

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION G-3470

March 22, 2012

R E S O L U T I O N

Resolution G-3470. The Division of Ratepayer Advocates (DRA) and The Utility Reform Network (TURN) request for Commission review of Energy Division's disposition approving Southern California Gas Company (SoCalGas) contracts with three vendors to implement its Advanced Metering Infrastructure (AMI) Project as authorized by Decision (D.) 10-04-027.

PROPOSED OUTCOME: This Resolution affirms Energy Division's approval and grants SoCalGas' request.

ESTIMATED COST: \$1.0396 billion.

By DRA and TURN Request for Review filed December 22, 2011, SoCalGas Advice Letter 4245 filed May 27, 2011, and SoCalGas Advice Letter 4245-A filed October 21, 2011.

SUMMARY

This Resolution approves SoCalGas' contracts, submitted with AL 4245 and 4245-A, with three vendors for AMI technology and installation to implement its AMI project as authorized by D.10-04-027. In response to a DRA and TURN Request for Review of the Energy Division's December 12, 2011 disposition letter, which approved those contracts, this Resolution affirms the Energy Division's approval.

BACKGROUND

By D.10-04-027 issued April 8, 2010, the Commission authorized SoCalGas to develop and deploy a gas-only Advanced Metering Infrastructure system throughout its territory. The Commission reaffirmed SoCalGas' authorization of its AMI project in D.10-11-036 by denying TURN's and The Utility Workers Union of America, Local 132 (UWUA)'s application for rehearing of D.10-04-027.

Ordering Paragraph 6¹ of D.10-04-027 specifically required SoCalGas to seek approval of one or more Advice Letters with the executed contract with vendors for AMI technology, installation, and/or systems integration for its AMI project. SoCalGas was required to provide descriptions of how its choice of vendors enabled compliance with functionality criteria outlined in D.10-04-027.

The minimum functionality criteria outlined in D.10-04-027 as relevant to a gas AMI system are as follows²:

1. Collection of usage data at a level of detail (interval data) that supports customer understanding of hourly usage patterns and how those usage patterns relate to energy costs.
2. Customer access to personal energy usage data with sufficient flexibility to ensure that changes in customer preference of access frequency do not result in additional AMI system hardware costs.
3. Compatibility with communications protocols and applications that utilize collected data to provide customer education and energy management services, customized billing, and support improved complaint resolution.
4. Compatibility with utility system applications that promote and enhance system operating efficiency and improve service reliability, such as remote meter reading, outage management, reduction of theft and diversion, improved forecasting, workforce management, etc.

¹ D.10-04-027 Ordering Paragraph 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 enable 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.

² D.10-04-027, Section 7, page 12.

On May 27, 2011, SoCalGas filed Advice Letter (AL) 4245 requesting approval of the following agreements: (1) Capgemini America, Inc. (Capgemini) for Advanced Meter system integration, program management, and related services; (2) Aclara for AMI modules, energy presentment, and radio network including designing, engineering, and installing the network; and (3) Agile Sourcing Partners Inc. (Agile) for AMI modules. SoCalGas AL 4245 states that the three contracts will provide for the procurement and installation of SoCalGas' AMI technology system encompassing gas modules, radio network and energy presentment software. The system should allow SoCalGas to receive, validate and store interval data to be integrated with the new Meter Data Management System and SoCalGas' existing billing system.

Consistent with Commission General Order (GO) 96-B, Section 7.4.1³, protests for AL 4245 were due within 20 days of the filing of the advice letter. At the request of DRA, the protest period for AL 4245 was extended beyond the 20 day deadline from June 16, 2011 to July 15, 2011. No protests were filed prior to the July 15, 2011 deadline.

On October 21, 2011, SoCalGas filed Partial Supplement AL 4245-A to include an Amendment to the Aclara contract for services to be provided by Utility Partners of America related to Warehouse Acquisition, Warehouse Inventory Management, Fleet, and installation Work Order Management Systems. Protests for AL 4245-A were due within 20 days of the filing on November 15, 2011. Protests were limited to the scope of the Aclara Amendment contained in AL 4245-A.

