

Decision PROPOSED DECISION OF ALJ PULSIFER (Mailed 12/29/2014)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2014 (U39M).	Application 12-11-009 (Filed November 15, 2012)
And Related Matter.	Investigation 13-03-007

**DECISION REGARDING DISPOSITION OF PENDING ISSUES IN PACIFIC GAS AND ELECTRIC COMPANY GENERAL RATE CASE PHASE 1****Introduction**

By this decision, we dispose the remaining issues outstanding in this proceeding, as outlined below. This proceeding was originally initiated by the filing of Application (A.) 12-11-009 by Pacific Gas and Electric Company (PG&E) for authority to increase rates executive January 1, 2014 through its 2014 General Rate Case. The Commission subsequently opened Investigation (I.) 13-03-007 as a companion docket as a vehicle for the Commission's independent investigation of PG&E's utility practices. In Decision 14-08-032, the Commission adopted 2014 test year and 2015-2016 attrition year revenue requirements for PG&E, including funding for various safety and reliability programs. Certain issues remain to be resolved, however, for A.12-11-009/I.13-03-007 to be closed. With the procedural disposition of these remaining outstanding matters, as directed herein, no further

issues remain to be addressed in this proceeding. Accordingly, there is no reason to keep this proceeding open, and we hereby close A.12-11-009/I.13-03-007.

**1. Matters Relating to Safety and Reliability  
Risk Assessment and Mitigation**

Although we determined Pacific Gas and Electric Company's (PG&E) 2014-2016 General Rate Case (GRC) revenue requirements in Decision (D.) 14-08-032, Ordering Paragraph (OP) 44 thereof stated that the proceeding remained opened for consideration of prospective recommendations relating to PG&E's safety and reliability risk assessments referenced in the Amended Scoping Memo, dated June 6, 2014. The Amended Scoping Memo issues relate to pending recommendations in the reports prepared by independent consultants that were previously issued in this proceeding (Consultant Reports) relating to PG&E's prospective processes to assess and mitigate safety and reliability risks.<sup>1</sup>

Pursuant to the January 2013 Scoping Memo in this proceeding, these Consultant Reports were made part of the record, and were considered, as relevant, for purposes of adopting revenue requirements for test year 2014 and attrition years 2015 and 2016 for PG&E. Apart from the adopted 2014-2016 revenue requirements, however, the Consultant Reports presented prospective recommendations regarding ongoing actions PG&E should take to improve its

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<sup>1</sup> These Consultant Reports, prepared under the direction of the Commission's Safety and Enforcement Division, were titled:

- (1) "Study of Risk Assessment and Pacific Gas and Electric Company's GRC," authored by the Liberty Consulting Group;
- (2) "Evaluation of Pacific Gas and Electric Company's 2014 Gas Distribution Filing," authored by Cyclo Corporation; and
- (3) "Focused Financial Audit of Pacific Gas & Electric Company's Gas Distribution Operations," authored by Overland Consulting.

risk assessment and risk management practices and policies to promote appropriate standards of safety, security, and reliability.

The Scoping Memo in this proceeding, issued in January 2013, anticipated that all recommendations in the Consultant Reports would be resolved concurrently with adoption of PG&E 2014-2016 GRC revenue requirements. In the interests of a timely decision on PG&E's 2014-2016 GRC revenue requirements, however, an Amended Scoping Memo was issued. The Amended Scoping Memo, dated June 6, 2014, deferred disposition of issues in the Consultant Reports that (a) related only to prospective recommendations, and (b) had no bearing on 2014-2016 revenue requirements.<sup>2</sup> As a related issue, D.14-08-032, Conclusion of Law 42, stated that PG&E was to begin developing baseline data that could form the basis for performance metrics for a system wide gas pipeline leak find rate, for consideration in the next phase of this proceeding, dealing with the Consultant Report recommendations on PG&E's risk assessment and mitigation practices.

