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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Gas Company (U904G) for Approval of Advanced Metering Infrastructure.	Application 08-09-023 (Filed September 29, 2008)

PETITION FOR MODIFICATION OF DECISION 10-04-027

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I. INTRODUCTION AND SUMMARY OF REQUEST

The Utility Reform Network ("TURN") and the Division of Ratepayer Advocates of the California Public Utilities Commission ("DRA") hereby submit this Petition for Modification of Decision (D.) 10-04-027 ("the Decision").[1] The Decision, by a 3-2 vote, approved the application of Southern California Gas Company ("SoCalGas") to deploy a gas-only advanced metering infrastructure ("AMI") — "smart meters" for gas service — ***at a cost to ratepayers of $1.0507 billion***. The Commission majority found that the benefits of advanced gas meters exceeded their costs by only a razor-thin margin and, in reaching this conclusion, relied on a speculative and controversial estimate of conservation benefits from the gas-only meters.

Requiring ratepayers to fund such a large financial commitment for a project that offers, at best, limited and uncertain net benefits to ratepayers can no longer be justified. In the wake of the San Bruno gas pipeline explosion, the Commission in June 2011 ordered the gas utilities, including SoCalGas, to submit plans to ensure the safety of their gas transmission pipelines, in fulfillment of the utilities' "paramount" duty to furnish safe facilities.[2] The plan that SoCalGas recently submitted proposed a first phase of expenditures totaling more than $2.5 billion, with an associated revenue requirement increase over the life of the investment exceeding **$9 billion**. The plan further indicated that an expected second phase could require additional billions of dollars of expenditures. SoCalGas' pipeline safety plan is a huge potential financial obligation looming over ratepayers, the final price tag for which is not likely to be resolved for years. The potential for such extraordinary rate increases for pipeline safety was not contemplated when the Commission approved SoCalGas' application.

In light of this important new development that threatens to impose a large potential burden on the limited resources of ratepayers, the Commission should modify

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[1] This petition is submitted pursuant to Rule 16.4 of the Commission's Rules of Practice and Procedure.

[2] D.11-06-017, p. 16, in Rulemaking (R.) 11-02-019.

the Decision to reject the SoCalGas AMI proposal and deny the application. Alternatively, and at a minimum, the Commission should order SoCalGas to halt its AMI deployment until further order of the Commission. At this time, it no longer makes sense to ask ratepayers to pay for smart meters offering (at best) meager and speculative net benefits, when ratepayers may be called upon to shoulder large rate increases for many years to come in support of the high priority effort to ensure pipeline safety. However, a rejection of the application at this time should not preclude SoCalGas from submitting a new application in a few years. By that time, the Commission will know better the rate impacts of SoCalGas' pipeline safety improvements, and Pacific Gas & Electric Co. ("PG&E") and San Diego Gas and Electric Co. ("SDG&E") gas customers should have had enough experience with their advanced gas meters to provide actual empirical data about conservation benefits that SoCalGas should use in any future application.[3]

Accordingly, the Commission should modify the Decision to deny the application without prejudice to SoCalGas filing a new application after: (a) it has obtained sufficient empirical data from the PG&E and SDG&E deployments to present a reliable estimate of conservation benefits; and (b) the Commission has determined the costs for the pipeline safety improvements ordered in R.11-02-019 that SoCalGas will be allowed to recover from ratepayers, as well as the allocation of those costs.

II. PROCEDURAL HISTORY

A. Relying on Uncertain Estimates of Project Benefits, the 3-2 Decision Approving the Application Found that the Project Only Satisfied the Commission's Cost-Effective Requirement by a Razor-Thin Margin

The Commission approved SoCalGas' request to be the first California utility to deploy a gas-only AMI by a narrow 3-2 vote. In so voting, the Commission majority disagreed with the Proposed Decision ("PD") of the administrative law judge ("ALJ")

[3] Specific proposed modifications to the Decision's Findings of Fact, Conclusions of Law, and Ordering Paragraphs are set forth in Appendix A, in accordance with Rule 16.4(b).

finding that the project was not cost-effective. In particular, the ALJ concluded that SoCalGas had: overstated the conservation benefits of AMI by $99 million, overstated the savings from the elimination of meter readers by $48.5 million, and improperly included a "terminal value" benefit of $26.3 million.[4] With these adjustments, the PD found that the costs of AMI exceeded benefits by approximately $146 million.[5]

