



BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

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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.  
(U 39 M)

Application 11-03-014

**PROTEST OF THE UTILITY REFORM NETWORK  
TO PG&E'S SMART METER OPT-OUT PROPOSAL**



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April 25, 2011

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**I. INTRODUCTION**

Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure, The Utility Reform Network (TURN) files this protest to the application by Pacific Gas and Electric Company (PG&E) to offer an "opt-out" option for customers who object to having a solid state digital meter (aka the "smart meter"). PG&E's application was filed on March 24 and noticed in the Commission's Daily Calendar on March 25, 2011.

In general, TURN believes that PG&E's proposed solution – turning off the communications modules on the gas and electric meters – may offer an adequate solution for customers. However, several of the details of PG&E's implementation plan result in very high forecast costs. PG&E forecasts total costs of \$113,433,000 for just the first two-years of the program, and requests authorization of a two-way balancing account with no further reasonableness review of actual costs.

TURN will analyze PG&E's proposal to determine whether the implementation or cost forecasts should be adjusted to provide a more reasonable and affordable opt-out option. TURN will also evaluate PG&E's proposed two-way balancing account treatment for cost recovery.

TURN proposes a more reasonable schedule to analyze PG&E's proposal so as to ensure that the solution is actually one that will meet the needs of customers.

## **II. Issues in Dispute**

PG&E presents a list of potential issues on pages 9-10 of the application. While TURN does not disagree with these topics, we highlight certain discrete issues that must be addressed as part of this application.

### **1. Opt-Out Method:**

PG&E proposes to allow customers the choice to disconnect the radio modules on the gas and electric meters, thereby disconnecting any signal emissions. It appears that this option could address the some consumer concerns (RF emissions, privacy) regarding smart meters, while preserving the potential for future functionality at least cost. While this option does not address underlying concerns regarding the “accuracy” of the solid state digital meters (the so-called “smart meters”) as opposed to the previous generation electromechanical meters, the evidence to date suggests that the numerous customer problems with billing reflect installation errors, communication link problems, customer service problems and failure rates resulting from the mass roll-out, as opposed to problems inherent in the actual solid state interval meter technology.

While TURN does not expect to recommend a different opt-out method, we will certainly evaluate any other proposals put forth to determine whether they are superior from the perspective of cost, remediating customer concerns and reducing any future costs.

However, TURN will analyze the need for disconnecting the gas meter communications module. Our very preliminary analysis indicates that disconnecting

this module may significantly raise potential costs. It is not at all clear that the gas communications module presents the same concerns as the electric communications module.

## 2. Forecast Unit Costs and Total Costs:

PG&E forecast a two-year total cost of about \$113 million based on a participation forecast of almost 150,000. The primary cost components are as follows:

Cost Category	Unit Cost (if relevant)	Total forecast cost for 2012-2013 assuming participation of 145,800
Manual radio disconnect	\$125 per household	\$18,232,000
Manual monthly meter read	\$10.69 per meter per month	\$38,119,000
Mesh Support	\$2,200 per relay device	\$33,485,000
Network Design		\$2,900,000
IT		\$2,318,000
Customer Communications		\$18,479,000
<b>TOTAL</b>		<b>\$113,433,000</b>

TURN will evaluate the details of PG&E's implementation approach from a cost perspective, including at least the following cost components:

- Meter reading
  - TURN will analyze the necessity for continuing monthly meter reading as opposed to providing a less expensive customer self-read option
  - TURN may analyze the forecast unit costs for PG&E's monthly meter read option;
- Meter Shut-off
  - TURN will analyze the necessity for a manual shut-off of the meters as opposed to an automated shut-off;

- If the manual shut-off is necessitated by gas meter communications modules, TURN may analyze the need for turning off gas modules.
- Customer Education and Outreach: TURN will analyze the need for an additional \$18 million in costs for customer outreach and education. In general we see very little need for additional costs beyond those necessary for a billing insert. It appears that there are any number of other sources of information that customers who may seek the opt-out option can access and rely on much more readily than a marketing campaign from PG&E.

### 3. **Cost Recovery and Revenue Requirements:**

PG&E proposes to recover all costs from participating customers. Based on forecast costs and participation rates, PG&E proposes two main options for charging a fixed up-front fee as well as a monthly fee from participants. TURN generally supports this approach, though we do not at all endorse PG&E's actual forecast numbers of costs or participation levels.

PG&E proposes to record all costs in a two-way balancing account that would be trued up in the annual electric true-up and gas true-up proceedings. PG&E proposes to adjust future charges for the opt-out option based on the true-up. PG&E seeks "no further reasonableness review" of any costs after this application is approved.

PG&E proposes to capitalize and earn a return on \$38.297 million of the forecast two-year cost of \$113.433 million.

TURN intends to closely evaluate PG&E's proposed cost recovery and ratemaking proposal. We identify the following preliminary issues:

- PG&E sees full cost approval with no further reasonableness reviews, even though it states that “actual customer participation may vary significantly, resulting in significantly higher or lower costs and associated revenue requirements.” TURN will analyze the reasonableness of the requested two-way balancing treatment without any subsequent reasonableness review.
- TURN will analyze the proposed split between capital and expense.
- TURN will analyze the proposed ratemaking to ensure PG&E does not benefit due to actual participation rates being different from forecasts.

#### **B. Proceeding Categorization and Need for Hearings**

TURN agrees with PG&E that this proceeding should be categorized as a “ratesetting” proceeding.

TURN presumes that consideration of cost issues for different options will require expert testimony and hearings; however, final determination concerning any need for hearings can be made after testimonies are filed.

#### **C. Proposed Procedural Schedule**

PG&E proposes two alternative schedules. Each would allow parties two weeks from the date of the prehearing conference to submit expert testimony. Such an expedited schedule is unheard-of and completely unreasonable. PG&E in this application requests open-ended authority to spend \$113 million in just the two years 2012-2013, depending on the number of customers opting-out. Such a request requires more than perfunctory review.

While TURN appreciates that customers may desire the opt-out option to be available as soon as possible, there is absolutely nothing in PG&E's proposal that warrants an expedited proceeding. PG&E intends to continue installing all the new solid state meters and then deactivate the communications modules manually. This can be done at any point. The Commission should proceed expeditiously, but there is absolutely no need for haste. Haste in smart meter installation has already resulted in one major technology change and significant installation problems. Let's at least get this part done right.

TURN has already conducted discovery and is attempting to craft our analyses expeditiously. Nevertheless, given the huge work load due to three rate cases and several natural gas-related proceedings, we propose that intervenor testimony be scheduled no sooner than eight to ten weeks after the prehearing conference, or on about July 15, 2011.

### **III. CONCLUSION**

TURN appreciates that PG&E has finally proposed an opt-out alternative for customers. However, the proposal appears too expensive, and the open-ended cost-recovery authority requested places all the risk on participating customers.

TURN recommends that the Commission adopt a schedule that allows the parties adequate time to analyze PG&E's proposed opt-out plan.

April 25, 2011

Respectfully submitted,

By: \_\_\_\_\_/S/\_\_\_\_\_  
Marcel Hawiger, Energy Attorney

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CERTIFICATE OF SERVICE

I, Larry Wong, certify under penalty of perjury under the laws of the State of California that the following is true and correct:

On April 25, 2011, I served the attached:

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TO PG&E'S SMART METER OPT-OUT PROPOSAL**

on all eligible parties on the attached list **A.11-03-14** by sending said document by electronic mail to each of the parties via electronic mail, as reflected on the attached Service List.

Executed this April 25, 2011, at San Francisco, California.

/S/  
Larry Wong

**Service List for A.11-03-014**

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