



**Pacific Gas and
Electric Company™**

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July 19, 2010

VIA HAND DELIVERY

ALJ Timothy J. Sullivan
California Public Utilities Commission
505 Van Ness Ave., Room 2106
San Francisco, CA 94105

Re: Application of the Pacific Gas and Electric Company for Authority to
Increase Revenue Requirements to Recover the Costs to Upgrade its
SmartMeter™ Program (U39E), A.07-12-009

Dear ALJ Sullivan:

Enclosed is a copy of the **Pacific Gas and Electric Company's Opposition 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™**, which was e-filed with the docket office in the above-referenced proceeding.

In addition, this document was electronically served on all parties on the official service list who provided an email address and by U.S. mail for those parties without an email address.

Sincerely,

/s/

Peter Ouborg

PO/pak

cc: Michael R. Peevey, President
Official Service List for A.07-12-009

SB_GT&S_0456132

**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

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

**PACIFIC GAS AND ELECTRIC COMPANY'S
OPPOSITION 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™**

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Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: July 19, 2010

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

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Pursuant to Rule 16.4(f) of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) files this opposition to the City and County of San Francisco's (CCSF) proposed moratorium on PG&E's SmartMeter™ deployment. As discussed below, the Commission should deny CCSF's Petition and determine any next steps regarding PG&E's SmartMeter™ Program in the context of its own on-going independent investigation of the program.

**I. A MORATORIUM IS UNWARRANTED GIVEN THE COMMISSION'S ONGOING
INDEPENDENT INVESTIGATION OF PG&E'S SMARTMETER™ PROGRAM, WHICH
THE COMMISSION HAS ANNOUNCED WILL BE COMPLETE WITHIN 60 DAYS**

CCSF's criticisms of PG&E's SmartMeter™ rollout are the very same issues that the Commission is actively investigating for itself. The Commission has retained The Structure Group (Structure) to perform an independent end-to-end investigation of PG&E's SmartMeter™ program, and Structure is expected to complete its work and provide a detailed report of its findings within the next 60 days. The Commission repeatedly has stated, and PG&E agrees, that there is no basis to consider a moratorium while Structure is completing its investigation and before all the facts are in. As Commission President Michael Peevey told the San Jose Mercury News in an interview it published on July 10, 2010, "the independent investigation will be done

within 60 days ... [so] it doesn't make a lot of sense to me to halt [PG&E's SmartMeter™ deployment].”^{1/}

Similarly, in a June 1, 2010 letter to State Senator Dean Florez, President Peevey emphasized, “We believe that the appropriate approach at this time is to at least wait for preliminary results from the Structure Group’s assessment so that we can focus on addressing any issues uncovered.”^{2/} President Peevey pointed out that the Structure evaluation “will provide us with data and recommendations that will help the Commission recognize trends” and provide guidance on possible future Commission actions.^{3/} Finally, he stressed that “waiting for the results of [Structure’s] assessment is the prudent course of action at this time.”^{4/}

In testimony to the Senate Select Committee on Smart Grid, Commission Executive Director Paul Clanon similarly stated that a deployment moratorium is unwarranted. Mr. Clanon explained that “it’s expensive to pause a technology rollout, and it would ultimately probably add a lot of expense and a lot of confusion. It’s what you would do if you had identified a problem that needed to be fixed in the hardware [or] in something else that you’re rolling out now, and I just don’t think we’re there yet.”^{5/} Mr. Clanon underscored the importance of waiting for the investigation to finish before taking action, stating that “when we get the results of this investigation [and] when we find out what if any problems there are, we’re going to take the right steps to fix them.”^{6/}

CCSF itself has recognized that Structure’s investigation will enable the Commission “to make a reasoned decision concerning the cause of the deployment problems and to determine

1/ Dana Hull, *Mercury News Interview: Michael R. Peevey, President, California Public Utilities Commission*, SAN JOSE MERCURY NEWS, July 10, 2010. The full question and answer is as follows:
Q An independent investigation into the accuracy of the SmartMeters is expected to be completed in September, and San Francisco City Attorney Dennis Herrera has asked the PUC to stop PG&E from installing any more meters until the investigation is complete. That issue is now before an administrative law judge — any idea how he or she will rule?
A Proceedings before an ALJ can take months; the independent investigation will be done within 60 days. But it doesn't make a lot of sense to me to halt it. More than 6 million meters have been installed, and 99 percent of them have had no problems. The 1 percent problems that have come up are largely because of human error on the installation side more than any kind of technical glitch. The whole world is doing this.

