

From: Fitch, Julie A.
Sent: 3/30/2010 5:03:21 PM
To: Cherry, Brian K (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=BKC7); Dietz, Sidney (/O=PG&E/OU=Corporate/cn=Recipients/cn=SBD4); Brown, Carol A. (carol.brown@cpuc.ca.gov)
Cc: Ouborg, Peter (Law) (/O=PG&E/OU=Corporate/cn=Recipients/cn=PXO2); Nwamu, Chonda (Law) (/O=PG&E/OU=Corporate/cn=Recipients/cn=CJN3); Prosper, Terrie D. (terrie.prosper@cpuc.ca.gov)
Bcc:
Subject: RE: CPUC Selects Independent Evaluator for PG&E Smart Meters: CPUC Press Release and FAQ; plus Smart Meter Fact Sheet

My folks just confirmed that what Structure disclosed to us is:

- 1) a member of their team did work for PG&E when he was with a different consulting firm about 5 years ago and
- 2) subcontractor relationship doing ISO metering on hydro facilities for PG&E (which isn't Structure itself and therefore Structure will review and handle all of the presentation of data and analysis).

Structure itself represented to us that they have no current work with PG&E. I hope that is true.

Julie

From: Cherry, Brian K [mailto:BKC7@PGE.COM]
Sent: Tuesday, March 30, 2010 5:00 PM
To: Fitch, Julie A.; Dietz, Sidney; Brown, Carol A.
Cc: Prosper, Terrie D.; Nwamu, Chonda (Law); Ouborg, Peter (Law)
Subject: RE: CPUC Selects Independent Evaluator for PG&E Smart Meters: CPUC Press Release and FAQ; plus Smart Meter Fact Sheet

Let me double check but I think they might.....

Chonda and Peter - can you give us a very brief recap of The Structure Groups involvement with PG&E ?

From: Fitch, Julie A. [mailto:julie.fitch@cpuc.ca.gov]
Sent: Tuesday, March 30, 2010 4:58 PM
To: Cherry, Brian K; Dietz, Sidney; Brown, Carol A.
Cc: Prosper, Terrie D.
Subject: RE: CPUC Selects Independent Evaluator for PG&E Smart Meters: CPUC Press Release and FAQ; plus Smart Meter Fact Sheet

Terrie Prosper is dealing with the same thing. I thought they did not have any CURRENT work with you? I am aware of the subcontractor having a small piece of work, but not structure itself. ?? I think the main thing is to be able to say they are not doing other work for you currently. That was my understanding. If I'm wrong, I'm in a lot of trouble...

Julie

From: Cherry, Brian K [mailto:BKC7@PGE.COM]
Sent: Tuesday, March 30, 2010 4:50 PM
To: Fitch, Julie A.; Dietz, Sidney; Brown, Carol A.
Subject: RE: CPUC Selects Independent Evaluator for PG&E Smart Meters: CPUC Press Release and FAQ; plus Smart Meter Fact Sheet

Julie - we have a small hiccup. We have received media inquiries regarding any affiliation we have with The Structure Group. I hope you know that we have done some work with them and continue to do work with them. We are trying to determine how to respond to the media in a manner that doesn't create a hint of favoritism. I'm assuming they disclosed their relationship with us ? I sure hope so. Any ideas on how we should respond to the media inquiries ?

From: Fitch, Julie A. [mailto:julie.fitch@cpuc.ca.gov]
Sent: Tuesday, March 30, 2010 4:46 PM
To: Cherry, Brian K; Dietz, Sidney
Subject: FW: CPUC Selects Independent Evaluator for PG&E Smart Meters: CPUC Press Release and FAQ; plus Smart Meter Fact Sheet

FYI, we chose and announced the smart meter evaluator. Let me know if you have any questions. Presumably the ED staff team is already working with your folks to get access to the data and info needed for the consultant to do their work...

