

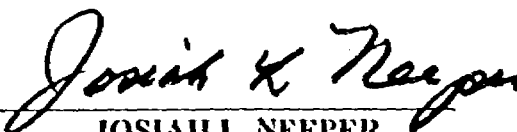
President Richard A. Bilas and Commissioner Josiah L. Neeper, Concurring:

We support this decision as a timely and reasonable step to provide customers with expanding meter data. This information will assist those customers who seek the information with the ability to better manage their energy usage and their costs. The decision allows utilities to provide three methods for customers to access their data; this provides the flexibility for both utilities and customers to make mutually-acceptable arrangements.

We agree with those parties who would like to see more options for competitive provision of metering services, along with utility provision of these services. We believe increased competition is consistent with our overall policy direction, and is likely to provide more innovation and better services to customers over time.

To that end, we propose that the Assigned Commissioner in this proceeding commence a "Part B", or second phase, to consider how more competition might be introduced in this area. Clearly, there are a number of questions of interconnection, service quality, safety, data exchange and other issues that would have to be addressed before competition can be introduced. But the best way to get there from here is to start now.


RICHARD A. BILAS
President


JOSIAH L. NEEPER
Commissioner

San Francisco, California
December 3, 1998

Commissioner Jessie J. Knight, Jr., Dissenting:

I dissent from the majority on this order. I would reject both the original petition to modify and the joint proposal sponsored by SPURR/REMAC, the utilities and others. The alternate I sponsored found that there was insufficient detail to consider all of the ramifications of what is proposed in the order of the majority. I would have directed the utilities to file an application for the authority they seek via the joint proposal. Traditionally, when a utility seeks to offer new services to its customers, it does so through an application or advice letter process. This would allow for a full and comprehensive review of the application. The joint proposal as accepted by the majority does not accommodate this type of scrutiny. In addition, ALL other meter related issues have been addressed in the direct access proceeding, not in this ancillary and narrowly focussed venue.

The record in this proceeding is simply not sufficient for us to consider all of the ramifications of allowing the utilities to offer these services. In fact, it is unclear which of the three options proposed each utility will provide. The Commission needs more detailed proposals from each utility before it can evaluate whether the metering options proposed by the Joint Petitioners make sense. The Joint Proposal is neither detailed enough, nor specific enough for the Commission to determine that such offerings by the utility are in the public interest or serve the advancement of competition. If the utilities wish to offer their customers new metering options, like the ones included in the Joint Proposal, they should do so through the normal review process of advice letter or application.

The filing of an application would provide the necessary detail and specifics needed to evaluate the risks and benefits of the services contemplated by the Joint Proposal. Only then could the various policy and practical concerns raised by the Joint Proposal be more effectively addressed. In particular, I believe the Commission would want a more complete investigation of the possible anti-competitive impacts of the Joint Proposal and possible mitigating conditions that might be imposed. For example, unbundling of the metering function of the utilities from the provision of the commodity might make sense as a means of reducing the bottleneck of the utilities. Also, it might serve to limit the ability to leverage the market dominance they have in one market into an advantage in another market, namely the distribution business and the metering business.

In addition, the application should also detail how the utility will assure that metering requests for non-direct access customers are handled in a nondiscriminatory matter, compared to metering requests by direct access customers. Furthermore, the application should address safeguards to assure that new metering services that are offered to some customers are not subsidized by other customers. Not only would such

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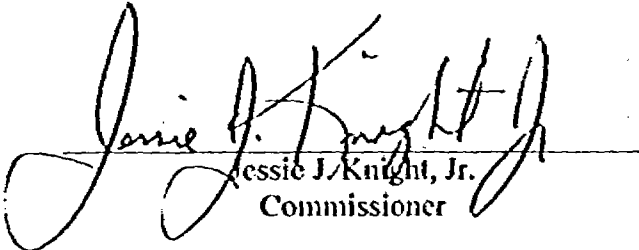
cross subsidies raise anti-competitive concerns but also will raise issues about fundamental fairness.

I urge the majority to seriously consider how unbundling the metering services of the utilities from the commodity services, as originally proposed in the petition to modify, might be used to reduce or mitigate the market power of the utilities. This unbundling will reduce the ability of the utility to leverage its control over the bottleneck facilities of the distribution system into market dominance in the metering market.