2/ Letter from Commission President Michael Peevey to State Senator Dean Florez (June 1, 2010), at 3.
3/ *Id.* at p. 2.
4/ *Id.* at p. 3.
5/ Senate Select Committee on Smart Grid, Transcript of April 26, 2010 Hearing at 90:23-91:3.
6/ *Id.* at 111:19-21.

whether further Commission action is necessary.”^{7/} In view of this, CCSF’s call for a moratorium on PG&E’s SmartMeter™ program is simply not appropriate at this time.

II. A MORATORIUM IS UNNECESSARY, AS PG&E’S SMARTMETER™ TECHNOLOGY IS FUNCTIONING AS DESIGNED

PG&E welcomes the Commission’s independent investigation and is cooperating fully with Structure. Nevertheless, without prejudging the results of that investigation, PG&E states for the record that it disagrees with CCSF’s unsupported allegations that PG&E’s SmartMeter™ technology is flawed or that the deployment has not been well-handled. To the contrary, based on all the available evidence, PG&E’s SmartMeter™ technology is accurate and reliable, already is helping customers to better manage their power usage, and is a considerable improvement over PG&E’s legacy metering technology.

PG&E posts its program performance metrics weekly on its website.^{8/} These metrics show that SmartMeter™ technology has increased bill accuracy and led to reductions in delayed and estimated bills. In addition, SmartMeter™ customers are benefiting from access to detailed energy usage data and the availability of new programs, such as SmartRate™ through which 70 percent of enrolled customers have saved on their energy bills. While PG&E previously identified roughly 43,000 SmartMeter™ devices having issues related to wireless transmission, data storage and/or installation, the Company has made significant progress in resolving these problems.

In short, despite lingering public skepticism about this new technology, the data that PG&E has compiled as recently as July 13, summarized in the table below,^{9/} unequivocally demonstrates that SmartMeter™ technology is in fact the significant advancement that this Commission expected when it authorized PG&E and other California utilities to transition away from legacy meters.

7/ Petition at 2.

8/ <http://www.pge.com/myhome/customerservice/smartmeter/programdata/>

9/ 7/13/10 Weekly Program Update on PG&E’s website (see note 8 *supra* for link).

METRIC	NON-SMARTMETER™	SMARTMETER™
<i>Accuracy</i>	320 meters inaccurate out of 28,033 tested	10 meters inaccurate out of 17,340 tested
<i>Estimated Bills</i>	1.01% estimated (out of 4,990,425 bills produced in past month)	0.08% estimated (out of 3,984,346 bills produced in past month)
<i>Delayed bills</i>	99.70 % bills timely	99.88% bills timely

None of this should come as a surprise to CCSF, which itself is transitioning to smart meters for its water system. Smart meters simply work better than previous-generation legacy equipment.

CCSF also claims that PG&E’s Steering Committee reports^{10/} reveal significant unresolved project deployment problems.^{11/} In fact, the reports prove just the opposite: PG&E has prudently and proactively managed the project, identifying actual and even potential risks, and resolving the majority of these issues before they ever affected customers. Contrary to CCSF’s incomplete and selective quotation from the reports, later reports demonstrate that PG&E has resolved or substantially mitigated all of the so-called issues that CCSF has raised.^{12/}

PG&E submits that before the Commission could meaningfully evaluate a request as significant as halting a previously-approved \$2 billion program, which could have enormous policy and cost ramifications, a level of due process beyond a mere exchange of pleadings is required. There is currently an inadequate factual record for Commission action. When the Structure investigation is complete, and the parties have had the opportunity to fully respond to Structure’s report, the Commission can then evaluate if it has a sufficient record to consider the next steps, if any, that it should take.

10/ In the original AMI proceeding, the Commission recognized the challenges that PG&E would face in deploying a complex program like SmartMeter™, and thus required PG&E to provide monthly status reports to the Energy Division and DRA so that they could monitor PG&E’s progress. D. 06-07-027 at 18. PG&E has provided these monthly status reports to the Commission and its staff on a confidential basis for four years. Furthermore, PG&E recently has made these reports public, posting them on its website for critics and supporters alike to review the program’s history. These reports have provided unprecedented transparency into the internal project management and performance of PG&E’s SmartMeter™ program, offering an unobstructed view of PG&E’s performance at all levels – supply chain, vendor contracting, software performance, meter accuracy, estimated bills, and more.

