

**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
(U39E)

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

**PREHEARING CONFERENCE STATEMENT
OF PACIFIC GAS AND ELECTRIC COMPANY**

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Dated: August 16, 2010

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Pursuant to the Administrative Law Judge's Ruling Setting Prehearing Conference (the "Ruling"), dated August 6, 2010, Pacific Gas and Electric Company ("PG&E") submits the following Prehearing Conference ("PHC") Statement.

The Ruling invites interested parties to file a PHC statement addressing the following questions:

1. Do available facts support the immediate suspension of PG&E's program of installing SmartMeters™?
2. Should the Commission defer action until the receipt of the report researching the new meters and the installation program? Is it possible to commence with this proceeding in a way that permits the incorporation of the projected Commission report?
3. If the Commission elects to consider this Petition further, what should be the scope and timetable of its review of the SmartMeter™ program? If hearings are recommended, what are the factual issues in dispute? What, if any, legal issues are implicated?

As PG&E describes below, there is no basis for a suspension of the SmartMeter™ program. The evidence demonstrates that PG&E's SmartMeter™ technology is a substantial

improvement over mechanical meter technology – including with respect to meter accuracy, estimated billing, and delayed billing – and offers customers increased functionality. The results of the Commission’s independent evaluation are expected within just a few weeks, and thus it is only logical for the Commission to defer action until then. Accordingly, the Commission should await the findings of The Structure Group’s (“Structure”) assessment before contemplating any actions and/or improvements regarding the SmartMeter™ program. Once the Structure report is available, the Commission will have the information that it needs to determine whether any further review of the SmartMeter™ program is warranted and, if so, the scope and timetable for such a review.

I. THE AVAILABLE FACTS DO NOT SUPPORT THE IMMEDIATE SUSPENSION OF PG&E’S SMARTMETER™ PROGRAM.

The evidence demonstrates that SmartMeter™ technology is performing well and providing tangible benefits to customers. There is no basis for a moratorium, much less the immediate moratorium requested by Petitioners in this proceeding.

A. SmartMeter™ Technology Is Performing Extremely Well, and Represents a Marked Improvement Over PG&E’s Legacy Meters.

The substantial data that PG&E has compiled demonstrates that SmartMeter™ technology is a substantial improvement over PG&E’s 100-year-old mechanical meter technology, just as this Commission anticipated when it approved the SmartMeter™ program. PG&E’s test results from the past three years show that SmartMeters™ are more accurate than mechanical meters. For example, PG&E tested 29,041 mechanical meters during this period, and found that 338 measured outside the Commission’s $\pm 2\%$ tolerance range.¹ In stark contrast,

¹ SmartMeter™ Program Data, Aug. 10, 2010 Update at p. 2. This information can be accessed on PG&E’s website, pge.com, at <http://www.pge.com/myhome/customerservice/smartmeter/programdata/>.

PG&E tested 21,207 SmartMeters™ during the same period, and only 10 fell outside of this tolerance.²

Additionally, there is far less need to estimate bills with SmartMeter™ technology in place, as billing data is available regardless of meter accessibility. And the data strongly supports this proposition. Recent data shows that only 0.09 percent of PG&E's SmartMeter™ customers received estimated bills in June 2010.³ This represents a considerable improvement over mechanical meters: in May and June 2010, roughly 1.0 percent of PG&E's legacy-meter-customers received estimated bills.⁴ And the same is true of delayed bills: whereas 0.41 percent of legacy-meter-customers received delayed bills in June, only 0.14 percent of PG&E's SmartMeter™-customers did.⁵

B. A Moratorium Is Not Only Unnecessary, But It Would Increase Program Costs and Delay Realization of Significant Benefits.

The substantial costs and risks that a suspension would cause further weigh against a moratorium. The suspension of a major capital program is an extremely complex undertaking; halting deployment is not as straightforward, predictable or easily managed as some of the parties suggest. Moreover, doing so would be unnecessarily expensive. A moratorium would result in major cost increases and adverse operational effects, as it could implicate existing supplier and labor contracts, as well as potentially require the release of hundreds of deployment personnel.

In addition, any suspension would disrupt key state and federal initiatives to develop a stronger, smarter and more efficient energy system that enhances electric system reliability,

² *Id.*

³ *Id.* at p. 1.

