacific Gas and Electric Company following the last day to file applications for rehearing of this Decision or, if any such applications are filed, the issuance of a Commission decision resolving such applications.

CONCLUSION

For the forgoing reasons, the PD should be modified to reflect the changes recommended herein and specified in Appendix A.

Respectfully submitted,

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