Rejecting the PD, the Commission majority found that the project's forecasted benefits exceeded its costs, but only by a razor-thin margin. Even after accepting SoCalGas' position on each of the adjustments recommended by the ALJ, the Decision found that the benefits exceeded costs by just $27 million for a $1 billion project, a less than 3% margin of net benefits.[6] The import of this slender margin is that, had a single commissioner in the majority accepted any of the ALJ's recommended adjustments, the Commission would have had to reject the project for failure to meet the Commission's cost-effectiveness requirement.

The estimate of conservation benefits was a particularly difficult and novel issue, as even the majority acknowledged:

> Gas conservation impacts are a new category of benefits in the Commission's consideration of AMI cost-effectiveness. While both PG&E and SDG&E have previously proposed and received approval from this Commission for deployment of gas AMI systems, in both cases the utility proposed gas AMI as part of a larger project that included electric AMI deployment. In neither case did the Commission consider gas conservation benefits as part of the business case used for determining cost effectiveness. Each application did, however, contemplate and include conservation benefits on the electric side as part of the business case analysis.

[4] Proposed Decision of ALJ Hecht, pp. 29-30 and Finding of Fact no. 6 (on p. 42).

[5] *Id.* at 39.

[6] Decision, p. 2.

> *Given their novelty, it is difficult to foresee the exact magnitude of gas conservation benefits which will follow from customers' improved access to their own natural gas usage data*, and much effort has been expended in this proceeding to examine the assumptions underlying SoCalGas' forecasts in this area. *In the absence of former Commission action or empirical data on the conservation impacts of a stand alone gas AMI system, we are left to make an informed judgment*[7]

Thus, the majority recognized that the absence of any empirical data in the record meant this first-time forecast of conservation benefits from SoCalGas' gas-only deployment ultimately came down to "informed judgment."[8] Had any member of the majority reduced SoCalGas' $148 million estimate by as little as $27 million, the application would have been rejected.

B. The Dissenting Commissioners Questioned the Assumed Conservation Benefits, Counseled Learning from the Experience of the Other Gas Utilities, and Expressed Concern About the Misuse of Scarce Resources

In dissent, Commissioner Nancy Ryan explained that, even though she was "a strong supporter of advanced metering," she was compelled to vote against this project because she was not "sufficiently comfortable with the energy conservation projections."[9] She stated that, "rather than approve this project today," she would prefer "to spend the next few years" gathering data from the PG&E and SDG&E advanced gas meter deployments "to develop firmer energy conservation forecasts."[10]

In his dissent, Commissioner John Bohn also counseled patience, pointing out that there was no urgency to implementing the project right away. Like Commissioner

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[7] Decision, p. 33 (emphasis added).

[8] Decision, p. 33.

[9] Dissent of Commissioner Ryan, p. 1.

[10] *Id.*, pp. 1-2.

Ryan, he believed that it would be valuable to gain more experience with the advanced meters installed by PG&E and SDG&E.[11] He too was critical of the majority's adopted estimate of conservation benefits, explaining that there is "simply little benefit today to the increased information provided by advanced meters for natural gas."[12] He found that, despite the majority's "heroic efforts to justify its costs," the project simply did not "pencil out."[13] Commissioner Bohn's final point focused on the prudent use of limited ratepayer resources: "Capital is not infinitely available, nor is the ratepayer's burden expected to decline. This expenditure is not the place to use scarce resources."[14] [15]

C. Since the Issuance of the Decision, SoCalGas Has Proposed Massive New Expenditures to Improve the Safety of its Gas System

Six months after the issuance of the Decision, on September 9, 2010, line 132 of PG&E's gas transmission system tragically exploded in San Bruno, causing the deaths of eight people and injuring many more. Since that time, the Commission, California's gas utilities, federal regulators, Governor Brown, the California legislature, and the United States Congress have all devoted considerable attention to improving the safety of natural gas infrastructure. The Commission has now made clear that ensuring pipeline safety is a top priority, as the "duty to furnish and maintain safe equipment and facilities is paramount for all California utilities."[16]

Two of the Commission's key concerns relate to the quality of gas pipeline record keeping and the testing of pipelines manufactured and installed prior to federal

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[11] Dissent of Commissioner Bohn, p. 2.