On November 14, 2014, an Administrative Law Judge (ALJ) ruling was issued, providing opportunity to comment on the procedural disposition of issues in the Amended Scoping Memo, and if there was any objection to addressing the issues in the Amended Scoping Memo in this proceeding solely within the scope of Rulemaking (R.) 13-11-006. The Commission instituted R.13-11-006 to address the development of a risk-based decision-making framework to evaluate safety and reliability improvements presented in GRC

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<sup>2</sup> See Cycla Report (Exh. 167) at 62-67 and Liberty Report (Exh. 168) at S-1 - S-12. Because the Overland Report focused only on historic periods, and did not present prospective recommendations, no further disposition of Overland Report findings is necessary in this proceeding.

applications among the major investor-owned energy utilities, to develop performance metrics and evaluation tools, and to modify the Rate Case Plan accordingly.

Only one party, Center for Electrosmog Protection (CEP), filed comments in response to the November 14, 2014, ALJ ruling. CEP expresses support for the R.13-11-006 approach to risk assessment in GRC proceedings, but argues that pending safety-related issues in the Amended Scoping Memo should continue to be resolved in Application (A.) 12-11-009/Investigation (I.) 13-03-007.

### **Discussion**

In view of the initiatives for development of a risk-based decision-making framework being addressed in R.13-11-006, we conclude that the issues identified in the Amended Scoping Memo in A.12-11-009/I.13-03-007 should be addressed in R.13-11-006.

Accordingly, we direct that the subsequent consideration of issues still pending in this proceeding relating to safety and reliability risk assessment and mitigation measures for PG&E will be addressed in R.13-11-006, or other proceeding(s) subsequently designated by the Commission. We conclude that R.13-11-006 is an appropriate forum to address the issues pending in this proceeding relating to PG&E's prospective safety and reliability risk assessment and mitigation practices. On December 4, 2014, the Commission adopted D.14-12-025, issued in R.13-11-006. This decision adopted two new procedures, which feed into the GRC applications in which the utilities request funding for such safety-related activities. These two procedures are: (1) the filing of a Safety Model Assessment Proceeding (S-MAP) by each of the large energy utilities, which are to be consolidated; and (2) a subsequent Risk Assessment Mitigation Phase (RAMP) filing in an Order Instituting Investigation for the upcoming GRC

wherein the large energy utility files its RAMP in the S-MAP reporting format describing how it plans to assess its risks, and to mitigate and minimize such risks. The RAMP submission, as clarified or modified in the RAMP proceeding, will then be incorporated into the large energy utility's GRC filing. In addition, the large energy utilities will be required to file annual reports following their GRC decisions. This process, as adopted in D.14-12-025, provides a suitable framework to resolve any pending recommendations in the Consultant Reports that warrant additional Commission action, as identified in the Amended Scoping Memo. Accordingly, we hereby designate R.13-11-006 as the applicable forum for that purpose going forward.

In the revenue requirements phase of this proceeding, parties had the opportunity to offer testimony in response to the Consultant Reports. Accordingly, no additional testimony or comments are necessary to dispose of any remaining recommendations to be considered in the Consultant Reports.

We find no convincing arguments in the CEP comments, as referenced above, to persuade us to continue to address safety and reliability risk mitigation measures in this docket, separately from R.13-11-006. In its response to the ALJ ruling, CEP refers to its previous proposals for disposition of PG&E's 2014 GRC revenue requirement. For example, CEP makes the claim that PG&E's electric distribution system risk assessments do not address health and safety risks. CEP argues that the risk assessment programs proposed by PG&E are inadequate and should be expanded. CEP claims that the Smart Grid Deployment Plan approval by D.13-07-024 did not address California Public Utilities Commission (CPUC or Commission) statutory mandates for health and safety.

To the extent that PG&E's 2014 revenue requirement has already been adopted, however, the CEP's claims and disagreements with PG&E's showing

constitute reargument of resolved issues and are beyond the scope of comments in response the ALJ ruling.

CEP also claims that issues in the Amended Scoping Memo should continue to be addressed in this docket due to the importance of a timely resolution. Yet, CEP provides no basis to conclude that timeliness will be affected by whether the pending issues are treated in this docket versus in R.13-11-006. In any event, CEP is free to participate in R.13-11-006, and to advocate for timely resolution of relevant safety and reliability issues in that proceeding.

Accordingly, we find no basis to continue to address safety issues in this docket. We hereby affirm that the issues in the Amended Scoping Memo in this proceeding are henceforth deemed to be subsumed within R.13-11-006. Going forward, these issues shall be addressed within the scope of the ongoing proceedings in R.13-11-006.