As in telecommunications, unbundling of the incumbent monopoly's system is a viable means of dealing with market power issues and reducing the degree of control over bottleneck facilities such as the distribution system. The critical concept here is that such unbundling is warranted only where the provider has marketpower and/or controls bottleneck facilities. In this case the bottleneck facilities are the very wires of the distribution system to which all meters must be attached.

I urge my colleagues to move forward to consider the merits of using further unbundling, including unbundling of metering for non-direct access customers as a way of mitigating utility control over the distribution system and the market power that arises under such control.

Dated December 3, 1998 at San Francisco, California.


Jessie J. Knight, Jr.
Commissioner

Decision 98-12-022 December 3, 1998

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Proposed Policies Governing Restructuring California's Electric Services Industry and Reforming Regulation.

Rulemaking 94-04-031
(Filed April 20, 1994)

Order Instituting Investigation on the Commission's Proposed Policies Governing Restructuring California's Electric Services Industry and Reforming Regulation.

Investigation 94-04-032
(Filed April 20, 1994)

OPINION

Summary

This decision denies the Petition to Modify Decision (D.) 97-05-039 filed on May 4, 1998 by School Project for Utility Rate Reduction and Regional Energy Management Coalition (jointly, SPURR/REMAC) to permit customers who do not purchase electric service from utility competitors to have the choice of subscribing to metering services of utility competitors. We grant a related proposal filed by San Diego Gas & Electric (SDG&E), SPURR/REMAC, Cellnet, Itron, Southern California Edison Company (Edison), Pacific Gas and Electric Company (PG&E), and Coalition of California Utility Employees (CCUE). We also adopt suggestions made by Farm Bureau and accepted by the proponents of the Joint Proposal.

Background

SPURR/REMAC filed this petition to modify D.97-05-039 on May 4, 1998 asking the Commission to permit energy service providers (ESP) to offer to

customers metering services without having to concurrently offer electricity. SPURR/REMAC's petition was supported by The Utility Reform Network (TURN), Enron, California Department of General Services, University of California and California State University (jointly DGS/UC/CSU), Onsite Energy Corporation (Onsite), California Farm Bureau Federation (Farm Bureau), New Energy Ventures, Phaser Advanced Metering Services (Phaser). Office of Ratepayer Advocates (ORA) and Edison support the proposal with conditions. Pacific Gas and Electric Company (PG&E) and CCUE oppose the petition.

Subsequently, on June 19, 1998, SDG&B filed a response to SPURR/REMAC's petition. The response includes a proposal which is offered as an alternative to SPURR/REMAC's proposal. The proposal is offered jointly with PG&E, Edison, Itron, SPURR/REMAC, Cellnet and CCUE (we refer herein to these parties as Joint Petitioners and to their proposal as Joint Proposal). The Joint Proposal is effectively a new petition to modify. Parties were accordingly provided 30 days to respond to the proposal. Responses to the Joint Proposal were received from ORA, Farm Bureau, and MSP/ESP Group.¹ According to SPURR/REMAC, the joint proposal supersedes the original petition to modify and that petition is effectively withdrawn. ORA opposes withdrawal of the original petition to modify, arguing that it will merely have to file a new petition to modify seeking the same relief if the Commission agrees to ignore the original one. ORA is correct that we have discretion to consider the issues raised by the original petition to modify even though the original proponent no longer endorses it. The parties have had an opportunity to be heard on those issues and the Commission may resolve them on its own initiative. In the interest of

¹ MSP/ESP Group is comprised of 15 companies, apparently competitors or potential competitors in metering and billing services markets.

efficiency and fairness, we herein address both the original petition to modify and the Joint Proposal.

The Petition to Modify

D.97-05-039 permitted ESPs to provide metering and billing services (also called "revenue cycle services") to California electric customers who concurrently receive electricity from the ESP.