In addition, SoCalGas has requested confidential treatment of the contracts attached to AL 4245 and AL 4245-A. The contracts signed with Capgemini, Aclara, and Agile include pricing and product detail that could adversely affect

³ GO 96-B Section 7.4.1 states:

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter. Within 20 days of the date of filing of the advice letter, the protest or response shall be filed with the reviewing Industry Division and served on the same day on the utility. After filing a protest, and pending disposition of the advice letter, the protestant shall promptly provide a copy of the protest to anyone so requesting.

these companies if made public. The submitted agreements contain proprietary information and should remain confidential. For this reason, the contracts should be protected from disclosure under the provisions of Public Utilities Code Section 583 and Commission General Order 66-C. A redacted version of the contracts is available to the public.

NOTICE

Notice of Advice Letters 4245 and 4245-A was made by publication in the Commission's Daily Calendar. SoCalGas states that a copy of the Advice Letters was sent to parties listed on Attachment A of the Advice Letter which includes interested parties in Application (A.) 08-09-023.

PROTESTS

On November 11, 2011, DRA and TURN filed a joint protest to Partial Supplement AL 4245-A and a late-filed protest to AL 4245. In their protest, DRA and TURN argue that the AMI contracts fail to meet the Commission's requirements and expectations as set forth in D.10-04-027. DRA and TURN also argued that the relief requested is unreasonable under the circumstances. DRA and TURN believe that ratepayer money would be better spent on gas safety, and that expected conservation benefits due to AMI are now somewhat doubtful.

SoCalGas responded to the joint protest of DRA and TURN on November 18, 2011. SoCalGas asserts that its AMI contracts do meet requirements of D.10-04-027. Further, SoCalGas states that the protest improperly reargues the merits of SoCalGas' AMI application and Commission Decision 10-04-027.

Consistent with GO 96-B Section 7.6.1⁴, the Energy Division issued a letter on December 12, 2011 approving AL 4245 and AL 4245-A. The letter rejected protests by DRA and TURN citing both technical reasons and timeliness issues.

⁴ GO 96-B Section 7.6.1 states:

Notwithstanding a timely protest, the reviewing Industry Division may approve an advice letter that is subject to disposition under this rule and is otherwise proper if the protest either (1) is not made on proper grounds as set forth in General Order Rule 7.4.2, (2) may be rejected on a technical basis as discussed in this rule, or (3) is clearly erroneous.....If the Industry Division rejects an advice letter or grants a protested advice letter, the Industry Division's disposition will state the basis for rejecting the advice letter or the protest.

Footnote continued on next page

By letter dated December 22, 2011, DRA and TURN requested a Commission review of Energy Division's disposition letter citing GO 96-B Section 7.7.1⁵. DRA and TURN argue that: 1) D.10-04-027 required the Commission to issue a resolution on the AMI contracts and the Energy Division did not have the authority to issue a disposition letter; 2) Even if disposition of the ALs were appropriate, the disposition letter is deficient, because it does not demonstrate that the AMI contracts meet the requirements of D.10-04-027; 3) The proposed contracts should be rejected because they do not meet the requirements; and 4) The timeliness of DRA/TURN's protest is irrelevant.

DISCUSSION

This Resolution affirms Energy Division's December 12, 2011 disposition and approves SoCalGas' contracts with three private vendors for AMI technology and installation to implement its AMI project as authorized by D.10-04-027. Energy Division has evaluated the contracts SoCalGas submitted with AL 4245 and 4245-A and concludes that the proposed system will be capable of meeting the minimum AMI functionality criteria set forth in D.10-04-027.

