

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED

01/21/26

04:59 PM

Application 25-12-012

A2512012

Application of San Diego Gas & Electric
Company (U 902 M) for Approval of
Smart Meter 2.0 Proposal.

PROTEST OF THE PUBLIC ADVOCATES OFFICE

MARION PELEO

Attorney

Public Advocates Office
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: (415) 703-2130
Email: Marion.Peleo@cpuc.ca.gov

RICHARD KHOE

Supervisor

ANTHONY ABI ABDALLAH

Utilities Engineer

Public Advocates Office

California Public Utilities Commission

505 Van Ness Avenue

San Francisco, CA 94102

Email: Richard.Khoe@cpuc.ca.gov

Email: Anthony.Abiabdallah@cpuc.ca.gov

January 21, 2026

I. INTRODUCTION

Pursuant to Rule 2.6 of the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure,¹ the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) timely submits² this protest to the Application of San Diego Gas & Electric Company (SDG&E) for approval of its proposed Smart Meter 2.0 project (Application).³

In its Application, SDG&E seeks Commission authorization to replace its existing Smart Meter (SM) 1.0 infrastructure with SM 2.0.⁴ SDG&E requests Commission authorization to recover SM 2.0 costs of approximately \$825 million and to establish a new two-way, interest-bearing Advanced Metering Infrastructure (AMI) Balancing Account (AMIBA) to track and recover those costs.⁵ SDG&E also requests an expedited schedule for this proceeding.⁶

SDG&E does not include a comprehensive cost-benefit analysis in support of its request to recover approximately \$825 million. The Commission should deny the Application without prejudice on this basis. In the alternative, the Commission should require SDG&E to submit supplemental testimony that includes a comprehensive cost-benefit analysis.

In addition, SDG&E’s Application involves issues related to potential financial risks and how best to safeguard ratepayer interests that warrant careful consideration by the Commission. These issues include whether SDG&E demonstrates that its proposed replacement strategy is the least-cost approach to address SM 1.0 performance issues, and

¹ References to rules are to the Rules of Practice and Procedure unless otherwise stated.

² Rule 2.6(a) provides that a protest to an application must be filed within 30 days of the date the notice of the filing of the application first appears in the Commission’s Daily Calendar. Here, the Application was noticed in the December 22, 2025 Daily Calendar and, accordingly, Cal Advocates’ protest is timely filed.

³ Application (A.) 25-12-012, *Application of San Diego Gas & Electric Company (U 902 M) For Approval of Smart Meter 2.0 Proposal*, December 18, 2025 (Application).

⁴ Application at 5.

⁵ Application at 5.

⁶ Application at 10-11, and Attachment A.

whether SDG&E’s proposed cost recovery and accounting approach provides clear boundaries and sufficient safeguards to prevent overlap or double counting across accounts and future proceedings.

II. THE COMMISSION SHOULD DENY SDG&E’S REQUEST DUE TO THRESHOLD DEFICIENCIES

SDG&E’s Application omits information the Commission previously found necessary to evaluate a Smart Meter 2.0 replacement proposal.⁷ Therefore, as discussed below, the Application should be denied without prejudice. If the Application moves forward, the Commission should require SDG&E to supplement the record prior to intervenor testimony.

A. SDG&E Fails to Include a Comprehensive Cost-benefit Analysis.

The Commission should deny SDG&E’s Application without prejudice because SDG&E does not present a cost-benefit analysis of its request. In Decision (D.) 24-12-074 in SDG&E’s Test Year 2024 General Rate Case, the Commission considered a large SM 2.0 replacement program and rejected SDG&E’s proposed costs because, among other reasons, SDG&E did not provide a comprehensive cost-benefit analysis comparing replacement strategies to justify SM 2.0.⁸ Accordingly, the Commission found that SDG&E “has not provided sufficient evidence to justify the significant level of funding requested for the Smart Meter 2.0 project.”⁹

SDG&E’s current request suffers from the same deficiency. SDG&E’s failure to include a comprehensive cost-benefit analysis limits the Commission’s and parties’

⁷ Decision (D.) 24-12-074, *Decision Addressing the 2024 Test Year General Rate Cases of Southern California Gas Company and San Diego Gas & Electric Company*, December 23, 2024, Finding of Fact 317 at 1010 (“San Diego Gas & Electric Company has not provided a comprehensive cost-benefit analysis comparing various replacement strategies, including battery replacement, to justify the proposed Smart Meter 2.0 project.”).

