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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of San Diego Gas
& Electric Company (U902E) for Adoption of its
Smart Grid Deployment Plan.

Application 11-06-006
(Filed June 6, 2011)

And Related Matters

Application 11-06-029
(Filed June 30, 2011)
Application 11-07-001
(Filed July 1, 2011)

**REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC
COMPANY (U 39 E) ON SMART GRID WORKSHOP
REPORT**

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Dated: March 22, 2012

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I. INTRODUCTION

Pursuant to the March 1, 2012, Smart Grid Workshop Report – Staff Comments and Recommendations (“Smart Grid Workshop Report”), Pacific Gas and Electric Company (PG&E) provides its reply comments on the Commission Staff comments, recommendations and findings in the Smart Grid Workshop Report.

For the most part, PG&E does not disagree with the parties’ opening comments and requested changes to the workshop report and recommendations. However, PG&E responds below in summary fashion to a few comments by parties that PG&E believes need to be put in context or clarified.

II. TURN IS INCORRECT IN CLAIMING THAT THE SMART GRID PLANS FAIL TO ADDRESS COST-EFFECTIVENESS

PG&E disagrees with TURN’s claim that the Smart Grid Deployment Plans lack adequate discussion of cost-effectiveness, as well as TURN’s recommendation that the Plans be subject to further discussion and development on cost-effectiveness. (TURN Opening Comments, pp. 3- 4; see also UCAN Opening Comments at p. 5.)

In point of fact, as directed by the Commission, each of the Smart Grid Deployment

Plans contain complete chapters discussing and applying cost and benefit analysis and criteria to the Plans. (See, e.g. PG&E Smart Grid Deployment Plan, Chapter 7, Cost and Benefits Estimates.) The cost-effectiveness criteria described in these chapters expressly recognize and comply with the Commission's guidance in its Smart Grid decisions that individual Smart Grid project applications, *not* the Smart Grid Plans themselves, will be the time and place for applying these cost-effectiveness criteria to specific Smart Grid projects and cost recovery requests. TURN's request for further "discussion and development" of cost-effectiveness in this phase of the Smart Grid rulemaking would only duplicate and delay the more-specific project-by-project analysis of Smart Grid cost-effectiveness in individual proceedings.

III. DRA'S RECOMMENDATIONS FOR UPDATING SMART GRID PLANS AND IDENTIFYING SMART GRID PROJECT SELECTION CRITERIA IN ADVANCE OF INDIVIDUAL APPLICATIONS ARE UNNECESSARY

For the most part, DRA's recommendations in their opening comments and workshop presentations are constructive, not unduly burdensome and workable. However, in a couple respects, PG&E believes DRA's recommendations are unnecessary and would unduly duplicate or burden the Smart Grid planning process.

First, DRA's recommendation that utilities be mandated to update their Smart Grid Deployment Plans every three years in tandem with their GRC filings, is unnecessary and duplicative of the annual report process recommended by the Workshop Report. (DRA Opening Comments, p. 6.) The Smart Grid Deployment Plans are "living documents" that can be updated and evaluated based on the utilities' annual reports and other individual Smart Grid applications and proceedings in other dockets. Requiring a revised or new Smart Grid Deployment Plan every three years on top of these existing reports and updates would be unnecessary, duplicative and confusing. PG&E agrees with the Workshop Report that if the Commission determines that the utilities' Smart Grid Deployment Plans become overly "stale" or at odds with the utilities' significant Smart Grid applications, programs and projects, the Commission can order a comprehensive update to the Plans. However, if the Plans and annual reports continue to provide

sufficient information on the status of the Plans, then a mandatory re-write of the Plans every three years should be unnecessary.

Second, DRA recommends that the Commission require that the Smart Grid Deployment Plans be revised now to identify the utilities' "processes for project selection." (DRA Opening Comments, p. 9.). PG&E disagrees with DRA's conclusion that the Smart Grid Deployment Plans as filed do not provide adequate information on the criteria and process for "project selection." PG&E's Plan contained extensive discussion and analysis of its project selection criteria. (See PG&E Smart Grid Deployment Plan, chapters 2, 3, 6, 7 and 9.) In addition, PG&E bears the burden to further demonstrate its project selection criteria and process when it files individual applications for Commission approval of specific Smart Grid projects and program. In light of this existing level of detail and Commission review, DRA's recommendation for further revisions to the Smart Grid Deployment Plans is also unnecessary and unduly burdensome.

IV. HOW TO ADDRESS CYBER-SECURITY

PG&E agrees with comments by both SCE and DRA regarding the need to take into account the national standard-setting efforts on cyber-security as part of any Commission review and consideration of cyber-security. (SCE Opening Comments, p. 6; DRA Opening Comments, pp. 10 -11.) To this end, PG&E agrees with a more collaborative workshop approach to Commission monitoring and oversight of the utilities' cyber-security strategies and programs identified in Smart Grid Deployment Plans. SDG&E's proposal for a new formal phase of this rulemaking or a new rulemaking on cyber-security altogether is unnecessary, because a collaborative workshop approach, with appropriate confidentiality protections, can be accomplished without the need for a new phase of the proceeding or new rulemaking.

V. EDF'S RECOMMENDED METHODOLOGY FOR CALCULATING INCREMENTAL SMART GRID PROJECT BENEFITS AND COSTS NEEDS FURTHER EVALUATION

The Environmental Defense Fund (EDF) in its opening comments endorses and

recommends a particular methodology for calculating Smart Grid project benefits and costs that it developed with SDG&E. (EDF Opening Comments, pp. 3- 6.) PG&E has no disagreement with SDG&E adopting a cost-benefit methodology for its Smart Grid projects that uses EDF's methodology. However, PG&E outlined in its Smart Grid Deployment Plan very specific calculations for potential avoided greenhouse gas and criteria emissions that it believes are consistent with methods used by both the CPUC and the California Air Resources Board. (See PG&E Smart Grid Deployment Plan, chapter 7, Table 7-6, pp. 170 – 171.) In addition, unlike SDG&E, PG&E did not attempt to quantify in its Plan what particular amount of incremental renewable energy procurement or “beyond the meter” electric vehicle purchases are attributable to the utilities’ Smart Grid plans or projects. (See EDF Opening Comments, pp. 5- 6.) Instead, PG&E has chosen to defer quantification of *actual* (vs. *potential*) Smart Grid benefits and costs to the deployment phase of Smart Grid projects following testing and evaluation.

VI. CONCLUSION

PG&E respectfully submits these reply comments on the Smart Grid Workshop Report and requests that the Commission move forward to expeditiously approve the Smart Grid Deployment Plans consistent with these comments.

Respectfully Submitted,
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By: _____ /s/
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