Julie

From: Prosper, Terrie D.
Sent: Tuesday, March 30, 2010 1:12 PM
To: Fitch, Julie A.; Walsh, Natalie; Kaneshiro, Bruce; Gupta, Alope
Subject: FW: CPUC Selects Independent Evaluator for PG&E Smart Meters: CPUC Press Release and FAQ; plus Smart Meter Fact Sheet

This is out now. THANKS for all your help and I'm sure I'll be in touch later today with questions from reporters!

Terrie

From: Prosper, Terrie D.
Sent: Tuesday, March 30, 2010 1:10 PM
To: Prosper, Terrie D.
Subject: CPUC Selects Independent Evaluator for PG&E Smart Meters: CPUC Press Release and FAQ; plus Smart Meter Fact Sheet

Below are the following three documents:

- 1) Press release on the company chosen to do an independent evaluation of PG&E's Smart Meters
- 2) Frequently Asked Questions about the independent evaluation
- 3) Smart Meter fact sheet

Please let me know if you have any questions.

**FOR IMMEDIATE RELEASE
RELEASE**

PRESS

Contact: Terrie Prosper, 415.703.1366, news@cpuc.ca.gov

CPUC SELECTS INDEPENDENT EVALUATOR FOR PG&E SMART METERS

SAN FRANCISCO, March 30, 2010 – The California Public Utilities Commission (CPUC) today announced it has selected The Structure Group to conduct an independent evaluation of Pacific Gas and Electric Company (PG&E) Smart Meters.

After a solicitation, Structure was chosen from among 15 companies or teams that applied to test and validate meter and billing accuracy of PG&E's Smart Meters in response to concern expressed by consumers and Senators Dean Florez (D-Shafter) and Roy Ashburn (R-Bakersfield) over high energy bills that occurred around the same time PG&E installed Smart Meters in the San Joaquin Valley area.

Smart Meters have been installed throughout California, the U.S., and internationally. In California, the CPUC authorized Southern California Edison to install approximately 5.3 million new Smart Meters, San Diego Gas and Electric Company approximately 1.4 million electric Smart Meters and 900,000 natural gas meters, and PG&E approximately 5 million electric meters and 4.2 million natural gas meters. As these Smart Meters have been rolled out, the CPUC has received just over 600 complaints, almost all from PG&E's service area.

“I share the concerns expressed by consumers and members of the Legislature that this independent evaluation get underway, so I am pleased to announce our progress today and our emergence from the red tape of state contracting processes,” said CPUC President Michael R. Peevey. “Structure is a leading expert on Smart Meters and downstream billing processes and their personnel will have wide access to PG&E's systems to conduct their investigation.”

The CPUC used several criteria in evaluating the companies that participated in its solicitation, including knowledge and experience with Smart Metering technologies, the ability to formulate lines of inquiry, experience with designing solutions and investigation methods, and the ability to function as a prime contractor to oversee this project. The CPUC said it selected Structure because it demonstrated excellent skills and experience across several categories.

The contract value is approximately \$1.4 million and is structured to provide flexibility in adapting the scope of work, if necessary, to accommodate intermediate findings of the investigation. The CPUC is directly managing and funding the contract and has ordered PG&E to reimburse the CPUC for the expense of the contract.

Working under the supervision of the CPUC, the evaluation process will address the following areas:

- Whether PG&E's Smart Meter system is measuring and billing electric usage accurately, both now and since meter deployment began.
- Independent analysis of the high bill customer complaints. This analysis will leverage industry accepted practices for estimating customer consumption, as well as account for changes in PG&E tariff rates. This will likely require interviewing a sample of customers whose usage patterns are not easily explained using conventional analyses such as comparing usage to weather data.
- Analysis of PG&E's Smart Meter Program's past and current operational and deployment processes, policies, and procedures, against the framework of industry best practices.

The investigation will begin by focusing first on complaints from the San Joaquin Valley area, but will also evaluate the overall Smart Meter system, including sample testing of Smart Meters from other parts of PG&E's service territory. Structure will provide CPUC staff with weekly updates and interim preliminary reports that summarize the results of their evaluation at that time. The investigation is expected to be completed within four months although the timeframe may be shortened or lengthened depending on what Structure uncovers in the initial stages of the project.