⁸ D.24-12-074 at 674 (“A comprehensive cost-benefit analysis comparing various replacement strategies is essential to ensure that ratepayers are not unduly burdened with unnecessary costs.”) and Finding of Fact 317 at 1010.

⁹ D.24-12-074, Finding of Fact 319 at 1010.

ability to assess whether the proposed costs are justified by commensurate benefits. Accordingly, the Commission should deny the Application without prejudice and permit SDG&E to file a new or amended application that includes a comprehensive cost-benefit analysis. In the alternative, the Commission should require SDG&E to serve supplemental testimony and workpapers that include a comprehensive cost-benefit analysis. In that case, the Commission should adopt a procedural schedule that provides parties sufficient opportunity to conduct discovery and respond to SDG&E’s supplemental showing.

SDG&E seeks funding not only for core replacement, but also for optional ‘NextGen’ capabilities and related platforms.¹⁰ Therefore, a comprehensive cost-benefit analysis of SDG&E’s SM 2.0 proposal should include an evaluation of: (1) the proposed SM 1.0 replacement strategy, and (2) the incremental costs and incremental benefits of the optional ‘NextGen’ components.

B. SDG&E Fails to Include Smart Meter 1.0 Costs for Review in this Application.

The Commission should deny SDG&E’s Application because SDG&E does not provide SM 1.0 costs in conjunction with the SM 2.0 project. In D.24-12-074, the Commission concluded that SDG&E’s SM 2.0 proposal created the risk of cost overlaps and lacked an integrated cost plan.¹¹ Specifically, the Commission found that SDG&E’s “Smart Meter system upgrade request is supposed to continue through 2030 when it also plans to replace all Smart Meter 1.0 modules, which may result in cost overlaps and redundancies.”¹² The Commission also found that SDG&E “has not demonstrated a comprehensive plan for managing the Smart Meter system upgrade costs in conjunction

¹⁰ See Application Exhibit SDG&E-03, *Smart Meter 2.0 Proposal and Options Evaluated*, December 18, 2025 (Chapter 3 Testimony) at DT/BB-15. SDG&E justifies parts of its request as providing for “NextGen” capabilities which include Customer Insights (real-time energy monitoring and meter-to-transformer mapping/phase identification) and other Grid Edge Applications. SDG&E estimates \$42.7 million in NextGen technology costs to enable these capabilities.

¹¹ D.24-12-074, Finding of Fact 327 at 1011 and Finding of Fact 329 at 1012.

¹² D.24-12-074, Finding of Fact 327 at 1011.

with deploying the Smart Meter 2.0 project.”¹³ Consistent with those findings, the Commission ordered that SDG&E do the following:

San Diego Gas & Electric Company (SDG&E) shall file an application for cost recovery of its Smart Meter 2.0 replacement project and Smart Meter system upgrade. SDG&E is authorized to maintain a Memorandum (Memo) Account as an interim means to record costs to deploy meter and module replacement or to service existing equipment from January 1, 2024, to the date of its Smart Meter 2.0 replacement project application. Costs in this Memo Account shall be reviewed for reasonableness in SDG&E’s application for cost recovery.¹⁴

In contrast, SDG&E’s Application does not include the interim Smart Meter-related costs for reasonableness review. Instead, SDG&E indicates that Smart Meter 1.0 transition costs will be pursued in a separate application.¹⁵ SDG&E’s Application does not align with the Commission’s direction to present a coordinated record to review SM transition costs, and it limits parties’ ability to evaluate total ratepayer impacts during the transition period and to test for overlap or duplicative recovery. Accordingly, the Commission should deny SDG&E’s Application without prejudice and permit SDG&E to file a new or amended application that includes the Smart Meter 1.0 transition and operability costs that SDG&E proposes to address outside this proceeding. In the alternative, the Commission should require SDG&E to serve supplemental testimony and workpapers that provide that information. In that case, the Commission should adopt a procedural schedule that provides sufficient opportunity for parties to conduct discovery and respond to SDG&E’s supplemental showing.