## **2. Disposition of SmartMeter™ Audit Proposal**

### **2.1. Background**

Previously during the revenue requirements phase of this proceeding, The Utility Reform Network (TURN) argued that the Commission needs to increase its understanding of how earlier decisions authorizing the Advanced Metering Infrastructure (AMI) project have been implemented and whether the project's proposed cost effectiveness compares to its actual cost-effectiveness. TURN claims that the operational benefits that were proposed by PG&E and accepted by the Commission are not reaching the goals expected as set forth in D.06-07-027 or D.09-03-026.

In testimony in this proceeding on AMI issues,<sup>3</sup> TURN expressed particular concern about the accounting for PG&E's SmartMeter™ program costs and benefits. TURN is concerned that some SmartMeter™-related costs may have been incorrectly booked to base rates. TURN also states there has been extensive delay between PG&E installing smart electric and gas meters and actually activating those meters that may have deprived ratepayers of close to \$21 million in benefits in 2012.

In PG&E's 2011 GRC, TURN previously proposed that an audit be conducted of PG&E's SmartMeter™ cost allocation practices. In response to TURN's previous proposal, the Commission directed in D.11-05-018 (PG&E's 2011 GRC decision) that:

At Pacific Gas and Electric Company's expense, Commission staff shall oversee an independent audit of Pacific Gas and Electric Company's SmartMeter-related costs to determine whether costs that should have been recorded in the SmartMeter balancing accounts were instead recorded in other accounts. The cost to Pacific Gas and Electric of the audit shall not exceed \$200,000 and shall be recoverable through the SmartMeter balancing account. (D.11-05-018, OP #19.)

This independent audit ordered in D.11-05-018 was not implemented during PG&E's 2011-2013 GRC cycle. In response to a TURN inquiry in the current proceeding, PG&E provided the following response as to the status of the SmartMeter™ audit:

PG&E has not had any communications with the CPUC staff on the staff's independent audit of PG&E's SmartMeter costs ordered by Decision 11-05-018. PG&E has no knowledge of the

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<sup>3</sup> Ex. 118 at 58-59 (TURN/Nahigian).

current status of the audit or the staff's plans for it. As requested, if the CPUC staff contacts PG&E regarding the audit or if PG&E learns of any change in the status of the audit, PG&E will update this response. (TURN #08. Question 1)

In the current proceeding, TURN argues that the SmartMeter™ audit is as important now as it was in the 2011 GRC. TURN recommends that the Commission direct staff to hire an independent accounting firm to audit SmartMeter™ related costs and benefits accounting, and to explicitly evaluate PG&E's standards and practice of activating meters and booking benefits. TURN also recommends that the Commission set a timeline for completion and evaluation of the audit results in a later phase of this proceeding, or another relevant proceeding.

In response to TURN's recommendation, in D.14-08-032, OP 22, the Commission stated:<sup>4</sup>

The Utility Reform Network's (TURN's) proposal calling for an independent audit of SmartMeter costs and benefits will be further addressed following receipt of further information regarding how much the audit will cost and how it will be funded. Pacific Gas and Electric Company, TURN and Commission staff are directed to meet and confer to determine a joint estimate of the funding required for such an audit, and to jointly file and serve an estimate of the required funding within 60 days of the effective date of this decision.

On September 10, 2014, in response to OP 22, an initial meet and confer session took place among PG&E, TURN, and Commission staff to determine the joint estimate of funding for the SmartMeter™ audit. PG&E filed a status report on October 7, 2014, as to the results of that meeting.

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<sup>4</sup> D.14-08-032 was PG&E's 2014 GRC Decision.

The SmartMeter™ audit, as directed in PG&E's 2011 GRC decision, called for the cost of the audit to be borne by PG&E, clarifying that such costs "shall not exceed \$200,000 and shall be recoverable through the SmartMeter™ balancing accounts."<sup>5</sup> Although PG&E's SmartMeter™ balancing accounts are being closed,<sup>6</sup> PG&E states that it will cover costs up to the previously agreed upon amount of \$200,000 through existing rates as long as the overall parameters of the audit remain the same.

