

**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)

A.11-03-014

**REPLY COMMENTS OF THE CALIFORNIA LARGE ENERGY CONSUMERS  
ASSOCIATION ON THE PROPOSED DECISION OF PRESIDENT PEEVEY  
AUTHORIZING A SMARTMETER OPT-OUT PROGRAM**

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December 19, 2011

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These reply comments on the Proposed Decision (PD) of President Peevey authorizing a SmartMeter Opt-Out Program are submitted pursuant to Rule 14.3 of the California Public Utilities Commission (Commission) rules of practice and procedure. The California Large Energy Consumers Association (CLECA) has submitted a motion for party status, concurrently with these reply comments. These comments address the single, critical issue of cost allocation.

**I. INTRODUCTION**

CLECA has not previously engaged in this docket, which focuses on a program for Pacific Gas & Electric Company's (PG&E) residential customers. The PD found that the opt-out costs "*should be the responsibility of all residential customers ... [and] a portion of the opt-out costs shall be allocated to all*

*residential ratepayers, not just those participating in the opt-out option.”*<sup>1</sup> Thus those residential customers opting out would pay a portion of the costs and all other residential ratepayers would pay the remainder of the program’s costs. This rightly keeps this residential customer program’s costs within the residential class.

The Utility Reform Network (TURN), however, in its opening comments, seeks revision of the PD’s determination on cost allocation. TURN’s recommended changes to the PD’s allocation of the costs of the residential program could impact all customer classes, not just the residential class. CLECA supports the PD’s determination on cost allocation as drafted and opposes TURN’s proposed change. If, however, the residential opt-out program costs are not kept within the residential class, the cost allocation should not be addressed in this docket; rather, it, like all other complex cost allocation issues, should be addressed in Phase II of PG&E’s next General Rate Case (GRC).

## **II. COMMENTS**

In one brief paragraph, TURN seeks a significant revision to the PD’s cost-allocation determination.<sup>2</sup> TURN wants to permit allocation of the costs of the opt-out program beyond the residential class to other customer classes.<sup>3</sup> This change is not warranted, and it should be rejected.

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<sup>1</sup> PD, at 32; see also, PD at 34 (“*this decision adopts a policy to charge residential customers a portion of the costs if they participate in the opt-out option and to recover the remaining costs from all other residential customers.*”).

<sup>2</sup> TURN Comments, at 4.

<sup>3</sup> TURN also seeks to lump the “net costs” of a discounted opt-out option with the statutory allocation methodology for CARE; notably, this discounted opt-out option is made available by the PD to more than just CARE customers.

**A. Don't Extend Cost Allocation of the Residential Opt-Out Program to Non-Residential Classes**

TURN avers that the PD's allocation of costs to the residential class improperly "prejudges" the cost allocation issue; TURN then argues that the cost allocation should be addressed in rate cases.<sup>4</sup> Generally, TURN is right: cost allocation for programs that impact all classes should occur in GRC Phase IIs, and cost allocation is usually very complex.<sup>5</sup> If a program is designed specifically for a single class, as here, however, allocation of that program's costs to that one class is not as complex a question. Aglet apparently argued that the residential customer opt-out costs should not be borne solely by those residential customers' opting out; the PD agreed and the residential customers' opt-out program costs are to be spread to all residential customers.<sup>6</sup> CLECA supports the decision in the PD to keep the costs within the residential class. The opt out program is only available for the residential class; it should only be paid for by the residential class.<sup>7</sup>

**B. If Cost Allocation Is Not Kept Within the Residential Class, Defer the Determination to PG&E's Next GRC Phase II**

Unless all costs of the opt-out program are to be allocated only to the customer class for which the program is designed, as currently provided in the PD, the cost allocation issue should be addressed in a GRC Phase II. If other

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<sup>4</sup> TURN Opening Comments, at 4.

<sup>5</sup> See, e.g., [Decision 11-12-053 (adopting settlement agreements in PG&E 2011 GRC Phase II)].

<sup>6</sup> PD, at 29-34.

<sup>7</sup> TURN comments also seek equal-cents per kilowatthour allocation of the net costs for the discounted option for CARE customers; the Commission must be aware, however, that the proposed discounted opt-out option under the PD would be extended to more than just CARE customers; it is provided for FERA customers, too. PD, at 33 ("any [opt-out] discount provided to customers enrolled in the CARE program should also be provided to customers enrolled in the FERA programs.").

customer classes are to be impacted by a potential allocation of a program's costs, procedural propriety demands that those customer classes have notice and the opportunity to engage in the cost allocation debate and determination. There should be no recovery of these costs from non-residential customers until this matter is addressed in the next PG&E Phase II proceeding.

## **II. CONCLUSION**

CLECA respectfully requests that the Commission consider its reply comments on the PD and reject TURN's proposed changes as discussed above.

Respectfully submitted,



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