11/ Petition at pp. 5 and 6.

12/ For example: (1) Regarding issues with Aclara electric meters (Petition at p. 5), PG&E decided in 2009 to replace those meters (Steering Committee Update, June 19, 2009 at p. 9); (2) The initial supply and production issues with Silver Spring Networks in early 2009 (Petition at p. 5) had no impact on billing accuracy and no lasting effect on the deployment schedule in 2009 (Steering Committee Update, Dec. 18, 2009 at p. 5.); (3) PG&E quickly resolved the ground fault interrupter (GFI) issue (see Petition at p. 5) last year (Steering Committee Update, Aug. 19, 2009 at p. 9); and (4) PG&E has addressed with its vendor the component issue noted by CCSF (Petition at p. 5.) This issue affected only a limited number of customers’ meters, and the majority of the affected meters were returned to the vendor (Steering Committee Update, May 2010 at p. 10).

III. BEFORE CONSIDERING A MORATORIUM THE COMMISSION SHOULD CAREFULLY EVALUATE THE POTENTIAL IMPACTS ON POLICY OBJECTIVES, CUSTOMER CONFIDENCE IN A SMART GRID, AND PROGRAM COSTS

If the Commission were to seriously consider delaying PG&E's SmartMeter rollout, it should develop a clear understanding of the potential impacts. First, a moratorium would delay key state and federal policy initiatives to develop a stronger, smarter and more efficient energy system that will reduce both consumer costs and greenhouse gas emissions. The lost benefits of these delays should be taken into account.

Second, a moratorium could undermine PG&E's ongoing efforts to allay customer concerns about the accuracy of SmartMeter™ technology despite all the data that PG&E has gathered showing that the technology performs well. PG&E has made its SmartMeter™ data, including its Steering Committee reports, publicly available to customers, demonstrating a substantial increase in meter accuracy and substantial decreases in estimated and delayed bills. In addition, PG&E has been conducting broad customer outreach — including publication of a range of performance metrics and conducting side-by-side testing of smart meters and legacy meters — to lessen customer skepticism and to address outstanding questions about the SmartMeter™ program. Granting CCSF's unfounded request could undermine these efforts to bolster customer confidence in SmartMeter™ technology.

Finally, a suspension of PG&E's SmartMeter™ deployment would likely be of uncertain scope and duration, and, as noted by Executive Director Paul Clanon,^{13/} could trigger a variety of operational expenses and impacts. These include the disruption of existing contracts, the potential loss of employees that have already acquired SmartMeter™ expertise, and re-start costs. The Commission should develop a record on these potential costs before taking any action, to ensure that these costs are minimized.

IV. CONCLUSION

PG&E is the first American utility to deploy sophisticated, second-generation SmartMeter™ technology to all of its customers. It has worked very hard to minimize the

13/ See Section I *supra* citing testimony before the Senate Select Committee on Smart Grid.

potential disruptions this massive and complex effort could cause, and to make sure that the new technology is performing better than the former technology. Certainly, PG&E's data demonstrates that this is the case.

PG&E submits that the Commission should complete its own independent investigation, and only then, with all the relevant facts in hand, consider whether any action is necessary. The Commission should not permit CCSF to short-circuit that process based on its unsupported and premature request.

For the foregoing reasons, the Commission should deny CCSF's request, and await the outcome of its own ongoing investigation into the performance of PG&E's SmartMeter™ program before deciding what actions or improvements should be considered. If the Commission is inclined to consider imposing a moratorium, such a major shift in policy necessitates an appropriate process in order to develop a complete factual record.

Respectfully Submitted,

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CHONDA J. NWAMU

By: _____ /s/
PETER OUBORG

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Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: July 19, 2010

CERTIFICATE OF SERVICE

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is 77 Beale Street, San Francisco, CA 94105.

On July 19, 2010, I served a true copy of:

**PACIFIC GAS AND ELECTRIC COMPANY'S OPPOSITION 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™**

- [XX] By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service list for A.07-12-009 with an e-mail address.
- [XX] By U.S. Mail – by placing the enclosed for collection and mailing in the courts of ordinary business practice, with other correspondence of Pacific Gas and Electric Company, enclosed in a sealed envelope, with postage fully prepaid, addressed to those parties listed on the official service list for A.07-12-009 without an e-mail address.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 19th day of July, 2010, at San Francisco, California.

/s/
PATRICIA A. KOKASON