The agreements with Capgemini, Aclara, and Agile will provide for the procurement and installation of SoCalGas' AMI technology system encompassing gas modules, radio network and energy presentment software. The system will allow SoCalGas to receive, validate and store interval data to be

⁵ GO 96-B Section 7.7.1 states:

The utility or a person filing a protest, or any third party whose name and interest in the relief sought appear on the face of the advice letter, may request Commission review of an Industry Division disposition...The request for Commission review shall be filed with the reviewing Industry Division within 10 days after the issuance of the disposition, shall be served on the utility, all persons filing protests or responses, and any third party whose name and interest in the relief sought appear on the face of the advice letter, and shall set forth specifically the grounds on which the requester considers the disposition to be unlawful or erroneous. Upon filing of a timely request for Commission review, the Industry Division will prepare and place on the Commission's meeting agenda a proposed resolution, and will serve it on the requester and all others on whom the request was served. Pending commission action on the proposed resolution, the advice letter will take effect if it was approved under the Industry Division disposition.

integrated with the new Meter Data Management System (MDMS) and SoCalGas' existing billing system.

The following discussion will cover each individual AMI functionality criteria and provide supporting details of SoCalGas' proposed technology and installation directed by D.10-04-027.

1. Collection of usage data at a level of detail (interval data) that supports customer understanding of hourly usage patterns and how those usage patterns relate to energy costs.

With the approved contracts, SoCalGas will upgrade its metering system to provide customers with access to their hourly natural gas usage information on a "next-day" basis by adding a battery-powered communication device to residential and business natural gas meters. The advanced meter will automatically read and securely transmit customer's gas usage information to SoCalGas' customer service and billing center. The advanced meter will "wake-up" four times a day for less than 1/10th of a second to transmit the encrypted hourly usage data. The SoCalGas "My Account" web portal will be enhanced with Aclara's ENERGY prism software. This technology enhancement will provide customers with a view of their hourly gas usage information with analytical tools, charts and graphs on a next day basis. There is no cost for customers to use "My Account". The implementation also supports multi-channel outreach potentially including optional alerts via email, phone or text message.

Capgemini will support the integration of the AMI systems with SoCalGas' existing infrastructure and identify changes to relevant metering, billing and customer support business process. Aclara will manufacture six million AMI meter modules and the corresponding radio hardware. Aclara will also design and install the radio network infrastructure, provide network management services, and design and implement the MDMS.

2. Customer access to personal energy usage data with sufficient flexibility to ensure that changes in customer preference of access frequency do not result in additional AMI system hardware costs.

As described above, with the contracted technologies, customers will be able to access personal energy usage data through SoCalGas' "My Account" web portal

and Aclara's ENERGY prism software. These parameters should satisfy nearly all customer preferences for access. Additional AMI system hardware costs should not be necessary. However, should changes in the AMI system hardware be necessary, SoCalGas' partnership with the vendors should provide the utility with sufficient knowledge to support the AMI system hardware.

3. Compatibility with communications protocols and applications that utilize collected data to provide customer education and energy management services, customized billing, and support improved complaint resolution.

The interval gas usage data collected in the MDMS will be integrated into SoCalGas' existing Customer Information System (CIS) to enhance support of customer billing and service related questions. As mentioned earlier, customers will have access through SoCalGas "My Account" web portal with the option to sign up for optional alerts if they are close to or have exceeded a predetermined cost or consumption threshold. The MDMS will store data collected on hourly intervals. Once the data is stored, SoCalGas will be able to use that data to provide customer education and energy management information, customized billing, and improved complaint resolution. The customer information will also be available to SoCalGas' customer service representatives.

4. Compatibility with utility system applications that promote and enhance system operating efficiency and improve service reliability, such as remote meter reading, outage management, reduction of theft and diversion, improved forecasting, workforce management, etc.

The AMI project will promote and enhance system operating efficiency and improve service reliability. The contracted agreements with Capgemini and Aclara for systems integration, program management, and information technology support the improvements to operating efficiency and service reliability. With the proposed AMI meters and infrastructure included in the project, remote meter reading will detect outages, verification of outage restoration, energy theft and diversion. By eliminating the on-site meter reading and connect/disconnect functions, SoCalGas will be able to better manage its workforce.