Smart Meters represent an integral part of the state's "demand response" efforts. Demand response programs allow consumers and businesses to reduce the use of their electricity during times of high energy demand. Smart Meters enable the utility to provide customers with more

detailed information about their energy usage at different times of day, which in turn enables those customers to manage their energy use more proactively. Smart Meters are only a small part of an overall package of information and technologies that can be used to help consumers manage their energy use and reduce their bills; other technologies such as programmable and/or communicating thermostats, can work in conjunction with Smart Meters to help consumers control their energy use more automatically.

The Structure Group is a leading provider of consulting services and business solutions to utilities and energy market participants. Structure has assisted more than 120 utilities and energy companies on business transformation projects. Structure offers comprehensive consulting services and deep energy industry expertise through six consulting practices: Smart Grid, Competitive Market Solutions, Energy Trading and Risk Management, Energy Management and Control Systems, Utility Enterprise Asset Management, and Regulatory Compliance. For more information on The Structure Group, please visit www.thestructuregroup.com or contact Phyllis Goodson at Phyllis.goodson@thestructuregroup.com or 910-616-9160.

For more information on the CPUC, please visit www.cpuc.ca.gov.

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Independent Evaluation of PG&E Smart Meters Frequently Asked Questions

1. What company will conduct the independent evaluation of Pacific Gas and Electric Company's (PG&E) Smart Meters?

The CPUC has selected The Structure Group (www.thestructuregroup.com) to conduct the evaluation.

2. Why was Structure selected and what is the company's background and

qualifications?

The Structure Group is a leading provider of consulting services and business solutions to utilities and energy market participants. Structure has assisted more than 120 utilities and energy companies on business transformation projects. Structure offers comprehensive consulting services and deep energy industry expertise through six consulting practices: Smart Grid, Competitive Market Solutions, Energy Trading and Risk Management, Energy Management and Control Systems, Utility Enterprise Asset Management, and Regulatory Compliance.

CPUC staff used several criteria in evaluating the companies that participated in its solicitation for the contract. Those criteria included knowledge and experience with Smart Metering technologies, the ability to formulate lines of inquiry, experience with designing solutions and investigation methods, and the ability to function as a prime contractor to oversee this project.

3. How many companies submitted bids?

There were 15 applications in response to our request for a consultant, including Structure's.

4. What is the cost of the contract and who will pay?

The contract value is approximately \$1.4 million and is structured to provide flexibility in adapting the scope of work, if necessary, to accommodate intermediate findings of the investigation by the consultant. CPUC is directly managing and funding the contract and it has ordered PG&E to reimburse the CPUC for the expense of the contract.

5. What is the scope of the independent evaluation?

Working under CPUC supervision, Structure will have access to PG&E's data and systems to conduct the Smart Meter evaluation, which will address the following areas:

- Whether PG&E's Smart Meter system is measuring and billing electric usage accurately, both now and since meter deployment began.
- Independent analysis of the high bill customer complaints. This analysis will leverage industry-accepted practices for estimating customer consumption, as well as account for changes in PG&E tariff rates. This will likely require interviewing a sample of customers whose usage patterns are not easily explained using conventional analyses such as comparing usage to weather data.

- Analysis of PG&E's Smart Meter Program's past and current operational and deployment processes, policies, and procedures, against the framework of industry best practices.

6. Will the independent investigation look at only the San Joaquin Valley areas or all of the PG&E service territory where Smart Meters have been installed; what is the timeframe?

The investigation will begin by focusing first on complaints from the San Joaquin Valley area, but will also evaluate the overall Smart Meter system, including sample testing of Smart Meters from other parts of PG&E's service territory. Structure will provide CPUC staff with weekly updates and interim preliminary reports that summarize the results of their evaluation at that time. The investigation is expected to be completed within four months although the timeframe may be shortened or lengthened depending on what Structure uncovers in the initial stages of the project.

7. What are the next steps after the contract is signed?

Working under the supervision of the CPUC, Structure will begin its investigation. At the conclusion of the investigation, Structure will file a report summarizing the findings. In addition, status reports will be delivered to the CPUC periodically, summarizing the progress and next steps.

