

**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 (U39M)

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

**OPENING COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY IN
RESPONSE TO ADMINISTRATIVE LAW JUDGE'S RULING**

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Dated: October 15, 2010

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I. INTRODUCTION

Pacific Gas and Electric Company (PG&E) provides these Opening Comments in response to the *Administrative Law Judge's Ruling* (ALJ Ruling), issued September 22, 2010 in the above-referenced proceeding. The ALJ Ruling provides that parties may file comments, by October 15, 2010, "addressing the question of what the Commission should do concerning the City and County of San Francisco Petition in light of the Structure Report." (ALJ Ruling p. 9). The Structure Report is the final work product of the Structure Consulting Group (Structure), and the end result of the months-long, Commission-sponsored investigation of PG&E's SmartMeter™ Program.

The investigation was more than an information-gathering exercise. As set forth in the Commission-sponsored Report, Structure found that there are no systemic issues with the accuracy of PG&E's SmartMeter™ Program, as the SmartMeter™ Program has accurately measured residential electric customers' energy usage and has accurately rendered their electric bills. (See ALJ Ruling pp. 7-8). Given the Structure Report findings, a suspension of PG&E's SmartMeter™ Program is plainly unwarranted, and the Commission should deny 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).

II. PROCEDURAL BACKGROUND

On October 14, 2009, the CPUC announced that it would retain an independent, third-party technical expert “to test and validate meter and billing accuracy of Smart Meters currently being deployed in Bakersfield.” (See CPUC press release dated October 14, 2009, titled “CPUC Responds To PG&E Customer Concerns About Smart Meter Installations In Bakersfield.”). On March 30, 2010, the CPUC retained Structure, an independent utility-expert and third-party investigator, to conduct an end-to-end accuracy assessment of PG&E’s SmartMeter™ program. The Commission allocated \$1.4 million to the fulsome examination that it requested from Structure, which project scope encompassed the following areas: laboratory meter testing, field meter testing, end-to-end system testing, high bill complaint analysis, best practices associated with SmartMeters™, and a security assessment. (Structure Report, p.18). During the course of its months-long assessment, Structure independently tested over 750 SmartMeters™ and 147 electromechanical meters, analyzed 1,378 SmartMeter™ customer accounts from a list of 2,915 complaints, reviewed detailed explanations where billing could not be explained solely by usage, and conducted phone interviews of high-bill complainants. (See CPUC press release dated September 2, 2010, titled “CPUC Receives Results of Independent Evaluation of PG&E Smart Meters.”)

On June 17, 2010, the City and County of San Francisco (CCSF) filed the CCSF Petition that is the subject of this proceeding. On July 19, 2010, PG&E filed its *Opposition to CCSF’s Petition to Modify D.09-03-026 to Temporarily Suspend PG&E’s Installation of SmartMeters*. In addition, multiple parties and interested entities filed responses to CCSF’s Petition.¹ On July 29, 2010, CCSF filed a Reply. On August 18, 2010, ALJ Sullivan held a prehearing conference in this proceeding to address CCSF’s request to immediately-suspend PG&E’s SmartMeter™ installations, and the process for resolving the issues raised in the Petition.

¹ In addition to PG&E, Division of Ratepayer Advocates, The Utility Reform Network, the City and County of Santa Cruz, the City of Capitola, the City of Scotts Valley, the City of Monte Sereno, and the Coalition of California Utility Employees filed responses to the Petition. Also, the Town of Fairfax filed a Motion to Intervene in support of CCSF’s Petition.

On September 2, 2010, the Commission released the Structure Report, containing the results of the independent investigation that it had announced in October and commissioned in March. On that same date, Commissioner Peevey issued the *Assigned Commissioner's Ruling Regarding the Consultant's Evaluation of PG&E's SmartMeter Program*, through which the Commission "ma[de]... public the consultant's evaluation of...PG&E's SmartMeter Program." (p. 1).

On September 22, 2010, ALJ Sullivan issued the present ALJ Ruling denying CCSF's motion for expedited treatment of its Petition, and soliciting comments on "what the Commission should do concerning CCSF's Petition in light of the Structure Report." (p. 9).

III. DISCUSSION

A. The Commission Should Deny CCSF's Petition In Light of Structure's Findings that PG&E's SmartMeter™ Program Measures Customer Usage and Issues Customer Bills Accurately.

The Commission should deny CCSF's Petition. CCSF itself acknowledged that Structure's substantive investigation into PG&E's SmartMeter™ Program would "enable the Commission to determine whether further Commission action [was] necessary" (CCSF Petition at p. 8), and in light of Structure's findings that PG&E's meters and related bills are accurate, no such action is necessary. Because the Structure Group has completed its independent investigation, and has found that PG&E's SmartMeters™, related bills, and the entire end-to-end process function accurately, the Commission should now deny CCSF's Petition.