III. OTHER ISSUES RAISED BY SDG&E’S REQUEST

The Commission should include the following issues within the scope of this proceeding to enable parties and the Commission to fully evaluate SDG&E’s request.

¹³ D.24-12-074, Finding of Fact 329 at 1012.

¹⁴ D.24-12-074, Ordering Paragraph 51 at 1100.

¹⁵ Application at 1.

The Commission should consider all these issues to determine whether SDG&E's overall level of requested spending and cost recovery is just and reasonable.

A. Demonstration of Replacement Need and Least-Cost Replacement Strategy

SDG&E requests costs for a large SM replacement program but does not sufficiently demonstrate that its proposed program represents the least-cost and most reasonable path for ratepayers. To determine whether the overall level of spending and cost recovery that SDG&E requests is just and reasonable, the Commission must consider whether SDG&E's proposed strategy is the least-cost approach to address SM 1.0 replacement. SDG&E forecasts a growing number of SM 1.0 failures and claims limited SM 1.0 device availability after 2028 and end-of-support by 2035.¹⁶ The Commission should consider whether SDG&E adequately supports its claims and forecasts of failures. The Commission should also consider whether SDG&E reasonably evaluates repair, remediation, or life-extension strategies as potentially lower-cost alternatives. Relatedly, the Commission should consider whether SDG&E's proposed transition and replacement schedule results in stranded smart meter investments and, if so, whether the Application addresses remaining undepreciated balances and avoids double recovery. This issue warrants scrutiny in light of prior Commission concerns about vendor accountability for premature smart meter failures, including whether SDG&E sought replacements, refunds, or credits.¹⁷

B. Cost Support and Cost-Recovery Framework, Including Protections Against Overlap and Over-Collection

The Commission should evaluate SDG&E's cost showing for reasonableness, granularity, and cost-control protections. SDG&E seeks roughly \$825 million over 2024-2031.¹⁸ Its testimony also reflects a substantially larger than \$825 million long-run

¹⁶ Application at 2.

¹⁷ D.24-12-074 at 674.

¹⁸ Application at 1.

revenue requirement associated with SM 2.0 over the full recovery horizon.¹⁹ The Commission should consider whether SDG&E’s cost showing includes sufficient breakdowns of direct costs, contingency, overheads and loaders, and major IT and network components. In addition, the Commission should consider whether SDG&E’s recorded and forecast labor costs reflect incremental staffing needs for SM 2.0, and whether SDG&E has double-counted SM 2.0 project costs for work already funded through rate base or other authorized programs.

SDG&E’s proposed ratemaking and accounting framework is unclear about how costs will be recorded, transferred, and reviewed. The Commission should consider SDG&E’s proposed framework to avoid overlap, double counting, or diminished prudence scrutiny across multiple accounts and future proceedings. SDG&E seeks approval of AMIBA, a two-way balancing account, to track and recover authorized revenues and reconcile incremental SM 2.0 costs.²⁰ SDG&E also indicates that SM 1.0 transition costs will be addressed in a separate application.²¹ SDG&E further indicates there is an existing SM 2.0 memorandum account with timing and closure questions that SDG&E addresses in a motion filed one day after the Application’s filing.²² The Commission should consider the need for clear boundaries between AMIBA, the existing SM 2.0 memorandum account, and any future SM 1.0 cost recovery request. That includes what review standards apply to recorded amounts, what costs may be transferred, and how the Commission will prevent duplicative recovery.

Further, SDG&E states that the annual over- or under-collection of the AMIBA balance will be addressed through SDG&E’s Tier 2 advice letter for its Annual Regulatory Account Balance Update.²³ The Commission should consider whether that

¹⁹ Application Exhibit SDG&E-06, *Finance and Rates*, December 18, 2025 (Chapter 6 Testimony) at CWB-2.

²⁰ Application at 5.

²¹ Application at 3.

²² Application at 1, n. 3.