[12] *Id.*, p. 1.

[13] *Id.*, p. 2.

[14] *Id.*

[15] The Commission denied TURN's application for rehearing of the Decision in D.10-11-036, issued November 30, 2010.

[16] D.11-06-017, p. 16.

rules mandating pressure testing that went into effect in 1970. Even though most of the public focus has been on PG&E, the problem of pipeline record-keeping and lack of testing of older pipelines is not limited to PG&E. Sempra, the parent of SoCalGas and SDG&E, admitted in a submission in Rulemaking (R.) 11-02-019 that almost 25% of its transmission pipelines located in high consequence areas ("HCA") has not been pressure tested and does not have sufficient documentation to support setting the maximum allowable operating pressure ("MAOP") based on historical operating pressures.[17]

As a result of the information submitted in R.11-02-019 and the concerns about the integrity of older pipelines, in June 2011, this Commission ordered the gas utilities, including SoCalGas, to submit pipeline safety plans to test or replace all transmission pipelines that had not been tested or for which sufficiently detailed test data could not be located.[18] The Commission also ordered the utilities to implement interim safety measures, address pipeline retrofitting to accommodate in-line inspection tools (commonly referred to as "pigging"), and to consider the installation of improved shut-off valves.[19]

SoCalGas filed its Pipeline Safety Enhancement Plan ("PSEP") on August 26, 2011 in R.11-02-019. In the PSEP, SCG forecasts "Phase 1" spending totaling $2.5 billion, broken down as follows: (a) $1.45 billion between 2012-2015 for pipeline hydrotesting, replacement, automatic valve installation, pigging and other activities associated primarily with pipelines in populated areas; and (b) additional expenditures of almost $1.1 billion between 2016-2021 for activities associated with pipeline in less populated areas.[20] In addition, SoCalGas anticipates an additional "Phase 2" to

[17] See, R.11-02-019, Report of Southern California Gas Company and San Diego Gas & Electric Company on Actions Taken in Response to NTSB Safety Recommendations, April 15, 2011, p. 4-5. See, also, D.11-06-017, p. 10.

[18] D.11-06-017, p. 19 and Ordering Paragraphs 4-6.

[19] *Id.*, Ordering Paragraphs 5 and 8.

[20] PSEP, p. 45, Table C.

address the remaining transmission pipeline that needs attention as specified in D.11-06-017, for which SoCalGas offers admittedly "speculative" and "illustrative" cost figures of between $1.5 and $3 billion.[21] SoCalGas notes that, over the life of the new investment, the revenue requirement impact of just the proposed Phase 1 expenditures of $2.5 billion would total more than $9.4 billion.[22]

Additionally, the Governor recently signed four separate bills addressing pipeline safety – SB 216 (Yee),[23] SB 705 (Leno),[24] SB 879 (Padilla)[25] and AB 56 (Hill).[26] Among other things, these laws require the utilities and the Commission to do the following: install automatic valves in high consequence areas; submit and implement a pipeline safety and reliability plan; submit a pipeline testing plan; and submit transmission and storage safety reports. It remains to be seen whether these new statutory requirements will generate additional demands on ratepayer resources. Proposed changes to federal pipeline safety regulations could also lead to additional projects for which SoCalGas may seek ratepayer funding.[27]

Accordingly, at this point, there is considerable uncertainty about how much SoCalGas ratepayers will be asked to pay for the high priority effort to improve pipeline safety. A decision on SoCalGas' Phase 1 $2.5 billion request appears

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[21] PSEP, p. 57.

[22] PSEP, p. 62 (Table T). To be clear, by citing in this paragraph SoCalGas' proposed PSEP expenditures, TURN and DRA are not indicating their agreement that expenditures in these amounts are necessary or that ratepayers should be responsible for all of these costs. TURN and DRA are analyzing SoCalGas' proposal and will submit responsive testimony at the appropriate time.

[23] Stats. 2011, chap. 521.

[24] Stats. 2011, chap. 522.

[25] Stats. 2011, chap. 523.

