

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



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Application of Southern California Gas Company
(U-904-G) for Approval of Advanced Metering
Infrastructure

Application 08-09-023
(Filed September 29, 2008)

**NOTICE OF EX PARTE COMMUNICATION OF
SOUTHERN CALIFORNIA GAS COMPANY (U904G)**

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Dated: January 20, 2012

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OF THE STATE OF CALIFORNIA**

Application of Southern California Gas Company
(U-904-G) for Approval of Advanced Metering
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**NOTICE OF EX PARTE COMMUNICATION OF
SOUTHERN CALIFORNIA GAS COMPANY (U904G)**

In accordance with Rule 8.3 of the Commission's Rules of Practice and Procedure, the Southern California Gas Company ("SoCalGas") hereby gives notice of the following *Ex Parte* communication in the above proceeding.

On Tuesday, January 17, 2012 at 10:00 a.m. in the Commission's offices in San Francisco, Anne Shen Smith, Chief Operating Officer; Dan Skopec, Vice President of California Regulatory Affairs; Pat Petersilia, Director of the Advanced Meter Project; and Billy Blattner, Manager of Regulatory Relations Manager for SoCalGas, met with Commissioner Mark Ferron. Also in attendance were Sarah Thomas and Sara Kamins, Advisors to Commissioner Ferron. At 11:30, Ms. Smith, Mr. Skopec, Mr. Petersilia and Mr. Blattner met with Commissioner Timothy Alan Simon. Also in attendance was Bishu Chatterjee, Advisor to Commissioner Simon. The meetings were initiated by SoCalGas to discuss developments in the proceeding. Communication was substantially the same in both instances, oral and written (attached), and lasted approximately one hour.

Ms. Smith noted that the Commission approved SoCalGas' advanced metering infrastructure ("AMI") application in April 2010 and denied rehearing in November 2010 and that project opponents have raised no new facts pertaining to those decisions. She explained that 85% of the benefits of AMI are operational, a proportion higher than the electric and combined AMI cases approved by the Commission, and that 1% conservation by customers yields the balance of quantified benefits. She described other benefits not quantified in the decision. Ms. Smith showed the impact of AMI on customer bills and explained that now is the time to make the investment in part due to low natural gas prices. Mr. Petersilia described the costs that would be borne by customers if the project is delayed and the success SoCalGas has had training and placing impacted employees.

Dated this 20th day of January, 2012 in San Francisco, California.

Respectfully submitted,

/s/ Billy Blattner

Billy Blattner

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ATTACHMENT



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SoCalGas Advanced Meter Project Briefing

January 17, 2012

Commission Determined Project Is Good for Customers

- **In April, 2010, the Commission authorized SoCalGas \$1.05 billion to upgrade ~ 6 million natural gas meters with a wireless communication device by 2017**
- **In November, 2010, the Commission denied rehearing**
- **Decision 10-04-027 concluded the project is cost effective and supported the long term strategic value of the project**
 - **“..the project is cost effective; the benefit to cost ratio is approximately 1.06 because benefits exceed costs by approximately \$56 million. While this is by some measures a slim margin, the cost-benefit ratio of the SoCalGas AMI proposal is comparable and in some cases an improvement over electric AMI this Commission has approved in the past.” (p. 40)**
 - **“Based on SoCalGas’ showing, this AMI project will provide operating benefits of over \$2.9 billion to customers over the next 25 years. The proposal also provides system-wide technology platform with the ability to expand operating benefits as new applications emerge. We hope and expect that this AMI system will yield further, unforeseen benefits in the future, improving customer service, allowing utilities to operate more safely and efficiently, and reducing utility operating costs.” (p. 40)**
- **Decision 10-04-027 found the conservation estimates as reasonable and required SoCalGas to ensure that the estimated conservation savings are attained**
 - **“..SoCalGas has made a number of conservative judgments in composing its conservation estimate. It has taken a middle of the road estimate for both participation and conservation rates...We are confident that the assumptions put forth by SoCalGas do not represent the upper bound of what is achievable in the way of gas conservation following from increased customer feedback, but rather a moderate middle ground.” (p. 36)**
 - **“In order to ensure project objectives remain on track, we direct SoCalGas to establish a system to track and attribute the conservation impacts of its AMI rollout. Every six months, SoCalGas shall file a report of measured savings...If the project is falling short of SoCalGas’ projections presented in this docket, the company must submit revisions to its outreach plan to increase awareness, participation, and durability of conservation actions among customers. Additional costs incurred in order to improve conservation response will be funded out of contingency funds or otherwise subject to the risk-sharing mechanism outlined above.” (p. 45-46)**