8. Initially the CPUC indicated it would make a selection at the beginning of 2010. What was the process?

Being a state agency, the CPUC must adhere to certain government contracting requirements, some of which do not bend no matter how urgent the need may be. Specifically, we were required to conduct a solicitation, review all materials presented by all 15 bidders, select a short list of at least five companies or teams to interview, conduct those interviews with a panel of four staff members, and ultimately evaluate the presentations and cost proposals of each of the companies. At each step, we were required to document and justify our evaluation, according to a set of standardized rating criteria that had to be developed specifically for this project. We moved as quickly as possible during all these phases because we recognized the urgent need to begin this investigation, but we also felt it was very important not to shortcut the process, due to the importance of this investigation to the CPUC and to consumers. This evaluation will be a large endeavor for CPUC staff, and the cost of the project is not within the CPUC's current budget. Thus we were also required to take steps to request additional budget authority for this purpose even though the actual costs of the project will be paid for through reimbursement to the CPUC from PG&E.

9. Why wasn't a moratorium called on the installation of Smart Meters?

It is premature to put a moratorium on Smart Meter installations before we have the results of the independent investigation. There are millions of Smart Meters installed and operating around the globe with no complaints. In addition, a moratorium would involve costs to consumers for ramping down installation and re-starting at a later date that we cannot determine are warranted at this time.

10. During the Smart Meter investigation PG&E customers may continue to receive bills they believe are incorrect. What should they do?

If consumers have billing concerns that they have not been able to work out with PG&E, they can call the CPUC's Consumer Affairs Branch at 1-800-649-7570.

11. When did you first call for an independent investigation?

Beginning the summer of 2009, there was a high degree of concern expressed by consumers and some members of the State Legislature over high electricity bills that occurred in the San Joaquin Valley area around same time that PG&E installed Smart Meters there. In response, on November 20, 2009, the CPUC voted to approve expedited contracting authority in order to obtain an independent third-party expert to evaluate those Smart Meters and PG&E's deployment of them. On December 7, 2009, the CPUC issued an open solicitation seeking companies qualified to conduct the evaluation.

12. Why did the CPUC approve Smart Meters for the state's utilities?

Smart Meters represent an integral part of the state's "demand response" efforts. Demand response programs allow consumers and businesses to reduce the use of their electricity during times of high energy demand. Smart Meters enable a utility to provide customers with more detailed information about their energy usage at different times of day, which in turn enables those customers to manage their energy use more proactively. Smart Meters are only a small part of an overall package of information and technologies that can be used to help consumers manage their energy use and reduce their bills; other technologies such as programmable and/or communicating thermostats, can work in conjunction with Smart Meters to help consumers control their energy use more automatically. Smart Meters benefits include:

- Allows for faster outage detection and restoration of service by a utility.
- Provides customers with greater control over their electricity use when coupled with time-based rates.
- Allows customers to make informed decisions by providing highly detailed information about electricity usage and costs.
- Helps the environment by reducing the need to build power plants, or avoiding the use of older, less efficient power plants as customers lower their electric demand.
- Increases privacy because electricity usage information can be relayed automatically to the utility for billing purposes without on-site visits by a utility to check the meter.
- Smart Meters are the first step toward creating a Smart Grid in California.

For more information on the benefits of Smart Meters, please visit www.cpuc.ca.gov/PUC/energy/Demand+Response/benefits.htm.

13. Have other utilities deployed Smart Meters and have there been complaints?

Smart Meters have been installed throughout California, the U.S., and internationally. According to the Edison Foundation, more than 8 million Smart Meters have been deployed by electric utilities in the U.S. and nearly 60 million should be in place by 2020. Smart Meters represent the biggest portion of Department of Energy Smart Grid stimulus funding. In California, the CPUC has authorized Southern California Edison to install approximately 5.3 million new Smart Meters, San Diego Gas and Electric Company (SDG&E) 1.4 million electric Smart Meters and 900,000 natural gas meters, and PG&E approximately 5 million electric meters and 4.2 million natural gas meters. As these Smart Meters have been rolled out, the CPUC has received approximately 600 complaints in PG&E's service area since January 2009, approximately 10 complaints in Edison's service area, and 15 in SDG&E's service area.