[26] Stats. 2011, chap. 519.

[27] Pipelines and Hazardous Materials Safety Administration, U.S Department of Transportation, Advanced Notice of Proposed Rulemaking re *Safety of Gas Transmission Pipelines*, Docket No. PHMSA-2011-0023, issued August 25, 2011.

unlikely for another 12 months or more, and SoCalGas has not even submitted a Phase 2 proposal yet.[28]

III. THE COMMISSION SHOULD NOT REQUIRE SOCALGAS RATEPAYERS TO PAY THE SIGNIFICANT COSTS OF NEW METERS IN LIGHT OF THE POTENTIAL FOR HUGE NEW DEMANDS ON SCARCE RATEPAYER RESOURCES TO IMPROVE GAS PIPELINE SAFETY

A decision committing an additional $1 billion of ratepayer funding is never an easy one, but the Decision approving AMI for SoCalGas was a particularly close call, both by virtue of the 3-2 vote by which it was adopted and the narrow margin by which the majority found it to be cost effective. Unfortunately, at the time of the Decision, the commissioners did not know that SoCalGas ratepayers faced the potential for daunting rate increases to improve gas pipeline safety.

The situation has now changed dramatically. In light of the huge potential burden on SoCalGas ratepayers, the already tenuous case (even under the majority Decision) for moving ahead immediately with a gas-only AMI deployment can no longer be sustained. An AMI deployment would add a layer of significant capital costs to the potentially large capital costs that SoCalGas now projects for pipeline safety. Considering just the Phase 1 PSEP, SoCalGas seeks approval for $1.2 billion of capital expenditures from 2012-2015 and another $1.1 billion from 2016 through 2021.[29] (As previously noted, SoCalGas anticipates additional Phase 2 expenditures beginning in 2016 that could add billions more dollars to this total.) If approved, SoCalGas would garner a return and depreciation on these assets over their several-decade book life. SoCalGas estimates that the additional annual revenue requirement – again just for its Phase 1 PSEP proposal -- would escalate from roughly $100 million

[28] In a November 2, 2011 Amended Scoping Ruling in R.11-02-019, Assigned Commissioner Florio scheduled hearings on *PG&E's* PSEP for March 2012, but did not propose a schedule for responsive testimony and hearings on the PSEPs of the other gas utilities, including SoCalGas. Instead, the Ruling invited comments in January 2012 on whether some or all of the issues related to the other PSEPs should be transferred to pending or future general rate cases.

[29] PSEP, p. 45, Table C.

in 2013 to almost $400 million in 2022. As noted above, over the life of the Phase 1 infrastructure, these rate increases would total more than $9.4 billion.[30]

This is no time to be saddling ratepayers with an additional $1 billion burden for a project of, at best, questionable benefit. Commissioner Bohn was right to point out that capital is not infinitely available and that ratepayer resources are scarce. With the knowledge the Commission now has about the potential for the ratepayer burden to soar, it would be the height of imprudence to exacerbate that burden by allowing the AMI deployment to proceed. From a financial perspective, moving ahead with smart meters for SoCalGas now would be equivalent to a family that is struggling to pay its home mortgage deciding that this is a good time to buy a yacht.

IV. NOW MORE THAN EVER, PRUDENCE DICTATES REJECTING THE IMMEDIATE DEPLOYMENT OF AMI TO ALLOW TIME TO COLLECT ACTUAL EMPIRICAL DATA ABOUT THE CONSERVATION IMPACTS OF ADVANCED GAS METERS

An important benefit of rejecting AMI for SoCalGas now is that it would allow time for SoCalGas to gather and analyze empirical data from PG&E and SDG&E about the impact of advanced gas meters on conservation. As even the Commission majority acknowledged, such data was absent from the record of this proceeding. Instead, the Commissioners were left to guess – exercise "informed judgment" in the words of the majority Decision – about those effects.

As the Commission majority pointed out, this case is the first time the Commission's decision on an AMI application turned on an estimate of the conservation benefits from advanced meters for gas service.[31] In approving both electric and gas smart meters for PG&E and SDG&E, the Commission did not assume any conservation benefits from the gas meters.[32] In fact, in PG&E's second AMI

[30] PSEP, p. 62, Table T.