The petition to modify D.97-05-039 asks the Commission to lift the current restriction that prohibits ESPs from offering metering services only to those customers who subscribe to ESP electric services (that is, direct access). The petition to modify observes that customers need hourly usage information in order to make informed decisions about electric service offerings and, for example, to determine whether aggregating loads can save on electric costs. SPURR/REMAC also believe that customers can save substantially on their electric costs by improving the management of their energy consumption. Finally, they point out that ESPs can offer lower cost electric services than utilities in some cases. The petition to modify observes that the Commission has already recognized the benefits associated with fully unbundled metering services in D.97-12-048. It believes the Commission has already taken the necessary steps to assure the safety and reliability concerns associated with unbundling by requiring that ESPs providing metering services adhere to certain regulations and be certified by the Commission to act as a Meter Service Provider (MSP) or approved by the utility as qualified to provide Meter Data Management Agent (MDMA) services.

In their responses to the petition to modify, Enron, Farm Bureau, Phaser, TURN/UCAN, Onsite, NEV, and ORA make similar comments. Phaser recommends the Commission begin by opening a test market of institutional and commercial customers and assess its success after six months. NEV observes that

currently customers may only acquire time-of-use information by either investing in duplicative equipment (by installing a meter in parallel to the existing meter) or by purchasing equipment from the utility and thereby losing the opportunity to negotiate with others for costs and technology. Onsite proposes that the Commission state explicitly that customers own their load data and have a right to access that data on a "real-time" basis. ORA, NEV, and Onsite suggest the utilities create an agreement which would specify the respective responsibilities of the utility and the ESP or MSP. ORA would subject these agreements to Commission approval. ORA also recommends that the program be phased-in according to customer size. ORA urges no increase in Section 376 costs as a result of the change in regulatory policy, believing it is not required in order to facilitate direct access.

Edison is amenable to SPURR/REMAC's proposal with conditions. Edison proposes that it would maintain a list of acceptable meters and would be the only entity to install and calibrate the meter for which it would charge a tariffed fee. Edison would also provide the customer the option of retrofitting the meter or installing a second meter on the "load side" of the meter, as customers may do currently. Edison would continue to read the meter or, at the customer's option, provide the customer a credit for subscribing to the meter reading services of a competitor. Edison opposes the recommendation in the petition to modify which would unbundle metering services. Edison believes installation and maintenance are not required to achieve the petition's stated objective to improve availability of customer usage information and that the utilities have a substantial interest in ensuring that meters are properly installed and maintained.

PG&E opposes the petition to modify, arguing that it has not presented a problem or justified the Commission's reversal of an order rejecting the same proposal less than a year ago. PG&E believes that approving SPURR/REMAC's

request would unnecessarily complicate direct access and utility operating systems. It observes that customers will soon be able to access their usage data with radio frequency modules which PG&E is developing with SPURR/REMAC's input. PG&E states it intends to retrofit its existing meters at the request of the customer. PG&E states customers have other alternatives for accessing usage data by way of telephone lines, pulse metering, and virtual direct access.

The Joint Proposal

The Joint Proposal would require of the three respondent utilities to modify their tariffs as follows:

1. Each utility would offer one or more of three options to bundled utility electric customers:

- **OPTION 1:** Allows bundled utility customers to replace an existing meter with a meter of their choice, at the customer's expense, provided the new meter is compatible with the utility's existing meter reading systems. The ownership of the new meter would be the responsibility of either the customer or the utility. The utility would continue to perform traditional meter services, including installation, maintenance, and meter reading essential for customer billing.²
- **OPTION 2:** The utility would offer meter attachment options that would either modify existing utility meters to accommodate retrofit devices, such as radio frequency modules and telephone based modules³ or pulse initiators, or replace existing meters with comparable meters that have retrofit devices already attached to the meter. The

² This provision is similar to existing direct access rules, stated in D.97-10-087, Appendix A, Section H(1)(d), which allows a direct access customer to own the meter upon returning to bundled utility services, provided the meter is compatible with existing utility meter reading systems.

³ Each utility may implement this option somewhat differently as described in Attachment C of the petition to modify.

customer or customer's agent would own the retrofit devices and the customer would be responsible for the maintenance and costs associated with the retrofit devices, including any additional costs incurred by the utility in the use of a retrofitted meter. The utility would continue to own the meter. These options would provide customers with additional alternatives to allow them to obtain hours usage information.

