



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE **FILED**

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. (U39M)

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

REPLY COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY
(U 338-E) ON DECISION MODIFYING PACIFIC GAS AND ELECTRIC COMPANY'S
SMARTMETER PROGRAM TO INCLUDE AN OPT-OUT OPTION

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission's (CPUC's or Commission's) Rules of Practice and Procedure, Southern California Edison Company (SCE) hereby submits these reply comments to the comments of parties to this proceeding on the Proposed Decision of Commission President Peevey issued on November 22, 2011 (PD).

II. DISCUSSION

A. The Commission Should Adopt the Non-Communicating Smart Meter Option

Multiple parties recommend that the Commission authorize an analog meter opt-out option to alleviate concerns about health impacts.¹ This recommendation is inappropriate because the Commission has already ruled that health issues are not within the scope of this proceeding.² The Utility Reform Network (TURN) obfuscates this issue by stating that the PD

¹ See Comments of The Utility Reform Network on Proposed Decision of President Peevey Authorizing a SmartMeter Opt-Out Program at pp. 5-7, Wilner & Associates' Comments to Proposed Decision of Assigned Commissioner Michael R. Peevey, at pp. 1, 3, and 5-6, Comments of EMF Safety Network on Proposed Decision of Commissioner Peevey at pp. 1-2, and Comments of Aglet Consumer Alliance on Proposed Decision of Commissioner Peevey at pp. 2-3.

² See Assigned Commissioner Ruling and Scoping Memo, May 25, 2011.

fails to adopt the analog meter solely because the Commission has a goal of “mandatory time-variant pricing for everyone.” It is true that non-communicating smart meters allow for time-variant pricing. However, the Commission selected non-communicating smart meters because this option eliminates radio frequency (RF) transmissions from the wireless radios in the smart meter *and* provides the interval data necessary to support the Commission’s Smart Grid goals. As such, the recommendation that the Commission should require an analog meter option is without merit, and the Commission should adopt the non-communicating smart meter option in Pacific Gas & Electric Company’s (PG&E’s) opt-out program.

B. Customer Self-Reads Do Not Support the CPUC’s Smart Grid Goals and Do Not Necessarily Result in Lower Program Costs

In its comments on the PD, TURN recommends that “[t]he PD admits that costs could be reduced ‘if customers were able to self-read their meters.’”³ TURN is incorrect, as the PD makes no such admission. In fact, the PD makes no finding related to the cost of customer self-reads. In addition, TURN’s assertion that customer self reads would result in lower program costs is not supported by PG&E’s cost data.⁴ As PG&E noted in its October 28, 2011 Response to the October 12, 2011 Ruling, the increased operational costs associated with customer self-reads more than offset the reduced cost for meter reader visits,⁵ resulting in higher program costs compared to monthly manual reads performed by PG&E. Thus, customer self-reads should not be adopted because they do not necessarily result in lower opt-out program costs, and they do not support the CPUC’s Smart Grid goals.

³ TURN Comments at p. 19.

⁴ TURN Comments at pp. 19-22.

⁵ PG&E Response to Administrative Law Judge’s October 12, 2011 Ruling Directing It To File Additional Cost Information, Attachment A, at. p. 1B.

C. PG&E’s Shareholders Should Not Pay for The Opt-Out Program Costs

TURN recommends that PG&E’s shareholders bear a portion of the opt-out program costs and suggests that amount is at least 50 percent.⁶ TURN tries to justify its recommendation by claiming that: “PG&E should have foreseen the potential to remotely turn off the radio and incorporated this functionality in the firmware design.”⁷ TURN is incorrect. The Commission authorized PG&E’s AMI program⁸ based on PG&E’s AMI application and the Commission’s Advanced Metering Infrastructure (AMI) program guidance,⁹ neither of which contemplated remote turn-off of smart meters’ radios. It is unreasonable to claim that PG&E should have foreseen a need to remotely turn off a smart meter’s radio when there was nothing to indicate that the radios in the smart meters, which comply with all regulations (Federal Communications Commission, etc.), would ever need to be turned off remotely.