14. Have residential rates recently increased in PG&E's service area?

Average residential PG&E rates increased by 12.7 percent since May 2008. However, because the rates for lower levels of consumption (tier 1 and tier 2) are capped, a 7.66 percent residential rate increase has resulted in much larger increases in tiers 3, 4, and 5. Rates for tiers 3, 4, and 5 increased by 15 percent, 21 percent, and 23 percent respectively, while there was no increase at all in tier 1 and 2 rates.

15. Can the CPUC raise the baseline in Bakersfield?

Baseline quantities are based on state law. In carrying out the requirements of this law, the CPUC determines baseline allowances for each climate zone based on 60 percent of average residential usage for combined gas and electric households, and 70 percent of average residential consumption for households with permanent electric heating. In PG&E's service territory, the CPUC has set the baseline amounts at the largest levels allowed by the law. This was done so that as much "essential" usage as possible would pay the lowest rates possible. Therefore, in order to increase the baseline quantity, a legislative solution would be necessary. However, it must also be noted that an increase in the baseline amount will result in an even larger amount of consumption paying an artificially low rates for tiers 1 and 2 and further exacerbating the rate increases in upper tiers.

The Benefits of Smart Meters

The California Public Utilities Commission (CPUC) has authorized the state's investor owned utilities to replace conventional customer meters with Smart Meters in order to give consumers greater control over their energy use. Smart Meters enable a utility to provide customers with detailed information about their energy usage at different times of the day, which in turn enables customers to manage their energy use more proactively.

Smart Meters are being rolled out nationwide and internationally. **According to the Edison Foundation, more than 8 million Smart Meters have been deployed by electric utilities in the U.S. and nearly 60 million should be in place by 2020.** In California, the CPUC authorized Southern California Edison to install approximately 5.3 million new Smart Meters, San Diego Gas and Electric Company (SDG&E) 1.4 million electric Smart Meters and 900,000 natural gas meters, and Pacific Gas and Electric Company (PG&E) approximately 5 million electric meters and 4.2 million natural gas meters.

The benefits of Smart Meters to customers, the state, and utilities, include:

- **Allows for faster outage detection and restoration of service** by a utility when an outage occurs and therefore, less disruption to a customer's home or business.

- **Provides customers with greater control over their electricity use when coupled with time-based rates**, increasing the range of different pricing plans available to customers and giving them more choice in managing their electricity consumption and bills.

- Smart Meters enable a utility to measure a customer's electricity usage in hourly increments.

- If a customer elects to participate in time-based rates offered by the utility, they have the opportunity to lower their electricity demand during "peak" periods (the peak period for most utilities are summer afternoons) and potentially save money on their monthly electric bill.

- **Allows customers to make informed decisions by providing highly detailed information** about electricity usage and costs. Armed with a better understanding of their energy use, consumers can make informed decisions on how to optimize their electricity consumption and reduce their bills.

- Customers with Smart Meters today can access their prior day's electricity usage through their utility's website.

- In the near future, by installing an in-home display device that communicates wirelessly with a Smart Meter, a customer could monitor their electricity usage and costs in real-time (similar to the price and quantity displays on a gas pump), allowing them to adjust their usage instantaneously in response to changes in prices or system reliability events, for example by delaying the use of a high-energy appliance or shutting it off. This could be done manually or automatically by pre-programming the device or appliance.

- In the near future, it may be possible for a customer to receive automatic alerts (via emails or text messages) to notify them of when the electricity consumption exceeds a pre-determined threshold.

- **Helps the environment by reducing the need to build power plants, or avoiding the use of older, less efficient power plants as customers lower their electric demand.**

- This is beneficial for all utility customers because the costs of building new power plants or relying on older, less-efficient power plants are eventually passed on to customers in retail rates. Building power plants that are necessary only for occasional peak demand is very expensive. A more economical approach is to enable customers to reduce their demand through time-based rates or other incentive programs.