⁴ SmartMeter™ Program Data, June 22, 2010 Update at p. 1 (1.01% of bills estimated in May 2010); SmartMeter™ Program Data, Aug. 10, 2010 Update, at p. 1 (1.07% of bills estimated in June 2010).

⁵ SmartMeter™ Program Data, Aug. 10, 2010 Update at p. 1.

lowers power purchase and individual consumer costs, and reduces greenhouse gas emissions. Moreover, a suspension would deprive customers of significant and valuable demand response and energy conservation benefits that are dependent on SmartMeter™ technology.

II. THE COMMISSION SHOULD DEFER ANY ACTION AT LEAST UNTIL STRUCTURE ISSUES ITS REPORT.

With Structure having spent several months thoroughly evaluating PG&E's SmartMeter™ program, and with its report due within weeks, PG&E respectfully submits that the Commission should defer any action regarding SmartMeter™ deployment until it has Structure's findings. The City and County of San Francisco ("CCSF") itself has acknowledged that Structure's investigation will enable the Commission "to determine whether further Commission action is necessary."⁶ Indeed, as President Peevey and the Commission's executive staff have stated consistently, prudence dictates that the investigation run its course before the Commission reaches any conclusions.⁷

Rather than take premature action now, the Commission should summarily dismiss CCSF's Petition to Modify Decision 09-03-026 to Temporarily Suspend PG&E's Installation of SmartMeters™ and defer any further action until after its receipt and review of the Structure report. If the Commission concludes that Structure's findings warrant further proceedings, the nature of any such proceedings can be determined based on the results of the investigation, independent of CCSF's Petition.

⁶ The City and County of San Francisco's Petition to Modify Decision 09-03-026 to Temporarily Suspend PG&E's Installation of SmartMeters™ at p. 8.

⁷ In a June 1, 2010 letter, Commission 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." (Letter from Commission President Michael Peevey to State Senator Dean Florez (June 1, 2010) at p. 3.) President Peevey further stressed that "waiting for the results of [Structure's] assessment is the prudent course of action at this time." (Id. at p. 3.) Similarly, in testimony before the Senate Select Committee on Smart Grid, Commission Executive Director Paul 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." (4/26/10 Hearing Transcript at 111:19-21.)

III. THE SCOPE AND TIMETABLE OF THE COMMISSION'S REVIEW DEPENDS UPON THE FINDINGS OF THE STRUCTURE INVESTIGATION.

It is not practicable to recommend a meaningful timetable for the Commission's review of the petition, or to address the scope of any such review until the Commission has received and reviewed Structure's findings. Indeed, the very purpose of the Commission's retention of Structure was to enable the Commission to assess independently whether PG&E's SmartMeters™ work as they should, and then to determine what, if any, proceedings may be warranted. Thus, any discussion now of the time frame and scope of Commission review of the SmartMeter™ program not only would be speculative, but also would interfere with the Commission's own discretion to review and implement the findings of the Structure report.

IV. CONCLUSION.

The results of the Commission's independent investigation will be issued in a matter of weeks. With all available evidence showing that SmartMeter™ technology is accurate and performing well – indeed, better than its predecessor technology – there is no basis for an immediate moratorium, particularly when the pending petition is based on nothing more than newspaper stories and outdated and out-of-context statements from PG&E's monthly reports.

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PG&E respectfully submits, therefore, that the Commission should reject the Petition, await the outcome of Structure's investigation, and then assess whether the facts warrant further consideration of SmartMeter™ issues in this docket.

Respectfully submitted,

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By: _____ /s/
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PACIFIC GAS AND ELECTRIC COMPANY

Dated: August 16, 2010

CERTIFICATE OF SERVICE BY ELECTRONIC MAIL OR U.S. MAIL

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 Pacific Gas and Electric Company, Law Department B30A, 77 Beale Street, San Francisco, California 94105.

I am readily familiar with the business practice of Pacific Gas and Electric Company for collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, correspondence is deposited with the United States Postal Service the same day it is submitted for mailing.

On August 16, 2010 I served a true copy of:

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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.

By U.S. Mail – by placing it for collection and mailing, in the course of ordinary business practice, with other correspondence of Pacific Gas and Electric Company, enclosed in a sealed envelope, with postage fully prepaid, addressed to all parties of record on the service lists for A. 07-12-009 and who do not have an email 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 in San Francisco, California on August 16, 2010.

/s/

MARY B. SPEARMAN