[31] Decision, p. 33.

[32] Decision, p. 33; PD, pp. 31-33.

application, the Commission specifically rejected PG&E's inclusion of approximately $168 million of conservation benefits from the use of gas smart meters.[33]

Commission Bohn succinctly explained one of the reasons why conservation benefits are limited for advanced gas meters, as compared to electric meters:

> The cost of electricity varies dramatically over the course of a day and the improved ability to track electric usage provided by advanced meters can go a long way towards reducing demand during the most expensive hours. Individual choice on a real-time basis can have a significant effect, both on consumers and the system.
>
> The same is not true of natural gas. Gas is bought by utilities primarily on a monthly basis, not hourly. Daily fluctuations in gas prices and costs are relatively small compared to electricity. There is simply little benefit today to the increased information provided by advanced meters.[34]

In other words, the potential conservation benefits of advanced electric meters associated with time-of-use or dynamic pricing simply do not apply to gas meters.

Another key difference, acknowledged by the Decision's majority, is that there are fewer discretionary uses for gas than for electricity.[35] In households, gas is used primarily for space and water heating, whereas electricity is used for services that are easier to curtail, such as household lighting, entertainment equipment, computers, and various other appliances. As a result, there is less opportunity to adjust gas usage in response to improved information on usage and cost.

For these reasons, it is speculative how much conservation would result from advanced gas meters. The majority Decision acknowledged this point, albeit in an understated fashion, by conceding that "it is difficult to foresee the exact magnitude of

[33] D.09-03-026, pp. 114 -115.

[34] Bohn Dissent, p. 1.

[35] Decision, p. 35.

gas conservation benefits" from customers' improved access to gas usage data.[36] As pointed out by Commissioners Bohn and Ryan, the obvious way to obtain more reliable evidence is to study the results of the PG&E and SDG&E deployments of advanced gas meters. By waiting a few years, as suggested by Commissioner Ryan, SoCalGas will be able to present the Commission with an empirically-based estimate of this critical component of the cost-benefit analysis. Accordingly, SoCalGas should be allowed to submit a new application for an AMI deployment, but only after it has enough years of conservation data from PG&E and SDG&E to develop reliable empirical estimates of conservation benefits.

Waiting a few years also will allow the Commission to have a better understanding of the scale and scope of the demands on SoCalGas ratepayers resulting from pipeline safety improvements. As noted above, it appears unlikely that there will be a resolution of SoCalGas' Phase 1 request in the next 12 months, and SoCalGas is planning a Phase 2 request in which it could propose billions of dollars in additional expenditures. The Commission would be wise to not allow SoCalGas to proceed with AMI deployment until it has a better handle on how much the priority work to improve pipeline safety will cost SoCalGas ratepayers.

V. THIS PETITION COULD NOT HAVE BEEN FILED WITHIN ONE YEAR OF THE DECISION

Under the Commission's procedural rules, petitions to modify filed more than a year after the effective date of a decision must explain why the petition could not have been presented within one year of the effective date of the decision.[37] This petition fully complies with this requirement.

The main triggering event for this petition is the submission by SoCalGas of its PSEP on August 26, 2011, more than 16 months after the issuance of the Decision. In the PSEP, SoCalGas formally requested approval for pipeline safety expenditures

[36] Decision, p. 33.

[37] Commission Rule of Practice and Procedure 16.4.

totaling $2.5 billion in Phase 1, all to be funded by ratepayers. In addition, the PSEP indicated that SoCalGas expected to submit, at some unspecified later time, an additional Phase 2 request that could total in the range of $1.5 to $3 billion. These proposals constitute a major change in the potential burden on ratepayers and, as discussed above, require a reconsideration of the prudence of requiring ratepayers to pay $1 billion for advanced gas meters of, at best, limited net benefit. This petition is presented shortly (less than three months) after the filing of SoCalGas' PSEP and thus fully complies with the letter and spirit of the Commission's rules.

VI. CONCLUSION

For the reasons set forth above, the Commission should modify the Decision to deny the application. Such denial should be without prejudice to the filing of a new application after: (a) SoCalGas has obtained sufficient empirical data from the PG&E and SDG&E deployments to present a reliable estimate of conservation benefits; and (b) the Commission has determined the costs for the pipeline safety improvements ordered in R.11-02-019 that SoCalGas will be allowed to recover from ratepayers, as well as the allocation of those costs. Alternatively, the Commission should halt SoCalGas' AMI deployment until further order of the Commission after conditions (a) and (b) have been met.

