

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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

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

**RESPONSE OF THE DIVISION OF RATEPAYER ADVOCATES
TO THE CITY AND COUNTY OF SAN FRANCISCO'S PETITION
TO MODIFY DECISION 09-03-026 TO TEMPORARILY SUSPEND
PG&E'S INSTALLATION OF SMARTMETERS¹**

On June 17, 2010, the City and County of San Francisco ("City") submitted a petition to modify Decision 09-03-026, in which the Commission granted the application of Pacific Gas and Electric Company ("PG&E") to modify its previously approved SmartMeter Program and to recover associated costs. The City requests an immediate temporary suspension of PG&E's installation of SmartMeters until the Commission concludes its investigation into the apparent problems created by PG&E's deployment of its SmartMeters.

A temporary suspension of deployment pending the Commission's investigation would have cost consequences, but there are potential cost consequences to not suspending deployment, too. The magnitude of those potential costs will depend in great part upon what actions are taken based on the findings of the investigation. In considering the City's motion, the Commission's objective should be to keep added costs to a minimum.

¹ Submitted pursuant to Rule 16.4(f) of the Commission's Rules of Practice and Procedure.

PG&E has information necessary to determine whether it makes economic sense to suspend deployment pending the outcome of the investigation. Accordingly, it would be reasonable for the Commission to direct PG&E to determine, based on currently available information, whether the requested suspension would be prudent, in terms of costs. If PG&E advises that the more prudent course is not to suspend deployment and the Commission decides to deny the request for suspension, the Commission should further advise PG&E that PG&E should be prepared to explain, at the appropriate time, why it determined it was more prudent to continue deployment pending the outcome of the Commission's investigation.

The Commission previously decided that for PG&E's SmartMeter deployment, any cost overruns beyond a threshold of \$100 million will be subject to reasonableness review. (Decision 06-07-027, Conclusion of Law No.5.) Problems with PG&E's SmartMeter deployment have added to its costs, and the \$100 million threshold may be reached. The Commission should remind PG&E that any request to recover from ratepayers costs over the threshold amount will be subject to reasonableness review, and that the Commission may review at a later date whether costs incurred pending the investigation were reasonably incurred.

City, in its petition, notes many problems associated with PG&E's SmartMeters. For example, it states that PG&E admitted to the following problems:²

- PG&E had to replace nearly 45,000 meters — 23,200 that were installed incorrectly, 12,376 that had data storage issues, and 9,000 that had wireless transmission problems.
- Less than 100% of its SmartMeters are accurate. This means that tens of thousands of PG&E customers are receiving inaccurate bills.
- Approximately 4% (13,674) of the Aclara SmartMeters installed by PG&E are expected to have “poor read performance.”

² The City's Petition at 5-6, footnote omitted.

- Based on “issues related to Aclara electric meter performance,” PG&E had to “contain” its deployment of Aclara meters at 145,000.
- Deployment delays were caused by Silver Spring Networks’ inability to provide a consistent supply of SmartMeters.
- There were “[p]roduction performance problems” with Silver Spring Networks SmartMeters related to “[a]bility to read” the meters.
- PG&E skipped approximately 12,000 meter installations between March 31 and May 20, 2009 based on interference with ground field interrupters (“GFI”). In buildings where a GFI is placed next to a Silver Spring Networks meter panel, PG&E determined that the SmartMeters could trip the GFI.
- Silver Spring Networks found a problem with a component that could cause its meters to stop working. PG&E placed a “hold” on installing 340,000 meters that could be affected by this problem. As of March 2010, only 50,000 meters were removed from “hold” status.
- PG&E returned 117,000 meters to another of its device manufacturers after the manufacturer found that some of the meters weren’t storing or sending data properly.

DRA acknowledges the potential seriousness of these problems, and shares the City’s concern that similar problems may continue to arise as the Smart Meter deployment continues.³ But, as stated above, the cost of rectifying these problems must be balanced against the cost of suspending a massive deployment. At this time, only PG&E has all the information necessary to make that decision. And only PG&E can determine whether the nature of the problems is such that they can be addressed more cost-effectively by suspending deployment or by rectifying those difficulties as the deployment proceeds.

Again, if PG&E does incur cost overruns exceeding \$100 million, and faces a Commission reasonableness review of those overruns, PG&E should be required to

³ DRA has called for a suspension of remote disconnections of customers with SmartMeters until questions about the accuracy and reliability of the SmartMeter system have been resolved. See Opening Comments of DRA on Rulemaking To Address Electric and Natural Gas Service Disconnections filed on March 12, 2010 5n R. 10-02-005.

demonstrate that it considered seriously the option of suspending the deployment, and why it chose the action it took. DRA believes that holding PG&E fully accountable for whatever decision it reaches in this regard is the best way to protect ratepayers.

Respectfully submitted,

/s/ KAREN PAULL

KAREN PAULL

Attorney for the
Division of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone No.: (415) 703-2630
Fax: (415) 703-4432
E-mail: kpp@cpuc.ca.gov

July 19, 2010

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**RESPONSE OF DIVISION OF RATEPAYER ADVOCATES TO THE CITY AND COUNTY OF SAN FRANCISCO’S PETITION TO MODIFY DECISION 09-03-026 TO TEMPORARILY SUSPEND PG&E’S INSTALLATION OF SMARTMETERS**” to the official service list in **A.07-12-009** by using the following service:

E-Mail Service: sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

U.S. Mail Service: mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on **July 19, 2010** at San Francisco, California.

/s/ HALINA MARCINKOWSKI

Halina Marcinkowski

Service List

A. 07-12-009

william.sanders@sfgov.org
pfa@cpuc.ca.gov
nsuetake@turn.org
jmr@pge.com
bkc7@pge.com
dbyers@landuselaw.com
mrw@mrwassoc.com
julien.dumoulin-smith@ubs.com
zango@zimmerlucas.com
rmason@rwbaird.com
wharrison@rwbaird.com
RPrince@SempraUtilities.com
case.admin@sce.com
janet.combs@sce.com
CManson@SempraUtilities.com
ericd@silverspringnet.com

ctd@cpuc.ca.gov
theresa.mueller@sfgov.org
srovetti@sfgwater.org
tburke@sfgwater.org
bfinkelstein@turn.org
[cjin3@pge.com](mailto:cjn3@pge.com)
cjw5@pge.com
DNG6@pge.com
KAF4@pge.com

LDRi@pge.com
rrh3@pge.com
BKallo@rwbaird.com
cem@newsdata.com
saw0@pge.com
regrelcpuccases@pge.com
ehw2@pge.com
SWF5@pge.com
chris@emeter.com
service@spurr.org
rschmidt@bartlewells.com
pforkin@daystartech.com
jeff.francetic@landisgyr.com
sandi@emfsafetynetwork.org
rogerl47@aol.com
bschuman@pacific-crest.com
ag2@cpuc.ca.gov
agc@cpuc.ca.gov
bsk@cpuc.ca.gov
cjb@cpuc.ca.gov
joc@cpuc.ca.gov
kkm@cpuc.ca.gov
mjd@cpuc.ca.gov

rhd@cpuc.ca.gov
wtr@cpuc.ca.gov
scl@cpuc.ca.gov
tcr@cpuc.ca.gov
tjs@cpuc.ca.gov