By this Resolution, the Energy Division letter dated December 12, 2011 approving SoCalGas AL 4245 and 4245-A is affirmed. The Energy Division has

prepared this Resolution in response to DRA's and TURN's letter dated December 22, 2011 requesting Commission Review of Energy Division's approval of SoCalGas AL 4245 and 4245-A as provided by GO 96-B. Section 7.7.1 of GO 96-B states: "the Industry Division will prepare and place on the Commission's meeting agenda a proposed resolution, and will serve it on the requester and all other on whom the request was served." In its request for review, DRA and TURN allege that "Commission Approval" in D.10-04-027 Ordering Paragraph 6 requires approval via a resolution and did not authorize staff disposition of the Advice Letter. That issue is moot in light of the fact that the staff disposition is being provided Commission review via this resolution.

As discussed in the December 12, 2011 Energy Division disposition, the joint protest by DRA and TURN of SoCalGas AL 4245 and 4245-A is rejected for several reasons. As explained below, the protest is rejected on the grounds that to the extent it relates to AL 4245, it is untimely. The protest as it relates to AL 4245-A does not provide adequate descriptions or information to support DRA's and TURN's contentions that the amendment to the proposed Advanced Metering Infrastructure (AMI) contract filed through AL 4245-A does not meet the requirements and specifications of Decision (D.) 10-04-027. Two of the three AMI contracts requested in AL 4245 were not amended in Supplemental AL 4245-A.

With respect to AL 4245, the protest was not timely filed. At the request of DRA, the protest period for AL 4245 was extended from June 16, 2011 to July 15, 2011. The DRA/TURN protest filed November 10, 2011 does not meet the agreed upon July 15 protest deadline date nor does the protest include any explanation as to why the protest was late-filed. No other protests were filed in response to AL 4245.

In their joint protest, DRA and TURN argue that the decision itself is now flawed and should be changed. We understand that the protestants have filed a Petition For Modification of D.10-04-027; however, GO 96-B Rule 7.4.2 (6) allows a protest based on the justness or reasonableness of an advice letter only when such a protest would not require relitigating a prior order of the Commission. As discussed in D.08-04-063, the Commission stated that "allowing a protest on the basis that a rate is unjust or unreasonable is contrary to Rule 7.4.2 (6) because

it would require relitigating a prior order of the Commission. Allowing such protests would constitute an impermissible collateral attack of the findings of a final Commission decision.”⁶

Much of the DRA and TURN protest to Partial Supplement AL 4245-A include arguments to reconsider D.10-04-027 which is both inappropriate and irrelevant in an Advice Letter filing. Partial Supplement AL 4245-A was filed by SoCalGas on October 21, 2011. Protests to AL 4245-A are limited to the scope of the amendment included in the supplement. The supplement includes an amendment to the Aclara contract for services to be provided by Utility Partners of America related to Warehouse Acquisition, Warehouse Inventory Management, Fleet, and Installation Work Order Management System. Arguments included in the DRA and TURN protest extend beyond the scope of review for AL 4245-A.

The protest does not include any convincing evidence that the amendment would not meet the functionality criteria set forth in D.10-04-027 or fail to meet the requirements in Ordering Paragraphs 3 and 5 of D.10-04-027. Specifically,

⁶ D.08-04-063, II. Discussion, A. Protest Rights, paragraph 4, page 4.

⁷ D.10-04-027 Ordering Paragraphs:

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.

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

Footnote continued on next page

DRA and TURN argue that: 1) the contracts submitted for approval in AL 4245 and AL 4245-A will not enable SoCalGas to meet Ordering Paragraphs 3 and 5 of D.10-04-027 and 2) the relief requested is unreasonable under the circumstances.