Respectfully submitted,

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APPENDIX A

Recommended Changes to Findings of Fact, Conclusions of Law, and Ordering Paragraphs in D.10-04-027

[Only modified or new items are included. Deletions are in ~~strikeout~~, additions in *italics*.]

Findings of Fact

1.In order to approve this application, we must find that the proposed AMI system affirmatively answers the following questions:

> a) Should the Commission approve SoCalGas's proposed AMI deployment activities and funding, either as proposed in this application or with modifications?
>
> > i) Are the various elements of the proposed SoCalGas AMI business case and deployment plan reasonable?
> >
> > > a. Are the technology choices proposed by SoCalGas appropriate and technically feasible? Specific elements of the technology plan that should be evaluated include (but are not limited to):
> > >
> > > > i. Is the proposed SoCalGas-only communication system reasonable? What if any additional communication options, such as shared communications infrastructure between SoCalGas and other utilities with overlapping jurisdictions, should be considered?
> > > >
> > > > ii. Is the battery proposed to power the AMI system reasonable? What if any additional options for powering the meters and communications systems should be considered?
> > >
> > > b. Is the SoCalGas AMI proposal for a gas-only AMI system consistent with state energy policy objectives or desirable for other policy reasons?
> > >
> > > c. Is the SoCalGas AMI proposal cost-effective, and will it provide lasting value for SoCalGas's customers?
> > >
> > > *d. Is the SoCalGas AMI proposal an appropriate use of limited ratepayer resources?*

8. The proposed $148 million gas conservation benefit included in the SoCalGas business case is *not based on empirical data* ~~reasonably forecast in the SoCalGas AMI business case , and therefore shall be included~~ *and too speculative to include* in the business case analysis.

11.*Lacking actual empirical data about conservation benefits from advanced gas meters, the Commission at this time cannot determine if* ~~T~~*t*he SoCalGas AMI proposal is cost effective.

15.Ensuring the safety of gas pipelines is of paramount importance for gas utilities.

16.In response to D.11-06-017 in the Commission's pipeline safety rulemaking (R.11-02-019), on August 26, 2011, SoCalGas filed a Pipeline Safety Enhancement Plan ("PSEP") in which it requested Commission approval to expend $2.5 billion to improve pipeline safety, all of which would be funded by ratepayers. In that PSEP, SoCalGas further indicated that it would seek ratepayer funding for additional pipeline safety improvement that could cost between $1.5 and $3 billion.

17.If approved, the expenditures proposed by SoCalGas in R.11-02-019 would impose a significant burden on ratepayers.

18.In light of the potentially large rate increases for SoCalGas ratepayers that may result from R.11-02-019 and our inability to conclude at this time that AMI is cost-effective, it would be imprudent to allow SoCalGas to move ahead with AMI deployment at this time.

19.At this time, we are unable to conclude that a gas-only deployment of AMI for SoCalGas would be an appropriate use of ratepayer resources.

Conclusions of Law

1. The SoCalGas AMI proposal should be *rejected, without prejudice to SoCalGas filing a new application after: (a) it has obtained sufficient empirical data from the PG&E and SDG&E deployments to present a reliable estimate of conservation benefits; and (b) the Commission has determined the costs for the pipeline safety improvements ordered in R.11-02-019 that SoCalGas will be allowed to recover from ratepayers, as well as the allocation of those costs.*

~~2. It is reasonable to reduce SoCalGas' contingency fund to a level consistent with past AMI cases approved by this Commission.~~

~~3. It is reasonable to require additional funds to assist SoCalGas' displaced meter reading workforce in transitioning and retraining.~~

~~4. It is reasonable to modify SoCalGas' proposed sharing mechanism to reduce the potential risk faced by ratepayers if conservation benefits are lower than forecast.~~

~~5. SoCalGas should develop a dedicated plan for consumer outreach to ensure customer awareness of smart meters and engagement in conservation opportunities.~~