A subsequent ALJ ruling dated November 14, 2014, called for PG&E, TURN, and Commission to meet and confer to reach consensus and to provide a further status report as to:

- a. The scope of the audit relating to SmartMeter™ costs and benefits, including: (a) the record period subject to audit; and (b) identification of the cost and benefit data subject to audit.
- b. Assessment of time constraints to establish a schedule for procuring an independent auditor and for completion of the audit and public release of the audit report.

In response to the ALJ ruling, a further status report was filed and served on December 8, 2014, indicating consensus on the following terms and conditions relating to the SmartMeter™ audit.

The parties and participants involved in the meet-and-confer sessions agree and recommend that the audit seek to determine whether costs that should have been recorded in the SmartMeter™ balancing accounts were instead recorded in other accounts, or vice-versa (for example, accounts related to the GRC, demand response, or dynamic pricing programs). The Major Work

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<sup>5</sup> D.11-05-018, *mimeo*, Attachment 1 at 1-10.

<sup>6</sup> D.14-08-032, *mimeo* at 735 (OP 20).

Categories (including their predecessors or successors, as the case may be) that should be reviewed are:

- Expense: AR (Perform Meter Reading), BH (Significant Outage Restoration), DA (Process Customer Bills), DD (Perform Field Services), DK (Manage Customer Inquiries), EY (Perform Electric Meter Maintenance), EZ (Manage Various Customer Care Processes), FT (Customer Service Office Transactions), FM (Reduced Software Licensing Expenses), FZ (Momentary Outage Detection), HX (Distribution Automation and Protection Support), ID (Manage SmartMeter), IF (Electric Distribution Automation and Protection), IS (Bill Customers), and IT (Manage Credit)
- Capital: 6 (Electric Distribution Line and Equipment Capacity), 17 (Electric Distribution Emergency Response), 25 (Electric Metering Capital), 46 (Electric Distribution Substation Capacity), 47 (Gas T&D Savings), 95 (Electric Distribution Major Emergency), and 97 (Manage SmartMeter)

The Balancing Accounts that should be reviewed are:

- SmartMeter™ Project BA- Electric (SBA-E)
- SmartMeter™ Project BA- Gas (SBA-G)
- Advanced Metering and Demand Response Account (AMDRA)
- Gas Advanced Metering Account (GAMA)
- Customer Data Access (CDA)
- Customer Energy Efficiency (CEE)
- Demand Response (DR)
- Meter Reading Balancing Account (MRBA)
- Dynamic Pricing Memo Account (DPMA)
- SmartMeter™ Opt-Out Balancing Accounts

The parties and participants agree that a second purpose of the audit is to evaluate whether PG&E's internal cost management guidelines are adequate to

ensure that all PG&E labor and non-labor costs have been properly booked to its SmartMeter™ balancing accounts. This portion of the audit should include evaluating whether the guidelines addressed situations such as how to record a call center employee's time spent fielding a customer's call if, during that call, the customer raised a SmartMeter™ issue amongst other topics.

The parties and participants propose that the period subject to audit should be July 20, 2006 through December 31, 2013. The commencement date corresponds to the date of issuance of D.06-07-027, which authorized PG&E to proceed with its SmartMeter™ Project. The ending date represents the closure of the SmartMeter™ Project, as PG&E operationalized the SmartMeter™ Project into ordinary business at the beginning of 2014, with SmartMeter™ costs fully integrated within PG&E's 2014-2016 GRC period effective January 1, 2014.

### **3.2. Discussion**

We conclude that the proposal of TURN for an independent audit of SmartMeter™ program costs and benefits, as referenced in OP 22 of D.14-08-032, has merit. We also conclude that the consensus reached among PG&E, TURN, and Commission staff for funding, implementation, schedule, and follow up action on the independent audit, as summarized above, represents a reasonable and workable plan. Accordingly, we adopt TURN's recommendation for an independent audit and direct its implementation in accordance with the process agreed among the participating parties, and as prescribed below.

We direct the Commission staff to initiate the necessary steps to retain an independent accounting firm to conduct an audit of the SmartMeter™ related costs and benefits. The activities to be included in the SmartMeter™ costs subject to audit are those found in the cost tables supporting the Commission's

SmartMeter™ decisions, specifically, the cost categories found in D.06-07-027, Table 1 and D.09-03-026, Table 3.