- **OPTION 3:** The utility may offer to attach and own a "dual socket" adapter to an existing utility meter, which would allow the customer to install a second meter of choice to access hourly load data.

2. Each utility would be permitted to provide and charge for meter services to accommodate new hourly meters, new retrofitted meters, or retrofitted devices on existing utility meters.⁴

3. The provisions here would not preclude a customer from requesting, or the utility from providing, any other options currently or concurrently provided pursuant to utility tariffs and each utility would continue to provide all metering services to bundled customers.

The Joint Petitioners believe their proposal provides a "meaningful solution to enable the market further without requiring substantial revisions to the existing (utility) infrastructure." They state its provisions improve customer access to usage information, and is easily and inexpensively implemented.

ORA opposes the Joint Proposal as inferior to the original proposed by SPURR/REMAC, believing it restricts market opportunities of utility competitors by retaining the incumbent utility's dominant role in metering services. ORA

⁴ This provision is consistent with direct access rules in D.97-10-087, Ordering Paragraph 7, to allow utilities to charge for discretionary metering services, and would ensure that non-direct access customers pay the same as direct access customers do in obtaining meter services from the utility.

argues additionally that the Joint Proposal would provide short-term opportunities for competitors to offer existing meter types which will be rendered obsolete or incompatible with the meters recommended for direct access markets by the Permanent Standards Working Group (PSWG). ORA also argues the Joint Proposal is likely to be a substantial block to reforming metering services markets by institutionalizing rules which are contrary to Commission policy to promote competition.

Farm Bureau opposes the adoption of the Joint Proposal because it would permit the utilities to prohibit the installation of new meters and permit only the installation of retrofit devices. Farm Bureau believes this option would not necessarily be the most economic solution for some customers. Farm Bureau recommends that if the Commission adopts the Joint Proposal, it should not permit this outcome and accordingly should modify the settlement to require the utilities to offer two of the three options presented in the Joint Proposal. Alternatively, it would require the utility to facilitate installation of a meter in the event the utility meter could not support retrofit technology to meet the requirements of direct access.

MSP/ESP Group also objects to the Joint Proposal on the basis that the associated rules would provide incumbent utilities with advantages for the installation of new meters. It does so by providing that only the incumbent utility would be permitted to install new meters if the customer continues to receive electricity service from the utility. There would therefore be no meter market if and when the customer switched to a competitor. MSP/ESP Group also argues the Joint Proposal would have the Commission permit the utility to meet only existing standards for meter reading systems while requiring competitors to satisfy more stringent standards adopted by the Commission, a practice which will create a competitive advantage for the utility.

Parties who filed the Joint Proposal responded to these concerns, asserting that the process of unbundling metering from direct access, as originally proposed by SPURR/REMAC, would impose substantial burdens on the utilities during a period when they are implementing direct access. The utilities also reiterate concerns over the accuracy of meters owned and operated by others and their common view that the Joint Proposal is a reasonable step in the direction of increasing customer options. The proponents of the Joint Proposal also state their support for two of Farm Bureau's suggestions. First, they state that all three of the utilities intend to offer at least two of the three options presented in the Joint Proposal. Second, they support Farm Bureau's suggestion that under option 2, if the customer's meter is not compatible with any retrofit technology, the utility would work with the customer to facilitate installation of an interval meter.

Discussion

We have adopted a policy to support the development of competition in utility metering and billing services (or, "revenue cycle services") markets on the basis that opening these markets would facilitate the development of competition in generation markets. D.97-05-039 left open the question of whether and when we would permit customers who take electricity service from the utility to choose a competitive supplier for meter and billing services. Subsequently, in D.97-12-048, we rejected a proposal to permit bundled utility customers to purchase metering services from competitors on the basis that it "would add a layer of complexity to the changes that are already occurring" and because "(e)fficiency would seem to suggest that all three services should be handled by one company" (D.97-12-048, slip. opinion at 7).

SPURR/REMAC's petition to modify asks us to reverse recent decisions on the basis that customers will not otherwise have adequate information about

their usage. The Joint Proposal filed subsequently would provide a framework within which the utilities would implement changes to these markets.

