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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U-902-E) for Adoption of an Advanced Metering Infrastructure Deployment Scenario and Associated Cost Recovery and Rate Design.

Application 05-03-015
(Filed March 15, 2005)

**ADMINISTRATIVE LAW JUDGE'S RULING REOPENING THE RECORD
AND REQUESTING FURTHER INFORMATION REGARDING
SAN DIEGO GAS & ELECTRIC COMPANY'S ADVANCED METERING
INFRASTRUCTURE PROPOSAL**

This proceeding was submitted upon receipt of Reply Briefs on November 13, 2006. This Ruling reopens the record in order to receive further information to consider an option whereby not all San Diego Gas and Electric Company (SDG&E) residential customers would receive Advanced Metering Infrastructure (AMI) equipment at this time (all commercial and industrial customers would be AMI-equipped). Specifically, I would like to consider an option in which only SDG&E residential customers in Climate Zone 3 (inland) receive new AMI equipment.

The rationale for considering this option is that there may be significantly lower costs by limiting the roll-out to certain customers, but only slightly lower benefits. This is because the decreased demand response benefits would be small, as the customers in the cooler Climate Zone 2 (coastal) use less electricity, less peak electricity, and have fewer air conditioners. Thus, the bulk of residential demand response would occur with the Zone 3 customers who

receive new meters. At the same time, the costs of purchasing and installing new meters, as well as associated communications equipment, would be reduced. On the other hand, there would be increased cost compared to SDG&E's proposal (i.e., lower operation benefits) for continued manual meter reading in Zone 2 and other elements.

Much of the information needed to analyze this option is on the record, as it incorporates many elements of SDG&E's proposal and thus parties' critique of SDG&E's proposal. Other information appears to be on the record, but not in an easily usable form. For example, it is not clear how to determine how costs and benefits of reducing the scope of residential implementation would be calculated. It is not clear which costs are fixed, which are variable, and how they would vary in this option. Nor is it clear exactly how to analyze the difference in benefits.

Therefore I will reopen the record to receive the information requested below. I request SDG&E provide an analysis of the cost-effectiveness of its overall proposal with the following changes:

- Residential roll-out limited to Climate Zone 3. For residential costs and benefits:
 - Assume that all costs are scaleable, except for Meter Data Management System (MDMS) costs. Assume full implementation costs for the MDMS.
 - Provide a list of AMI Information Technology system components that are scaleable to the partial deployment scenario described above. Reduce total AMI system costs by 50%,¹ unless certain components are not scaleable at the 50% level. In this case, please provide a short

¹ Approximately half of SDG&E's residential meters are in each Climate Zone.

explanation of why these components are not scaleable at the 50% level, and estimate the appropriate scaleable cost of each component listed. This includes AMI system components that may have scaleable costs even below the 50% level for a partial deployment scenario.

- Explicitly include any other costs that would increase and benefits that would decrease compared to the SDG&E proposal (consistent with the assumptions below).
- Assume a 17 year analytical period as proposed by the Division of Ratepayer Advocates (DRA).
- Assume \$583.5 million for total costs, before adjusting for the limited residential roll-out.²
- Assume residential demand response benefits as proposed by DRA, including a 50% participation level.
- Reduce operational benefits by \$14.5 million for Utility Consumer Action Network-identified out-of-scope benefits.
- Assume DRA's numbers on benefits of avoided demand response program costs.
- Add in \$19 million for information system benefits as proposed by DRA.
- Calculate the result based on both on the avoided capacity cost numbers of \$52/KW-year and \$60/KW-year (nominal).

SDG&E shall provide this analysis, with detailed explanation of calculations but without advocacy commentary, to the service list by January 2, 2007. In addition, SDG&E may propose other detailed targeted

² This figure equals DRA's 17-year cost estimate of \$607 million minus a \$23.5 million adjustment for risk-sharing.

roll-out options it believes are cost-effective, using the same assumptions as above (except for limiting roll-out to Climate Zone 3).³ At that time, SDG&E shall also provide any models it uses to reach any analysis to the Commission's Energy Division. Parties, including SDG&E, may comment by January 9, 2007. Comments may include both factual and legal arguments.

In addition to complying with the above request, I urge parties to consider a settlement in this proceeding. A possible settlement may include implementation of AMI technology to selected customers instead of all customers at this time, with consideration of how to bring AMI technology to all customers in the future. A possible settlement may also include current or future inclusion of improved or additional functionality in the AMI program.

IT IS RULED that:

1. The record in this proceeding is reopened to accept the information requested by this Ruling.
2. SDG&E shall provide the information delineated herein by January 2, 2007.
3. Parties may comment on SDG&E's information by January 9, 2007.

³ Any additional scenarios must also show assumptions and calculations regarding scaleability compared to the original SDG&E proposal.

4. SDG&E's information and parties' comments will become part of the record.

Dated December 15, 2006, at San Francisco, California.

/s/ DAVID M. GAMSON

David M. Gamson
Administrative Law Judge