To fulfill D.10-04-027 Ordering Paragraph 3 for customer access to near-real time gas usage data, SoCalGas stated in AL 4245 that customers will be able to access their hourly natural gas usage information on a “next-day” basis through SoCalGas’ “My Account” web portal and Aclara’s ENERGY prism software. The technology that will provide customers’ access to their usage daily with charts, graphs, and optional results via email, phone or text message is included in the contracts submitted by AL 4245 and AL 4245-A. This exact level of access by customers was described in testimony in A.08-09-023.⁸ DRA and TURN had ample opportunity during the proceeding to redefine or modify this requirement. D.10-04-027 approved SoCalGas’ AMI application without modifications to this level of information access.

With respect to Ordering Paragraph 5 of D.10-04-027, AL 4245 and AL 4245-A are limited to contracts with vendors for AMI technology, installation and/or systems integration for its AMI project as required by Ordering Paragraph 6 of D.10-04-027. Ordering Paragraph 5 of D.10-04-027 orders SoCalGas to provide customer outreach, education and communications as well as submit reports of conservation impacts of AMI. D.10-04-027 does not require customer outreach and conservation results in the same advice letters as the vendor contracts. More specifically, conservation results can be addressed more accurately post

company is falling short of its projections, it shall submit revisions to its 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’ 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.

⁸ A.08-09-023, Exhibit 6, Prepared Direct Testimony of John C. Martin, p. VI-2:
“The Energy Management pages will feature interactive feedback tools for next-day access to a customers’ daily gas usage data (up to 24 hour consumption intervals), including 13 months of daily gas usage history.”

installation of a quantifiable number of the AMI modules. In any case, DRA and TURN offer no convincing reason as to why the contracts being approved in AL 4245 and AL 4245-A will not allow SoCalGas to meet the requirements of Ordering Paragraph 5 of D.10-04-027.

COMMENTS

Public Utilities Code section 311(g) (1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g) (2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments on February 12, 2012.

SoCalGas submitted comments on the draft resolution on March 9, 2012. SoCalGas fully supports the draft resolution, and recommends no changes.

No other parties submitted comments.

FINDINGS AND CONCLUSIONS

1. D.10-04-027 directed SoCalGas to file one or more Advice Letters containing signed vendor contracts to insure that SoCalGas' AMI technology meets the functionality criteria set forth in Section 7 in the decision.
2. The AMI contracts submitted by SoCalGas via AL 4245 and 4245-A describe work to be done by third party vendors on associated technology, installation and/or system integration work associated with SoCalGas' AMI project.
3. Terms and conditions of the contract submitted with AL 4245 and 4245-A could harm SoCalGas and the vendors if made public, and therefore these contracts should remain confidential pursuant to the provisions of the Public Utilities Code Section 583 and General Order 66-C.
4. DRA and TURN did not file a timely protest to AL 4245.

5. Much of the DRA and TURN protest to Partial Supplement AL 4245-A include arguments to reconsider D.10-04-027 which is both inappropriate and irrelevant in an Advice Letter filing.
6. The protest does not include any convincing evidence that the amendment filed in AL 4245-A would not meet the functionality criteria or requirements set forth in D.10-04-027.
7. The contracts submitted with AL 4245 and 4245-A meet the minimum functionality criteria for utility AMI systems set forth in D.10-04-027.

THEREFORE IT IS ORDERED THAT:

1. The Energy Division disposition letter dated December 12, 2011 is affirmed.
2. Southern California Gas Company's request to execute contracts with Capgemini, Aclara and Agile as requested in Advice Letters 4245 and 4245-A is approved.
3. Southern California Gas Company's request for confidential treatment of the contracts submitted with Advice Letters 4245 and 4245-A is granted.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on March 22, 2012; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON
PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
CATHERINE J.K. SANDOVAL
MARK J. FERRON
Commissioners

