

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric
Company (U 39 E) for Authority to Increase
Revenue Requirements to Recover the Costs
to Upgrade its SmartMeter™ Program

Application No. 07-12-009
(Filed December 11, 2007)

**RESPONSE OF THE UTILITY REFORM NETWORK IN SUPPORT OF THE CCSF
PETITION TO MODIFY D.09-03-026 TO TEMPORARILY SUSPEND
SMART METER INSTALLATION**

June 28, 2010

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Pursuant to Rule 16.4(f), the Utility Reform Network (“TURN”) submits this response to “The City and County of San Francisco’s Petition to Modify Decision 09-03-026 to Temporarily Suspend Pacific Gas and Electric Company’s Installation of Smartmeters” (“CCSF Petition” or “the Petition to Modify”), filed on June 17, 2010 in this proceeding.

TURN strongly supports the CCSF request to temporarily suspend the installation of smart meters until the Commission concludes the investigation presently being conducted by The Structure Group.

The City and County of San Francisco contends that the number and nature of the problems disclosed by PG&E in the report submitted to the CPUC on May 10, 2010, in combination with the hundreds of complaints and media reports concerning alleged smart meter billing problems, provide sufficient evidence to “call into question the accuracy of significant numbers of bills.” (CCSF Petition, p. 9) CCSF alleges that “the accuracy of electric bills is a fundamental responsibility of PG&E” and that the significant potential of erroneous customer bills violates the statutory requirement for just and reasonable charges.

TURN agrees with the City and County of San Francisco that the potential for customer harm warrants a temporary deployment moratorium. While in theory tariff rules protect customers against erroneous bills, TURN agrees with the City and County of San Francisco that “individual customers should not bear the burden of first determining whether or not the bills are disproportionate, and then proving that fact to PG&E.”

(CCSF Petition, p. 11) In practice, the potential harms of continuing meter deployment likely outweigh the possible costs of a short term moratorium.

The Commission has pre-authorized revenue requirements associated with the smart meter deployment. (For example, D.09-03-026, Ordering Paragraphs 2, 3 and 4). Ratepayers are thus already paying for this capital investment, even if any subsequent investigation shows that the system is not really “used and useful.” Paying for a metering and billing system that may prove to have systemic technical deficiencies would constitute an unjust charge.

Temporarily halting smart meter deployment makes sense from an economic and public policy perspective. Economically, it is better to minimize the number of installations if there is any chance that the investigation will result in a recommendation to modify any of the metering or communications equipment being installed. Ratepayers already had to pay extra for the installation of PG&E’s first metering choice, as documented in the CCSF Petition at 3-4. There is no need to repeat this mistake.

From a public policy perspective, TURN agrees with the City and County that a moratorium until the results of the investigation are public would minimize “customer confusion and uncertainty.” The smart meters are intended to provide both operational and demand response benefits. The demand response benefits depend on the potential for customers to alter their energy consumption behavior based on information provided by the meters and based on alternative pricing strategies made possible by the meters. Customer distrust or misapprehension of the meters could impair both the use of meter output and the participation in voluntary dynamic pricing tariffs. Mistrust will reduce reliance on data or prices that depend on the meters. Greater trust in the meter data will likely facilitate customer use of the data. A short moratorium on installations is a justified trade-off to ensure greater customer acceptance in the future.

TURN expects that any potential costs due to a temporary moratorium are outweighed by the risk of continuing installations prior to the results of the investigation. Since less than 20% of the meters installed through March 2010 were activated,¹ PG&E should be able to continue delivering ratepayer benefits by working to activate already installed meters.² Any potential contract penalties should be covered by shareholders or absorbed in the contingency.

The Commission should act expeditiously by adopting a moratorium on PG&E's smart meter installations at its next regular business meeting on July 8, 2010.

June 28, 2010

Respectfully submitted,

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¹ PG&E SmartMeter Report, April 28, 2010, p. 12. While the report does not provide a cumulative to date figure for the entire deployment, the January 2010 Report shows that approximately 65% of the meters installed in 2009 were activated through December 2009.

² Under the cost recovery mechanism adopted by the Commission in D.06-07-027, PG&E credits the Smart Meter balancing accounts an amount per meter activated to ensure ratepayers benefit from reduced operational expenses.