In terms of evaluating the booking and allocation of benefits, the audit focus shall be on the recording of estimated operational dollar savings consistent with the Benefits Realization Mechanism, adopted in D.06-07-027 and revised in D.09-03-026 and D.11-05-018.

We shall require PG&E to fund the necessary costs up to a limit of \$200,000 in fees for the independent auditor and for Commission staff oversight of the independent audit, consistent with the consensus reached among PG&E, TURN, and Commission staff.

The audit shall cover the recorded period from July 20, 2006 through December 31, 2013, as agreed among the parties. The audit shall determine whether the costs during this period that should have been recorded in the SmartMeter™ balancing accounts were instead recorded in other accounts. As part of this analysis, the audit should examine PG&E's internal policies on process and timing of meter activation and PG&E's adherence to such meter activation policies, including the associated recording of estimated operational dollar savings to the balancing accounts.

We shall set deadlines to ensure the audit is completed in a timely manner. Once directed to initiate the audit, the parties and participants anticipate it will take approximately 18-26 weeks to hire an independent auditor and have that auditor on-site. Once the auditor is on-site, the parties and participants estimate completion of the audit within six months.

Based on these estimates, we set a deadline of six months from the effective date of this decision in order for Commission staff to complete the process to select an independent auditor and to have that auditor on site and

ready to begin work. From the date that the selection of the auditor is completed, we set a deadline of six months thereafter for completion of the independent audit and production of the audit report in preliminary draft form.

Upon completion of the draft version of the audit report, the independent auditor shall provide the draft version of the report to PG&E, TURN, the Office of Ratepayer Advocates and the Energy Division for comment to identify and address potential errors in the report. Three weeks shall be provided for those comments. The independent auditor shall issue a final version of its report to the Commission's project manager and PG&E within the subsequent three weeks following receipt of any comments identifying potential errors. A copy of any such comments shall be attached to the final report.

Since the final audit report will likely issue after the commencement of PG&E's 2017 GRC (expected to be filed in late 2015), PG&E is directed to submit the final report as part of its evidentiary showing, to be made part of the record, in PG&E's 2017 GRC, consistent with parties' consensus recommendations. Upon completion of the audit, and submission of the final audit report in PG&E's 2017 GRC, we shall conduct further proceedings to evaluate the results of that audit, and to determine appropriate follow up measures.

### **3. Assignment of Proceeding**

Michel P. Florio is the assigned Commissioner, and Thomas R. Pulsifer is the assigned ALJ in this proceeding.

### **4. Comments on the Proposed Decision**

The proposed decision of ALJ Pulsifer in this matter was mailed to the parties in accordance with Pub. Util. Code § 311, and comments were allowed pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure. No comments were filed. We have modified the proposed decision to correct

typographical errors and to clarify our discussion of the procedural steps to be followed in finalizing the independent audit of PG&E's SmartMeter™ costs and benefits.

### **Findings of Fact**

1. In D.14-08-032, the Commission adopted increases in adopted GRC revenue requirements for PG&E for 2014-2016.

2. The Amended Scoping Memo in this proceeding, dated June 6, 2014, deferred consideration of issues in the Consultant Reports that (a) relate only to prospective recommendations, and (b) have no bearing on PG&E's 2014-2016 revenue requirements.

3. In D.14-08-032, Conclusion of Law 42, the Commission stated that PG&E was to begin developing baseline data that could form the basis for performance metrics for a system wide gas pipeline leak find rate, for consideration in the next phase of this proceeding.

4. The Commission instituted R.13-11-006 to address the development of a risk-based decision-making framework to evaluate safety and reliability improvements presented in GRC applications among major investor-owned energy utilities, to develop performance metrics and evaluation tools, and to modify the Rate Case Plan accordingly.

5. The process adopted in D.14-12-025 provides a suitable framework to address the pending recommendations in the Consultant Reports, as identified in the Amended Scoping Memo.

6. Although the CEP argued that that pending safety-related issues in the Amended Scoping Memo should be resolved in A.12-11-009 due to the importance of a timely resolution, CEP provides no basis to conclude that

timeliness will be affected depending on whether the pending issues are treated in this docket versus in R.13-11-006.

7. Since PG&E's 2014 revenue requirement has already been adopted, CEP's claims and disagreements with the Commission's disposition adopting PG&E's GRC revenue requirement is beyond the scope of comments in response the ALJ ruling dated November 14, 2014.