- When the utilities avoid the use of "peaker" plants to meet high demand, the environment benefits because peaker plants typically have higher greenhouse gas and other air emissions.

- **Increases privacy because electricity usage information can be relayed automatically to the utility for billing purposes without on-site visits by a utility** to check the meter. This also results in lower operational costs for the utility, which means savings for customers as utility rates reflect the utility's cost to operate. In addition, as technology improves and changes over time, customers can receive the benefit of those changes without the utility having to replace the meter itself.
- **Smart Meters are the first step toward creating a Smart Grid in California.** With a Smart Grid, digital technologies are applied to every aspect of the industry, from generation, to transmission, to distribution, to the customer interface. This will help the grid sense what is happening to the energy flow, keep it in balance, and improve reliability and make the grid more resilient in the face of outages and other problems.

Utility Smart Meters and Rates

Pacific Gas and Electric Company – Time-based rates are available to PG&E's residential, agricultural, and commercial and industrial customers with a Smart Meter.

On February 25, 2010, the CPUC adopted new rate structures for commercial, industrial, and agricultural customers of PG&E as part of an effort to implement dynamic electricity prices for all California consumers. These rates are designed to reflect the cost of electricity production during periods of high demand. When combined with PG&E's Smart Meters, these rates will provide an opportunity for customers to lower their bills while improving system reliability and reducing greenhouse gas emissions.

Beginning on May 1, 2010, large commercial and industrial customers will be placed on new **Peak Day Pricing** rates. Customers on these rates will pay different prices for electricity depending on the time of day. On the few hottest days of the year, prices for electricity used between 2 p.m. and 6 p.m. will increase further. However, PG&E will notify customers about these peak days one day in advance, so customers can plan accordingly. Beginning on November 1, 2011, medium and small commercial and industrial customers will begin moving to new Peak Day Pricing rates.

Residential customers may elect to enroll in PG&E's **Smart Rate** program, which is designed to encourage customers to reduce their electricity usage at during peak periods. Participants in Smart Rate may also elect a bill protection option for the first full summer of participation.

Residential and small business customers can also enroll in PG&E's **Smart AC program**, where they can reduce or shift their air conditioning in response to signals from the utility. In the near future, residential customers will have the option of enrolling in a Peak Time Rebate program, where they can receive a rebate for reducing their electricity consumption in response to demand response signals from the utility.

Read our Feb. 25, 2010 pres release approved Peak Day Pricing at

http://docs.cpuc.ca.gov/PUBLISHED/NEWS_RELEASE/114096.htm.

Read our 2006 press release on PG&E's Smart Meters at http://docs.cpuc.ca.gov/PUBLISHED/NEWS_RELEASE/58233.htm.

Southern California Edison – Edison customers with Smart Connect meters will be able to participate in time-based rates.

Edison will specifically implement a new Critical Peak Pricing (CPP) program for its large commercial and industrial customers starting in 2010 and is expected to expand CPP to medium commercial customers and agricultural customers by 2012. Additionally Edison will implement a voluntary real-time pricing rate (for all customers) by 2012 as well.

Finally, residential customers (with Smart Connect meters) in Edison's territory will also be able to participate in a Peak Time Rebate program. This program is anticipated to begin in late 2010. Alternatively residential customers in Edison's territory (with Smart Connect meters) will be able to voluntarily enroll in CPP by 2012.

Read our 2008 press release on Edison's Smart Meters at http://docs.cpuc.ca.gov/PUBLISHED/NEWS_RELEASE/91025.htm.

San Diego Gas and Electric Company - SDG&E implemented Critical Peak Pricing for large and medium size commercial and industrial customers in 2008.

For residential customers with Smart Meters, SDG&E will offer a Peak Time Rebate program by 2011.

Read our 2007 press release on SDG&E's Smart Meters at http://docs.cpuc.ca.gov/PUBLISHED/NEWS_RELEASE/66620.htm.

Terrie Prosper
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Follow the CPUC on Twitter! <http://twitter.com/californiapuc>