I reserve the right to file a concurrence.
/s/ TIMOTHY ALAN SIMON
Commissioner

I dissent.
/s/ MICHEL PETER FLORIO
Commissioner

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



February 21, 2012

I.D. # 11089
RESOLUTION G-3470
March 22, 2012

Commission Meeting

TO: PARTIES TO SOUTHERN CALIFORNIA GAS COMPANY ADVICE
LETTERS 4245 and 4245-A

Enclosed is draft Resolution G-3470 of the Energy Division, issued in response to the Division of Ratepayer Advocates (DRA) and The Utility Reform Network (TURN) request for Commission review of Energy Division's disposition of Southern California Gas Company (SoCalGas) Advice Letter (AL) 4245 and Partial Supplement AL 4245-A to enter into contracts with three private vendors to implement its Advanced Metering Infrastructure (AMI) Project as authorized by Decision (D.) 10-04-027. It will appear on the agenda at the next Commission meeting which is at least 30 days after the date of this letter. The Commission may vote on this Resolution at that time or it may postpone a vote until a later meeting. When the Commission votes on a draft Resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

Parties may submit comments on the draft Resolution. All comments on the draft Resolution must be received by the Energy Division by March 9, 2012.

An original and two copies of the comments, along with a certificate of service, shall be sent to:

Honesto Gatchalian
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Email: jjn@cpuc.ca.gov
FAX: 415-703-2200

A copy of the comments shall be submitted in electronic format to:

Richard Myers and Belinda Gatti
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Email: ram@cpuc.ca.gov and beg@cpuc.ca.gov

Those submitting comments must also serve a copy of their comments on the entire service list to the draft Resolution and the Director of the Energy Division on the same date that the comments are submitted to the Energy Division.

Comments shall be limited to fifteen pages in length plus a listing of the recommended changes to the draft Resolution and an appendix setting forth the proposed findings and conclusions and proposed ordering paragraphs.

Comments should focus on any errors in the draft Resolution.

Replies to comments on the draft Resolution will not be accepted.

Sincerely,

/s/ Richard Myers

Richard Myers, Program and Project Supervisor
Energy Division

Enclosure: Service List
Certificate of Service

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of Draft Resolution G-3470 on all parties or their attorneys as shown on the attached service list.

Dated February 21, 2012 at San Francisco, California.

/s/ Honesto Gatchalian

Honesto Gatchalian

NOTICE

Parties should notify the Energy Division, Public Utilities Commission, 505 Van Ness Avenue, Room 4002 San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the Resolution number on the service list on which your name appears.

Parties to Southern California Gas Company Advice Letter 4223:

Southern California Gas Company
Attention: Sid Newsom
555 West Fifth Street, GT14D6
Los Angeles, CA 90013-1011
snewsom@semprautilities.com

Joseph P. Como, Division of Ratepayer Advocates
Joe.como@cpuc.ca.gov

Thomas Long, The Utility Reform Network
tlong@turn.org

Concurrence of Commissioner Timothy Alan Simon on Resolution G-3470: Commission Review of Energy Division's Disposition Approving Southern California Gas Company's Contracts with Three Vendors

My concurrence with Resolution G-3470 affirms the Energy Division's approval of the request of Southern California Gas Company (SoCalGas), submitted with three vendors, for authorization to install technology to implement its Advanced Metering Infrastructure (AMI) project, as authorized by Decision (D.) 10-04-027 . I believe that the Request for Review by the Division of Ratepayer Advocates (DRA) and The Utility Reform Network (TURN) of the Energy Division's December 12, 2011, disposition letter approving those contracts is appropriately denied.