8. Although an independent audit of PG&E's SmartMeter™ costs and benefits was to be completed pursuant to directives in D.11-05-018, the audit was not implemented during PG&E's 2011-2013 GRC cycle.

9. The Commission directed in Ordering Paragraph 22 of Decision 14-08-032 that TURN's proposal calling for an independent audit of SmartMeter™ costs and benefits would be further addressed following receipt of further information regarding how much the audit would be funded. PG&E, TURN, and Commission staff were directed to meet and confer to determine a joint estimate of the funding required for such an audit, and to develop consensus on the scope and schedule for the audit.

10. No party opposes TURN's proposal for implementation of an independent audit of PG&E's SmartMeter™ costs and benefits subject to the terms and conditions agreed to among PG&E, TURN, and Commission staff representatives during meet and confer sessions conducted pursuant to Commission order.

11. Good cause exists to adopt TURN's recommendation that Commission staff hire an independent accounting firm to audit SmartMeter™ related costs and benefits accounting, and to explicitly evaluate PG&E's standards and practice of activating meters and booking benefits.

12. PG&E agrees to cover the amount of \$200,000 through existing rates to pay for the costs of the independent audit of its SmartMeter™ costs and benefits as

long as the overall parameters of the audit remain as agreed among PG&E, TURN, and Commission staff.

13. The parties agree that the independent audit of SmartMeter™ costs should include specifics set forth in the cost tables supporting the Commission's SmartMeter™ decisions. Specifically, the activities (listed as "cost categories") are found in D.06-07-027, Table 1 and D.09-03-026, Table 3.

### **Conclusions of Law**

1. Since the Amended Scoping Memo in this proceeding identified pending issues relating to safety and reliability risk mitigation as set forth in the Cycla and Liberty Consultant Reports, additional procedural steps are required to dispose of these pending recommendations.

2. In view of the development of a risk-based decision-making framework being addressed in R.13-11-006, the issues in the Amended Scoping Memo in A.12-11-009/I.13-03-007 should be addressed in R.13-11-006.

3. In the revenue requirements phase of this proceeding, parties had an opportunity to offer testimony in response to the Cycla and Liberty Consultant Reports. Accordingly, no additional testimony or comments are necessary to dispose of the remaining recommendations in the Consultant Reports.

4. Although CEP filed comments advocating keeping this docket open for any subsequent consideration of the Amended Scoping Memo issues, CEP identified no compelling reasons why those issues cannot reasonably be resolved in R.13-11-006.

5. The proposal of TURN for implementation of an independent audit of PG&E's SmartMeter™ costs and benefits should be implemented in accordance with the terms and conditions agreed to during the meet-and-confer sessions of PG&E, TURN, and Commission staff.

6. The Commission staff should proceed with implementation of an independent audit of PG&E's SmartMeter™ costs and benefits pursuant to the terms, conditions, and time limits, set forth in the Ordering Paragraphs of this decision.

7. Based on the procedural disposition of pending items adopted in this decision, no further matters remain outstanding to be resolved in this proceeding, and as a result, good cause exists to close the proceeding.

## **O R D E R**

### **IT IS ORDERED** that:

1. Any subsequent consideration of issues identified in the Amended Scoping Memo in Application 12-11-009, including issues identified in Conclusion of Law 42 of Decision 14-08-032, shall be addressed within the scope of the ongoing proceedings in Rulemaking 13-11-006.

2. For purposes of addressing the issues in the Amended Scoping Memo in this proceeding within Rulemaking (R.) 13-11-006, the following reports: (1) "Study of Risk Assessment and Pacific Gas and Electric's (PG&E's) General Rate Case," prepared by the Liberty Consulting Group, and (2) "Evaluation of PG&E's 2014 Gas Distribution Filing," prepared by Cycla Corporation, previously received into evidence in this proceeding are hereby made part of the record in R.13-11-006.