- **Project is cost effective – net present value (NPV) of benefits exceeds costs**
- **Operational Benefits**
 - The project generates over \$2.9 billion in operational savings over the project life – equivalent to 85 % of the project cost
 - Meter Reading - \$1.6 billion
 - Field Services - \$0.7 billion
 - Capital Savings - \$0.4 billion
 - Other (Billing, Call Center) - \$0.2 billion
 - Operational savings are credited back to the customers as modules are installed
- **Conservation Benefits**
 - 1% conservation resulting from Advanced Meters will yield total benefits (operational and conservation) that exceeds costs on an NPV basis.
 - Each additional 1% conservation will provide an additional \$148 million of benefits.

- **Environmental benefits** – reduced vehicle miles by 6.3 million miles per year, with equivalent reduction of 140,000 tons/yr of CO₂ emissions (approx. \$8-28 million of societal benefits).
- **Leveraging of Communication network** - a platform for future operational savings and critical initiatives (and is assumed in our Pipeline Safety Enhancement Program filing)
- **Customer privacy & security** – meter readers no longer entering customers yards
- **Customer safety** – detect excessive or abnormal gas flow in customer residence (customer houseline, appliance leaks)
- **Energy theft** – multiple alarms to identify energy theft
- **Bill accuracy & timeliness** – fewer estimated meter reads, no estimation when customer moves into or out of a new residence
- **Employee safety** – meter readers no longer exposed to hazardous field situations

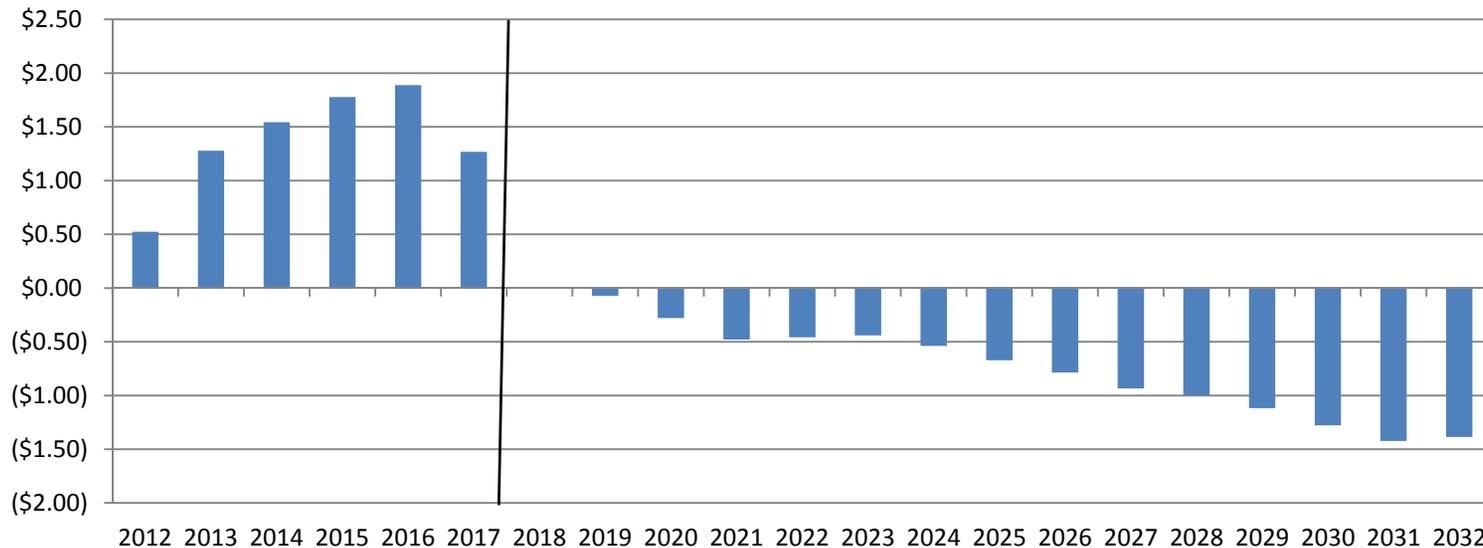
ADVANCEDmeter

Impact on Residential Bills

- Revenue requirement of project cost is offset by estimated benefits of operating cost savings
- Estimated benefits are credited to the balancing account 5 months after a module is installed, at \$1.03 per month per module