²³ Chapter 6 Testimony at CWB-11.

annual advice letter process will provide enough project-level detail for parties and the Commission to track spending against the authorized level and forecast. The Commission should consider whether SDG&E justifies any requested contingency amount and whether it should disallow contingency from the authorized revenue requirement. Finally, the Commission should consider whether SDG&E’s proposed AMIBA should be structured as a one-way balancing account, or otherwise limit automatic recovery above authorized levels, so that any cost overruns are subject to a more thorough reasonableness review process rather than routine advice-letter treatment.

C. Allocation of Risks and Data Governance Impacts

Ratepayers may face long-run financial risk if SDG&E’s procurement approach and vendor accountability protections are inadequate. When it previously considered SDG&E’s SM replacement, the Commission found that SDG&E “has not demonstrated that it raised questions with the Smart Meter vendor by asking for replacements, refunds, or credits for the modules or meters that have failed prematurely.”²⁴ In this Application, SDG&E states it issued a Request For Proposal to the leading five smart meter vendors and received two bids; SDG&E also states its incumbent vendor did not submit a bid.²⁵ The Commission should consider whether SDG&E’s contracting strategy includes clear warranties, performance guarantees, and remedies. It should also consider whether those protections appropriately allocate risk to vendors rather than to ratepayers, particularly given the history of SM 1.0 performance issues and the risk of future technology obsolescence or vendor lock-in.

Moreover, SM 2.0’s proposed data platforms and system architecture shift toward cloud-hosted data, vendor Software-as-a-Service platforms, and third-party dependencies.²⁶ SDG&E further states that the SM 2.0 solution will rely on third-party

²⁴ D.24-12-074, Finding of Fact 321 at 1010-1011.

²⁵ Chapter 3 Testimony at DT/BB-28.

²⁶ Application Exhibit SDG&E-05, *Smart Meter 2.0 Information Technology and Network Requirements*, December 18, 2025 (Chapter 5 Testimony) at BMB-25.

vendor controls and that SDG&E will use its Third-Party Risk Management processes and privacy program to vet vendors and protect customer information.²⁷ The Commission should consider what changes SM 2.0 introduces for data exchange, access controls, retention, and third-party governance. Given these design choices, the Commission should consider whether SDG&E provides sufficient information and safeguards regarding customer consent, third-party access controls, and privacy and cybersecurity oversight.

IV. SUMMARY OF ISSUES TO BE CONSIDERED

SDG&E identifies the issues to be considered as: (1) whether its cost recovery request should be granted, and (2) whether its proposed tracking and accounting mechanisms should be adopted. As discussed above, in order to make these determinations, the Commission must consider a host of related issues. Based on Cal Advocates' initial review of the Application, the following issues should be included within the scope of this proceeding. Cal Advocates may identify additional issues as Cal Advocates proceeds with discovery and analysis of SDG&E's request and may seek to amend the scoped issues as appropriate.

- Whether SDG&E's proposed Smart Meter 2.0 project should be authorized and whether the overall level of spending and associated cost recovery is just and reasonable.
- Whether SDG&E demonstrates that its proposed Smart Meter 2.0 replacement strategy (including timing, sequencing, and consideration of repair/remediation or life-extension alternatives) represents the least-cost, most reasonable approach for ratepayers.
- Whether SDG&E supports its failure forecasts and key assumptions that drive the proposed scope, timing, sequencing, and prioritization of replacement.
- Whether SDG&E's Application creates stranded smart meter investments (including any premature retirement of Smart Meter 1.0 assets) and, if so, whether SDG&E's ratemaking

²⁷ Chapter 5 Testimony at BMB-24.

proposal addresses remaining undepreciated balances and avoids double recovery.

- Whether SDG&E’s cost estimates (including cost categories, contingency treatment, overheads/loaders, and major IT/network components) are reasonable and supported at a level that parties can reasonably test.
- Whether SDG&E justifies any requested contingency amount and whether the Commission should disallow contingency from the authorized revenue requirement.
- Whether SDG&E’s recorded and forecast labor costs are incremental and properly allocated, and whether SDG&E avoids double-counting costs already funded through rate base or other authorized programs.
- Whether SDG&E’s procurement approach and contracting terms include ratepayer protections, including warranties, performance guarantees, and remedies that allocate non-performance risks to vendors rather than ratepayers.
- Whether SDG&E’s proposed accounting and ratemaking framework, including the proposed AMIBA, is reasonable and provides sufficient safeguards for transparency and prudency review including whether the AMIBA should be structured as a one-way balancing account.
- Whether the Commission should establish clear boundaries among the proposed AMIBA, the existing Smart Meter 2.0 Memorandum Account (SM2MA), and any future Smart Meter 1.0 cost-recovery application, including what costs may be recorded where, what may be transferred, and what review standard applies.
- Whether SDG&E’s proposed SM 2.0 data architecture and vendor dependencies raise privacy, cybersecurity, and third-party risk issues that warrant specific safeguards, scope, and record development in this proceeding.