3. Commission staff is hereby directed to retain and oversee the services of an independent auditor to conduct an independent audit of Pacific Gas and Electric Company's (PG&E) SmartMeter™-related costs and benefits, as referenced in Ordering Paragraph 22 of Decision 14-08-032, and in accordance with the following terms and conditions:

- a. PG&E shall fund up to \$200,000, to pay for the costs of this audit.
  - b. The audit shall determine whether recorded costs from July 20, 2006 through December 31, 2013 have been properly recorded in the SmartMeter™ balancing accounts, and have not been improperly recorded in other accounts.
  - c. The audit focus shall also be on the recording of estimated operational dollar savings consistent with the Benefits Realization Mechanism, adopted in D.06-07-027 and revised in D.09-03-026 and D.11-05-018.
  - d. The cost activities to be included in the SmartMeter™ audit are those set forth in the tables as found in D.06-07-027, Table 1 and D.09-03-026, Table 3. The Major Work Categories (including predecessors or successors) and balancing accounts subject to the audit are set forth in Appendix 1 of this decision.
4. The following time schedule is adopted for implementing the SmartMeter™ Audit authorized herein, as referenced in Ordering Paragraph 22 of Decision 14-08-032:
- a. A deadline of six months from the effective date of this decision is set for the Commission staff to complete the process to select an independent auditor and to have the auditor on site, ready to begin work.
  - b. From the date that the Commission staff's selection of the auditor is completed, a deadline of six months thereafter is set for completion of the independent audit and production of the audit report in preliminary draft form.
  - c. Upon completion of the preliminary draft, the independent auditor shall provide the draft report to the Commission's project manager for review of compliance with the scope of the audit. The Commission's project manager shall have five business days for compliance review and comment.
  - d. The independent auditor shall have five business days to review and incorporate necessary changes to comply with the scope of the audit.

- e. The independent auditor shall then provide a draft report to Pacific Gas and Electric Company, The Utility Reform Network, The Office of Ratepayer Advocates, and Energy Division for comments regarding identification of potential errors that may be found therein. Three weeks (15 business days) shall be provided for those comments.
- f. The independent auditor shall issue a final version of its report to the Commission's project manager and Pacific Gas and Electric Company within the subsequent three weeks (15 business days) following receipt of any comments identifying potential errors. A copy of any such comments shall be attached to the final report.

5. Upon the issuance of the final version of the SmartMeter™ Audit Report, Pacific Gas and Electric (PG&E) is directed to submit the SmartMeter™ Audit Report as part of its evidentiary showing, which shall be made part of the record, in PG&E's 2017 General Rate Case.

- 6. Application 12-11-009 and Investigation 13-03-007 are closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.

## Appendix 1

### Major Work Categories and Balancing Accounts Subject to the SmartMeter™ Audit for Pacific Gas and Electric Company

The following Major Work Categories and accounts shall be included within the scope of the independent audit of SmartMeter™ costs and benefits of Pacific Gas and Electric Company as prescribed in Ordering Paragraph 4 of this decision:

A. The Major Work Categories (including their predecessors or successors, as the case may be) that shall be reviewed are:

Expense:

AR (Perform Meter Reading), BH (Significant Outage Restoration), DA (Process Customer Bills), DD (Perform Field Services), DK (Manage Customer Inquiries), EY (Perform Electric Meter Maintenance), EZ (Manage Various Customer Care Processes), FT (Customer Service Office Transactions), FM (Reduced Software Licensing Expenses), FZ (Momentary Outage Detection), HX (Distribution Automation and Protection Support), ID (Manage SmartMeter™), IF (Electric Distribution Automation and Protection), IS (Bill Customers), and IT (Manage Credit)

Capital:

6 (Electric Distribution Line and Equipment Capacity), 17 (Electric Distribution Emergency Response), 25 (Electric Metering Capital), 46 (Electric Distribution Substation Capacity), 47 (Gas T&D Savings), 95 (Electric Distribution Major Emergency), and 97 (Manage SmartMeter™)

B. The Balancing Accounts that shall be reviewed are:

- SmartMeter™ Project BA- Electric (SBA-E)
- SmartMeter™ Project BA- Gas (SBA-G)
- Advanced Metering and Demand Response Account (AMDRA)
- Gas Advanced Metering Account (GAMA)

- Customer Data Access (CDA)
- Customer Energy Efficiency (CEE)
- Demand Response (DR)
- Meter Reading Balancing Account (MRBA)
- Dynamic Pricing Memo Account (DPMA)
- SmartMeter™ Opt-Out Balancing Accounts

**(End of Appendix 1)**