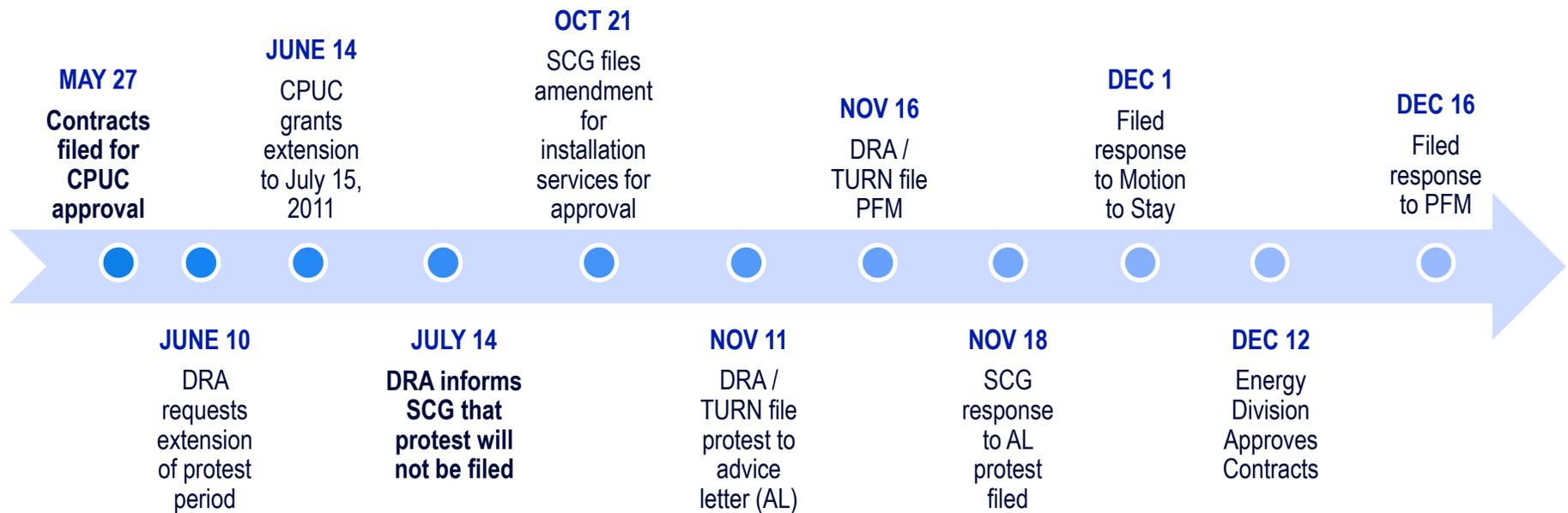
Impact of Advanced Meter Project on SoCalGas Residential Bill

Average Residential Bill of 38 therms per month *



- Summer avg usage is 23 therms/month; Winter avg usage is 53 th/month; Annual avg usage is 38 th/month; In 2011, avg residential bill was approximately \$40/month

- ▶ **CPUC Contract Approval:** Aclara, Agile Sourcing, Capgemini and Installation Support Services (amendment) contracts for approval.



Technical Components

- \$58.3 million spent to-date, as of YE 2011
- Team of 150 engaged on the project
- Engaging key city leaders and installing communications network throughout service territory
- Completing information systems programming and preparing for system testing
- First order of meter modules pending
- Module installations will begin in October 2012

Outreach Activities/Conservation

- Retained consultant to help select and manage community and faith based organizations to help in outreach. Will select initial participating organizations this year
- Retaining consultant to help develop strategies for rural, Spanish-speaking customers
- Developing a 'test and learn' strategy to conservation tactics to meet conservation goals

Work Force

- SoCalGas employees will install modules
- Prepared 2 week training course for part-time meter readers who will be trained as module installers. Classes begin in 3rd quarter
- Currently offering one day 'practice' to prepare part-time readers or the 2 week training
- Of 155 full-time meter reading employees, 90 have already been placed in other jobs; 50 employees decided not to exercise priority placement opportunity
- Have placed over 150 part-time meter readers in full-time positions. Of original 818 part-time meter readers, less than 500 remain