The 2010 Decision, which I had supported, ordered SoCalGas to file an Advice Letter establishing a balancing account and detailing the cost recovery mechanism in conformance with the Decision 10-04-027. SoCalGas Company was authorized to recover deployment costs of up to \$1.0507 billion into this account plus additional amounts, if any, consistent with the terms and conditions of the Risk Sharing Mechanism approved as authorized by this Decision, I voted for D.10-04-027, which granted SoCalGas authority to develop and deploy a gas-only AMI system throughout its service territory. In that Decision, the estimated benefit was calculated to be \$27 million. This Commission approved SoCalGas's AMI Application in April 2010 and denied rehearing in November 2010 (D.10-11-036, November 19, 2010 Order Denying Rehearing of D.10-04-027). The AMI project would involve the installation of approximately six million AMI gas modules between 2009 and 2015. SoCalGas submitted Advice Letter (AL) 4245 on May 27, 2011, later supplemented by AL 4245-A on October 21, 2011, requesting approval of its AMI technology and installation contracts with three vendors: (1) Capgemini America, Inc., (2) Aclara and (3) Agile Sourcing Partners Inc.

There are expected gas savings when customers use information feedback through AMI about their past gas usage to reduce future gas usage. I believe that if we allow PG&E and SDG&E customers to have both electric and gas smart meters but do not allow SCE customers (most of whom receive gas services from SoCalGas) to have both electric and gas smart meters, that would be discriminatory. The 2010 Decision also found that extending AMI functionality to SoCalGas's service territory is consistent with several state energy objectives.

When I voted for this Decision, I made sure that a one million dollar fund was established for retraining and retention of the meter reading workforce impacted by the AMI project. The Decision made certain modifications in order to offer greater security to SoCalGas's current meter-reading workforce and to ratepayers. In particular, the Decision authorized contingency funding at 7%, consistent with past AMI projects approved by this Commission, and modified the risk sharing mechanism for cost overruns.

As Chair of the National Association of Regulatory Commissioners Committee on Gas, I see that gas-electric harmonization is becoming an important energy harmonization issue. The Federal Energy Regulatory Commission recently opened a docket, AD12-12-000; requesting comments on coordination between natural gas and electricity. Smarting gas meters will play a beneficial role in this process going forward. I also see benefits through my participation in a North American Energy Standards Board study focused on electricity-gas harmonization.

I expect gas and electric AMI systems will provide complete usage data to customers that, eventually, will lead to reductions in customer energy usage. The resulting energy conservation benefits will cover the additional costs of the system. As the AMI system further develops there will be applications in the areas of consumer energy efficiency; wide-area situational awareness; network communications establishing common scheduling for energy transactions; computer modeling for utilities to monitor the distribution network for outages and leak detection; standard signals to turn off appliances from remote locations; and guidelines for integrating wireless communications into grid operations and standard meters. This all feeds into a national effort to improve energy infrastructure by "smarting" the grid.

DRA and TURN argue that the AMI contracts fail to meet the Commission's requirements and expectations, as set forth in D.10-04-027. DRA and TURN also argue that ratepayer money would be better spent on gas safety and that expected conservation benefits due to AMI are, as yet, somewhat doubtful. I agree the Commission must apply its resources to scrutinize cost recovery in the gas pipeline safety proceeding on behalf of ratepayers. However, implementation of already Commission-authorized utility smart gas meter deployment programs and associated cost recovery considerations are, in my view, non-sequitur, and, any hesitation, at this point, would give problematic, mixed signals to industry stakeholders.

I, strongly, believe gas smart meters will bring conservation and benefits to customers and recognize the true cost-effectiveness of an AMI project, as in any demand side management technology, is almost entirely dependent on the success of the company's customer outreach, adoption, and education efforts. Which is why, at my request, D.10-04-027 included a detailed roadmap for ensuring that residential and small business customers are fully aware of the functionality and potential benefits of their AMI technology, and that focuses on adoption methods.

I stand by my vote in favor of D.10-04-027 and, accordingly, support this Resolution G-3470, approving SoCalGas' contracts with its three vendors for AMI technology and reaffirming Commission approval of gas AMI projects.

Dated: March 29, 2012, at San Francisco, California.

/s/ TIMOTHY ALAN SIMON
TIMOTHY ALAN SIMON
Commissioner