In principle, SPURR/REMAC's original request is straightforward and consistent with our policy to open electric markets which may be competitive. In practice, implementing changes to the structure of utility markets is never a simple or obvious process. PG&E and Edison express logical concerns about unbundling metering for customers who take electric service from the utility. By signing the Joint Proposal, SPURR/REMAC apparently agrees that alternatives may satisfy customer requirements.

We share some of the concerns expressed by ORA and competitors that the Joint Proposal provides some advantages to incumbent utilities in meter markets. Still, as PG&E observes, the record does not support a view that customers will be unable to access usage information absent adoption of the proposal presented in the petition to modify. In fact, the utilities need only file advice letters to offer the options presented in the Joint Proposal. The Joint Proposal is not ideal from the standpoint of promoting competition because it does not provide for opening meter markets in all situations. Nevertheless, it is a step in that direction and provides customers additional options for acquiring better information about their usage patterns. We intend to open meter markets ultimately and will consider related proposals in this docket as we move toward the end of the transition period. We also note that the adoption of the proposal does not signal an abandonment of our support for the PSWG and we expect the utilities to integrate innovative technologies into their systems.

We are not prepared at this time to modify the Joint Proposal to accommodate the concerns of those who oppose it. The record does not permit an exploration of the effects of such modifications, and we are satisfied that the elements of the Joint Proposal are in the public interest, at least during these

initial stages of restructuring the electric industry. We adopt the Joint Proposal as it is presented herein with the revisions proposed by Farm Bureau and which the Joint Proposal's proponents have accepted. Therefore, each utility must offer at least two of the options presented in the Joint Proposal. For option 2, in cases where customer's meter is not compatible with any retrofit technology, the utility would work with the customer to facilitate installation of an interval meter.

The utility tariffs filed pursuant to this decision shall offer service on a non-discriminatory basis for bundled and unbundled customers:

Findings of Fact

1. The record does not demonstrate that customer demand for improved usage information requires meter unbundling for customers subscribing to utility electric services, as proposed by the SPURR/REMAC petition to modify.
2. The Joint Proposal would provide customers with additional opportunities to acquire access to usage information.
3. The Joint Proposal does not provide utility competitors with equal opportunities to market and sell meter services to customers who take electric service from incumbent utilities.

Conclusions of Law

1. The Commission should deny the petition to modify D.97-05-039 filed by SPURR/REMAC on May 4.
2. The Commission should adopt the Joint Proposal filed on June 19, 1998 by SDG&E on behalf of Edison, PG&E, SPURR/REMAC, Itron, Cellnet, and CCUE with the revisions proposed by Farm Bureau which are accepted by the parties to the Joint Proposal.

their usage. The Joint Proposal filed subsequently would provide a framework within which the utilities would implement changes to these markets.

In principle, SPURR/REMAC's original request is straightforward and consistent with our policy to open electric markets which may be competitive. In practice, implementing changes to the structure of utility markets is never a simple or obvious process. PG&E and Edison express logical concerns about unbundling metering for customers who take electric service from the utility. By signing the Joint Proposal, SPURR/REMAC apparently agrees that alternatives may satisfy customer requirements.

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We are not prepared at this time to modify the Joint Proposal to accommodate the concerns of those who oppose it. The record does not permit an exploration of the effects of such modifications, and we are satisfied that the elements of the Joint Proposal are in the public interest, at least during these

O R D E R

IT IS ORDERED that:

1. The petition to modify Decision (D.) 97-05-039 filed by School Project for Utility Rate Reduction and Regional Energy Management Coalition (jointly, SPURR/REMAC) is denied.
2. The Joint Proposal filed by San Diego Gas & Electric Company (SDG&E) on behalf of Southern California Edison Company (Edison), Pacific Gas and Electric Company (PG&E), Itron, Cellnet, School Project for Utility Rate Reduction, and Regional Energy Management Coalition, and Coalition of California Utility Employees on June 19, 1998 is approved with the revisions proposed by Farm Bureau and which the Joint Proposal's proponents have accepted. Therefore, each utility shall offer at least two of the options presented in the Joint Proposal. For option 2, in cases where customer's meter is not compatible with any retrofit technology, the utility's tariffs shall specify that it will work with the customer to facilitate installation of an interval meter.