The substantive findings detailed in the Structure Report provide a compelling basis for denying CCSF's Petition. After performing a comprehensive, independent, end-to-end assessment of PG&E's SmartMeter™ Program, the Structure Group determined, *inter alia*, that "the AMI technology deployed by PG&E appears to be 1) consistent with industry standards, based upon the goals of the AMI implementation and upgrades approved by the CPUC, and 2) accurate from a metering and billing perspective." (Structure Report p. 15). In particular, as highlighted in the ALJ Ruling, "the Structure Report found that "PG&E's SmartMeters are accurately recording electric usage within acceptable CPUC (California Public Utilities

Commission) tolerances, and are being accurately utilized in Customer billing.” (ALJ Ruling p. 7 (quoting Structure Report, p. 13)).

Structure’s assessment of PG&E’s SmartMeter™ Program included a review of electric SmartMeter™ high bill complaints. Specifically, Structure received usage history for 1,378 high bill complaints and conducted a detailed analysis of 1,066 of those complaints and associated usage records. “As a result of the high bill complaint analysis, Structure did not identify problems with the SmartMeter data utilized for billing.” (Structure Report, p. 196). Given that Structure did not find any systemic SmartMeter™ data accuracy problem as the cause of the high bill complaints being reported to PG&E and the CPUC, the Commission should deny CCSF’s Petition which alleged that increased customer complaints could indicate underlying problems with SmartMeter™ technology.

Although the Structure Report identifies gaps in PG&E’s customer services and processes related to high bill complaints (*id.*), the Structure Report expressly refutes the allegations of flawed technology that formed the basis of CCSF’s Petition. Given this validation of the meter technology and PG&E’s billing accuracy, the Commission should deny CCSF’s petition.

In denying CCSF’s Motion for expedited treatment of its Petition, the ALJ Ruling relied upon the information that is equally compelling now:

- “[T]he findings of the Structure Report indicate that the meters and bills rendered are accurate;”
- PG&E data indicates “that a suspension would cost between \$17 million and \$87 million, depending on assumptions...,” and
- PG&E data indicates that “a suspension would lead to loss of approximately 625 jobs.” (ALJ Ruling, p. 2)

And in light of the additional findings that Structure reached about the accuracy of PG&E’s SmartMeter™ Program, the Commission now should deny CCSF’s Petition once and for all.

B. PG&E Has Established a Technical Advisory Panel (TAP) to Address AMI Industry Best Practices and Other Areas for Improvement That Structure Identified.

Although unrelated to the accuracy of PG&E’s SmartMeter™ Program and related technology², Structure did identify gaps in PG&E’s customer service practices. PG&E takes its customer service obligations seriously and has committed to implement further improvements in these areas. Toward that end, PG&E has established a SmartMeter™ Technical Advisory Panel (TAP), comprised of a diverse group of industry experts and stakeholders, as a forum to facilitate improvements to PG&E’s SmartMeter™ Program, including a review of the gaps in best practices that Structure identified. The formation of the TAP is one way that PG&E is addressing such areas for improvement. In light of the Structure Report’s findings that PG&E’s SmartMeter™ technology is measuring and billing usage correctly, as well as PG&E’s proactive formation of a SmartMeter™ TAP to optimize meter deployment practices and improve customers’ experience with SmartMeters™, the Commission should deny CCSF’s Petition.

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² For purposes of CCSF’s Petition, it is important to emphasize that the Structure Report stated expressly that the concerns they identified “*did not appear to be related to the ability of PG&E’s SmartMeter system to measure and bill electric usage correctly.*” (*Id.*) (Emphasis added.)

IV. CONCLUSION

Last October, the Commission announced that it would retain an independent investigator to assess the end-to-end accuracy of PG&E's SmartMeter™ Program. It subsequently retained the Structure Group to perform such an assessment, and the results of that investigation are evident: PG&E's residential electric SmartMeter™ Program accurately measures customer-usage and accurately renders customer bills. The findings contained in the Commission-sponsored Structure Report directly refute CCSF's allegations of systemic technology problems around SmartMeter™ accuracy and billing. In light of the Structure Report, Pacific Gas and Electric Company respectfully requests that the Commission deny CCSF's Petition.

Respectfully Submitted,

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By: _____ /s/ _____
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Dated: October 15, 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 October 15, 2010, I served a true copy of:

**OPENING COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY IN
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- [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 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 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 15th day of October, 2010, at San Francisco, California.

/s/
MARY B. SPEARMAN