- ★ Milestone
- Planning
- Implementation

Network Installation

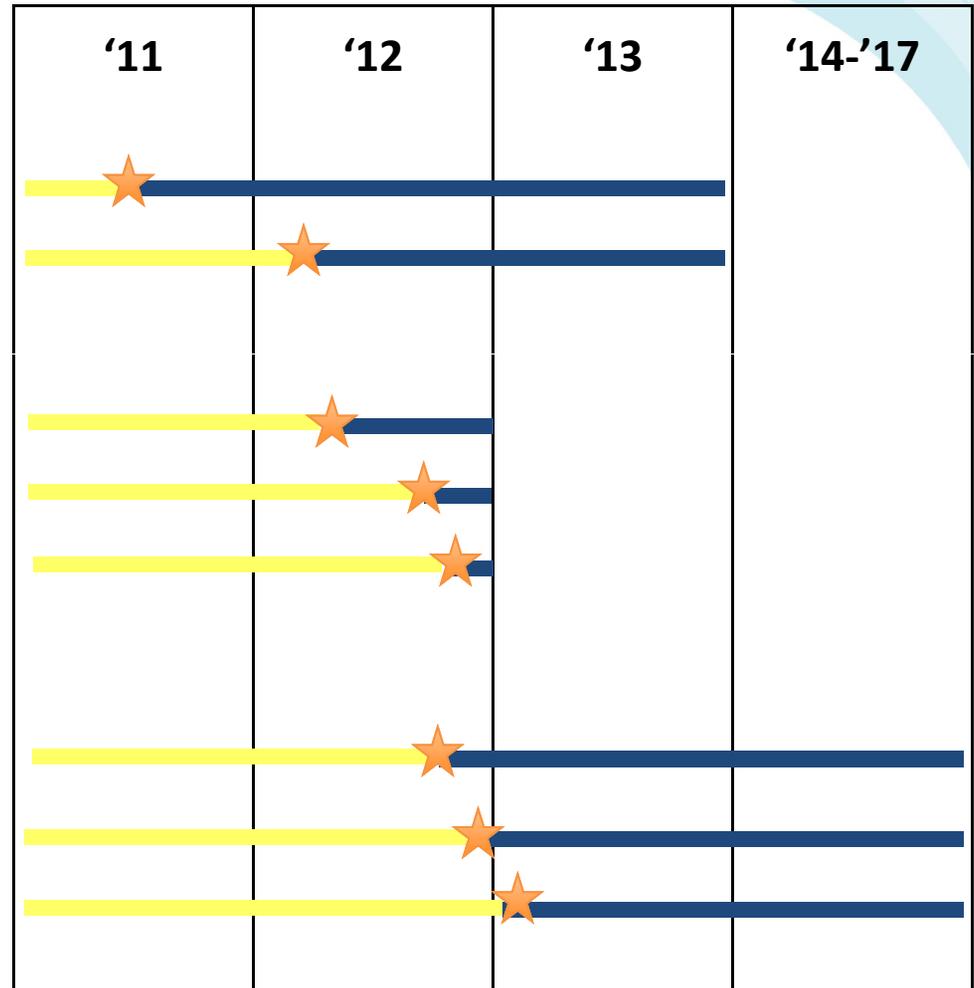
- Outreach and Briefings (Begin May '11)
- Install Communication Network (Begins Q1 '12)

End-to-End Test (Early Module Installation)

- Community Outreach (Begins Q2 '12)
- Customer Notification (Begins Q3 '12)
- Early Installation (Begins Q4 '12)

Mass Installation

- Community Outreach (Begins Q4 '13)
- Customer Notification (Begins Q1 '13)
- Mass Installation (Begins Q1 '13)



- Aggressive customer outreach has been, and will be done throughout project implementation (positive lessons-learned from other deployments)
- SoCalGas is again ranked 1st among 9 in Western Region, and scored 1st among 75 utilities nationwide, in J.D. Power & Associates’ 2011 Gas Utility Residential Customer Satisfaction Study

We are the top performing utility in:

- Price
 - Monthly cost of gas
 - Fairness of price
 - Utility helps customers manage monthly usage
- Billing and Payment
 - Time to pay bill
 - Multiple methods to pay bill
 - Usefulness of information on bill
- Customer Service
 - Promptness in answering calls
 - Timeliness in resolving problems

- **The Advanced Meter project should continue to move forward**
 - Project is cost effective, delivering billions of tangible savings to customers
 - Communication network is a platform for future operational savings and critical initiatives
 - Project is foundational to new service offerings to customers
 - DRA/TURN have not presented new evidence to show otherwise

- **Suspending the project does not serve customers**
 - Sets a dangerous policy precedent of reversing past Commission decisions with no sound basis; Creates market uncertainty about future Commission decisions
 - Potentially strands tens of millions of dollars already invested. Even a stay adds millions to the ultimate costs
 - Eliminates cost savings and enhanced services to customers

- **SoCalGas urges the Commission to:**
 - Reaffirm Energy Division's approval of the vendor contracts
 - Deny DRA/TURN Motion to Stay
 - Deny DRA/TURN Petition for Modification