3. PG&E, Edison, and SDG&E shall, within 30 days of the effective date of this order, file tariffs to implement the Joint Proposal adopted herein.

This order is effective today.

Dated December 3, 1998, at San Francisco, California.

RICHARD A. BILAS
President
P. GREGORY CONLON
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners

I will file dissent.

/s/ JESSIE J. KNIGHT, JR.
Commissioner

We will file a written concurrence.

/s/ RICHARD A. BILAS
Commissioner

/s/ JOSIAH L. NEEPER
Commissioner

Commissioner Jesse J. Knight, Jr., Dissenting:

I dissent from the majority on this order. I would reject both the original petition to modify and the joint proposal sponsored by SPURR/REMAC, the utilities and others. The alternate I sponsored found that there was insufficient detail to consider all of the ramifications of what is proposed in the order of the majority. I would have directed the utilities to file an application for the authority they seek via the joint proposal. Traditionally, when a utility seeks to offer new services to its customers, it does so through an application or advice letter process. This would allow for a full and comprehensive review of the application. The joint proposal as accepted by the majority does not accommodate this type of scrutiny. In addition, ALL other meter related issues have been addressed in the direct access proceeding, not in this ancillary and narrowly focussed venue.

The record in this proceeding is simply not sufficient for us to consider all of the ramifications of allowing the utilities to offer these services. In fact, it is unclear which of the three options proposed each utility will provide. The Commission needs more detailed proposals from each utility before it can evaluate whether the metering options proposed by the Joint Petitioners make sense. The Joint Proposal is neither detailed enough, nor specific enough for the Commission to determine that such offerings by the utility are in the public interest or serve the advancement of competition. If the utilities wish to offer their customers new metering options, like the ones included in the Joint Proposal, they should do so through the normal review process of advice letter or application.

The filing of an application would provide the necessary detail and specifics needed to evaluate the risks and benefits of the services contemplated by the Joint Proposal. Only then could the various policy and practical concerns raised by the Joint Proposal be more effectively addressed. In particular, I believe the Commission would want a more complete investigation of the possible anti-competitive impacts of the Joint Proposal and possible mitigating conditions that might be imposed. For example, unbundling of the metering function of the utilities from the provision of the commodity might make sense as a means of reducing the bottleneck of the utilities. Also, it might serve to limit the ability to leverage the market dominance they have in one market into an advantage in another market, namely the distribution business and the metering business.

In addition, the application should also detail how the utility will assure that metering requests for non-direct access customers are handled in a nondiscriminatory matter, compared to metering requests by direct access customers. Furthermore, the application should address safeguards to assure that new metering services that are offered to some customers are not subsidized by other customers. Not only would such

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I urge my colleagues to move forward to consider the merits of using further unbundling, including unbundling of metering for non-direct access customers as a way of mitigating utility control over the distribution system and the market power that arises under such control.

Dated December 3, 1998 at San Francisco, California.

/s/ Jessie J. Knight, Jr.
 Jessie J. Knight, Jr.
 Commissioner

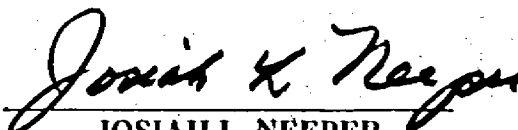
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We support this decision as a timely and reasonable step to provide customers with expanding meter data. This information will assist those customers who seek the information with the ability to better manage their energy usage and their costs. The decision allows utilities to provide three methods for customers to access their data; this provides the flexibility for both utilities and customers to make mutually-acceptable arrangements.

We agree with those parties who would like to see more options for competitive provision of metering services, along with utility provision of these services. We believe increased competition is consistent with our overall policy direction, and is likely to provide more innovation and better services to customers over time.

To that end, we propose that the Assigned Commissioner in this proceeding commence a "Part B", or second phase, to consider how more competition might be introduced in this area. Clearly, there are a number of questions of interconnection, service quality, safety, data exchange and other issues that would have to be addressed before competition can be introduced. But the best way to get there from here is to start now.


RICHARD A. BILAS
President


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Commissioner

San Francisco, California
December 3, 1998