TURN goes on to state that “PG&E be held accountable as part of the normal project risk accounted for in utility return on rate base.”¹⁰ This statement would be true if opt-out capabilities were part of PG&E’s SmartMeter Program scope. However, PG&E’s opt-out program represents capabilities and activities required by the Commission and incremental to PG&E’s SmartMeter Program. The PD properly recognizes this distinction by finding that PG&E’s implementation of the SmartMeter Program has complied with the requirements of Decision (D.) 06-07-027, and that PG&E should be allowed to recover costs associated with the opt-out option provided such costs are found to be reasonable, and not already being recovered in rates.¹¹ There is no justification for the Commission penalizing Investor Owned Utilities’ (IOUs’) shareholders for providing new opt-out capabilities required by the Commission. As

⁶ See TURN Comments at p. 18

⁷ See *id.*

⁸ See D.06-07-027 Final Opinion Authorizing Pacific Gas and Electric Company to Deploy Advanced Metering Infrastructure and D.09-03-026 Decision on Pacific Gas and Electric Company’s Proposed Upgrade to the SmartMeter Program.

⁹ See Joint Assigned Commissioner and Administrative Law Judge’s Ruling Providing Guidance for the Advanced Metering Infrastructure Business Case Analysis, R.02-06-001, for six AMI system support functions at pp. 3-4.

¹⁰ See TURN Comments at p. 18.

¹¹ See PD, Conclusion of Law 12.

such, the Commission should reject TURN's proposal to require IOUs' shareholders to fund any portion of the opt-out program costs.

D. A Separate Application for Reasonableness Review Is Unnecessary

The Division of Ratepayer Advocates (DRA), TURN and Aglet support the establishment of a memorandum account to track PG&E's opt-out program costs and fee revenues, subject to reasonableness review before authorizing cost recovery. Both DRA and TURN state that this review could be performed in PG&E's annual Energy Resource Recovery Account (ERRA) review proceeding. However, Aglet opposes the PD's reliance on ERRA review proceedings and instead states that the Commission should amend the PD to require PG&E to file an application for rate recovery of opt-out costs. Contrary to Aglet's recommendation, the ERRA review proceeding is the appropriate forum for review of opt-out costs and revenues. The ERRA review proceedings are the established forums in which the majority of the IOUs' balancing and memorandum accounts are reviewed, including the Smart Meter balancing accounts. A separate application is unnecessary and could significantly delay recovery of costs that PG&E necessarily will incur to comply with the opt-out program ordered by the Commission.

DRA recommends the elimination of the March 31, 2014 Tier 3 advice letter and instead PG&E should include the information the PD would require in this advice letter in the ERRA application. This modification would streamline the review process and allow for meaningful participation by ratepayers in PG&E's ERRA review proceeding. SCE supports DRA's recommendation. Such a modification to the PD would establish what PG&E should file to meet its burden of proof, while also providing the Commission the information it would need to perform a full review of the reasonableness of PG&E's opt-out program costs.

E. Opt-Out Fees for Low Income Customers Should be Affordable and Consistent With Current Ratemaking Practices

For California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance Program (FERA) customers, the PD provides an initial fee of \$0 and a monthly fee of \$5.¹² In response, PG&E states “[t]he elimination of an initial [CARE/FERA] fee is contrary to the reality that there are incremental costs associated with opting out of the smart grid...” SCE agrees. The elimination of the CARE/FERA initial opt-out fee is inconsistent with Commissioner Peevey’s initial direction in this proceeding to “prepare a proposal for Commission consideration that will allow some form of opt-out for customers who object to these devices at reasonable cost, to be paid by the customers who choose to opt-out.”¹³ The Commission should provide a CARE/FERA fee that is both affordable for low-income customers and is more consistent with current discounted CARE/FERA rates.

F. Health Issues Are Not Within the Scope of This Proceeding

Various parties’ comments address health-related concerns in this proceeding.¹⁴ These comments are inappropriate and should be accorded no weight. As referenced in the Assigned Commissioner Ruling and Scoping Memo,¹⁵ health issues were never within the scope of this proceeding. As such, the Commission should proceed as set forth in the Scoping Memo and deny the requests to expand the scope of this proceeding.

¹² See PD at p. 33.

¹³ Statement from President Peevey at March 10, 2011 CPUC Business Meeting; *see also* Assigned Commissioner Ruling and Scoping Memo, May 25, 2011, at p. 2.

¹⁴ See Aglet Comments at pp. 1-2, Ecological Options Network (EON) Comments at p. 9; EMF Safety Network Comments at pp. 4-5, the County of Lake Comments at pp. 4-7; Wilner & Assoc. Comments at pp. 2-3.

¹⁵ See Scoping Memo at p. 3

III. CONCLUSION

SCE respectfully requests that the Final Decision of the Commission in this matter consider and incorporate SCE's Opening and Reply Comments.

Respectfully submitted,

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