~~6. It is reasonable to require SoCalGas to offer customers direct access to near-real time gas usage data, provide retail and wholesale prices to customers on a real-time or near real-time basis in a machine readable form, and provide access to such AMI data to customer authorized third parties, on a timeline concurrent with meter installation.~~

~~7. It is reasonable to require SoCalGas to provide periodic reports to the Commission on the conservation benefits attributable to AMI deployment.~~

~~8. The cost recovery mechanism proposed by SoCalGas is reasonable and consistent with law.~~

Ordering Paragraphs

1. Application 08-09-023 is *denied without prejudice.* ~~approved with the following modifications:~~

> ~~· Southern California Gas Company shall reduce its contingency fund from 10% to 7%, resulting in a $68.7 million total allowance for contingencies.~~
> ~~· Southern California Gas Company shall supplement by $1 million its funding for workforce retention and retraining. This fund is established to better protect the employment interests of Southern California Gas Company's meter reading workforce and should be used to extend severance, vocational training, and other transitional opportunities to employees affected by the decision to pursue advanced metering infrastructure.~~

~~2. Southern California Gas Company's sharing mechanism shall allocate cost overruns of less than $100 million 50/50 to shareholders and ratepayers; cost under runs of up to $100 million shall be allocated 90% to ratepayers and 10% to shareholders, as proposed by Southern California Gas Company.~~

~~3. SoCalGas shall offer customers direct access to near-real time gas usage data, provide retail and wholesale prices to customers on a real-time or near real-time basis in a machine readable form, and provide access to such AMI data to customer authorized third parties, on a timeline concurrent with meter installation.~~

~~4. Southern California Gas Company shall host a public workshop within 180 days of the issuance of this decision to present a draft plan for advanced metering infrastructure outreach and conservation support. The plan shall include marketing and education elements to prepare customers for advanced metering infrastructure roll-out, sample versions of web-based energy management feedback to encourage conservation, as well as planned marketing to channel customers towards energy efficiency offerings. In order to support the development of its plan, SoCalGas shall convene a Technical Advisory Panel to assist in planning and implementation of AMI. A final written plan shall be submitted to the director of the~~

~~Commission's Energy Division and served on the most recent service list for this proceeding within 60 days after the workshop.~~

~~5. Southern California Gas Company shall establish a system to track and attribute program costs and projected savings from conservation. Based on this tracking system, Southern California Gas Company shall submit a report to the Director of the Commission's Energy Division semi-annually, tracking the gas conservation impacts of the advanced metering infrastructure project to date. These reports shall serve as a forum to adjust, as necessary the elements laid out in the final outreach plan described above. We expect that customer outreach, education and communications will continue to evolve and improve as SoCalGas conducts customer research, monitors customer reaction to new AMI technology and various customer usage presentation tools, and incorporates feedback from these activities into its AMI outreach and education activities. If the report shows that the company is falling short of its projections, it shall submit revisions to its conservation plan to increase awareness, participation, and durability of conservation actions among its customers. The semi-annual reports and any revisions to the advanced metering infrastructure outreach and conservation plan shall be submitted to the director of the Commission's Energy Division and served on the most recent service list for this proceeding. Additional costs incurred in order to improve conservation response will be funded out of contingency funds, or otherwise subject to the risk sharing mechanism authorized in Ordering Paragraph 2.~~

~~6. SoCalGas shall file one or more Advice Letter with the executed contract with vendors for AMI technology, installation and/or systems integration for its AMI project, as adopted herein. These contracts are contingent upon Commission approval that they meet the functionality criteria set forth in Section 7 of this decision. The advice letters should describe how their choice of vendors enables compliance with criteria set forth in Section 7, in particular compatibility with widely adopted standards for communications with consumer-owned devices, and assurance that changes in customer preference of access frequency do not result in additional AMI system hardware costs.~~

~~7. Southern California Gas Company shall file an advice letter no later than 30 days from the effective date of this decision, establishing a balancing account and detailing the cost recovery mechanism in conformance with this decision. Southern California Gas Company is authorized to recover deployment costs of up to $1.0507 billion in this account, plus additional amounts, if any, consistent with the terms and conditions of the Risk Sharing Mechanism approved in Ordering Paragraph 2.~~

8. Application 08-09-023 is closed.