V. CATEGORIZATION, NEED FOR HEARINGS, AND PROPOSED SCHEDULE.

Cal Advocates agrees that this proceeding should be categorized as ratesetting.²⁸

²⁸ Resolution ALJ 176-3575, January 15, 2026, Preliminary Determination Schedule at 3.

Evidentiary hearings may be necessary, but at this stage of the proceeding, it is too early to make a definitive determination. Cal Advocates recommends that the schedule include an opportunity to request evidentiary hearings through a motion to be filed following a reasonable period of time to review rebuttal testimony. If evidentiary hearings are deemed necessary, they should be scheduled such that parties have sufficient time for discovery and hearing preparation. Also, Cal Advocates opposes SDG&E's proposed discovery cutoff. A discovery cutoff would improperly constrain parties' statutory and procedural rights to obtain discovery necessary to develop a full record, particularly in a ratesetting case involving material factual disputes.

Cal Advocates opposes SDG&E's proposed expedited procedural schedule because it impedes the Commission's and parties' opportunity to meaningfully evaluate SDG&E's Application. The scope and magnitude of SDG&E's request and the nature of the issues implicated require a schedule that provides sufficient opportunity for discovery, analysis, and development of the record.

Cal Advocates recommends that, if the Application is not denied, the Commission adopt the milestone-based schedule shown below:

EVENT	SDG&E Proposal	Cal Advocates Proposal
Application Filing Date	December 18, 2025	December 18, 2025
Responses/Protests Due	30 Days of Daily Calendar Notice	30 Days of Daily Calendar Notice
Replies to Responses and Protests	Within 10 Days per Rule 2.6	Within 10 Days per Rule 2.6
Prehearing Conference	February 5, 2026	To be determined
Scoping Memo	February 20, 2026	TBD
Supplemental Testimony	Not applicable	TBD
Opening Intervenor Testimony	March 20, 2026	90 Days After Supplemental Testimony

EVENT	SDG&E Proposal	Cal Advocates Proposal
Concurrent Rebuttal Testimony	April 20, 2026	30 Days After Intervenor Testimony
Meet and Confer per Rule 13.9	April 30, 2026	10 Days After Rebuttal Testimony
Motions for Evidentiary Hearings	N/A	15 Days After Rule 13.9 Meet and Confer
Evidentiary Hearings (if needed)	Week of June 15, 2026	TBD
Opening Briefs	July 10, 2026	45 Days After Evidentiary Hearings or Rebuttal Testimony
Reply Briefs	July 24, 2026	30 Days After Opening Briefs
Proposed Decision	October 30, 2026	TBD
Final Decision	December 2026	TBD

VI. CONCLUSION

Cal Advocates requests that the Commission include the issues identified in this protest within the scope of this proceeding and adopt Cal Advocates' proposed schedule, to enable the parties and the Commission to thoroughly evaluate SDG&E's Application. These issues include the adequacy of SDG&E's cost-benefit and least-cost showings, the reasonableness and transparency of SDG&E's proposed costs and cost-tracking mechanisms, and the need for safeguards to mitigate ratepayer risk, including clear cost boundaries and sufficient process to test SDG&E's claims. As discussed above, the Commission should deny the Application without prejudice due to the absence of a comprehensive cost-benefit analysis and SM 1.0 transition costs. Alternatively, the Commission should require SDG&E to submit supplemental testimony in this proceeding that includes a comprehensive cost-benefit analysis and SM 1.0 transition costs.

Respectfully submitted,

/s/MARION PELEO

Marion Peleo

Attorney

Public Advocates Office
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: (415) 703-2130
Email: Marion.Peleo@cpuc.ca.gov

January 21, 2026