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PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 1
POLICY AND PROGRAM OVERVIEW

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1 location of the SmartMeters™ (i.e., either away from their home or a specific
 2 part of their home), PG&E's existing Rule 16, Section F.2.b already provides an
 3 opportunity for those customers to request that PG&E relocate the electric meter
 4 to a different location on their property at the customer's expense
 5 (meter relocation option).

6 The following are the key program elements for customers who choose the
 7 radio-off option:

- 8 ffi Residential customers may choose to have PG&E turn off the radio(s) in
 9 their electric and/or gas SmartMeters™, thus disabling the
 10 RF-communications. PG&E will read the meter(s) manually.
- 11 ffi Residential customers who exercise their choice to turn off the radio(s) in
 12 their electric and/or gas SmartMeters™ will pay to cover the
 13 customer-specific costs of implementation. These customers will have the
 14 following fee-structure choices, with the ability to pay the up-front fee over a
 15 reasonable financing period, and a 20 percent discount for
 16 California Alternate Rates for Energy (CARE)-enrolled customers, all as set
 17 forth in the Tables 1-1 and 1-2 below.^{1,2}

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Line No.	One-Time Up Front Charge (\$)	Monthly Fixed Charge (\$/Month)	Monthly Volumetric Rate Adder Applicable to Gas Only Customers (\$/Therm)	Monthly Volumetric Rate Adder Applicable to Electric Only Customers and Combined Electric and Gas Customers (\$/kWh)
1	\$135.00	\$20.00	N/A	N/A
2	\$135.00	n/a	\$0.532	\$0.036
3	\$270.00	\$14.00	N/A	N/A
4	\$270.00	N/A	\$0.387	\$0.026

^{1,2} Both CARE and non-CARE customers may pay their monthly charges either on a flat-fee basis or based on their energy consumption (a volumetric rate adder dependent on customer type).

Line No	One-Time Up Front Charge (\$)	Monthly Fixed Charge (\$/Month)	Monthly Volumetric Rate Adder Applicable to Gas Only Customers (\$/Therm)	Monthly Volumetric Rate Adder Applicable to Electric Only Customers and Combined Electric and Gas Customers (\$/kWh)
1	\$105.00	\$16.00	N/A	N/A
2	\$105.00	N/A	\$0.426	\$0.029
3	\$215.00	\$11.00	N/A	N/A
4	\$215.00	N/A	\$0.310	\$0.021

1 Based on an initial approximation of roughly 145,800 customers who may
 2 choose alternative metering during the period preceding PG&E's next
 3 General Rate Case (GRC), PG&E forecasts that the cost of this program will be
 4 \$38.3 million of capital cost, and \$75.1 million of expenses. The capital and
 5 expense costs reflect the following program-related costs: (1) manually turning
 6 off the radios contained in PG&E's electric and gas SmartMeters™;
 7 (2) Information Technology (IT) modification costs; (3) reinforcing PG&E's
 8 RF-mesh communications network to address any degradation that the program
 9 may cause; (4) manually reading the customers' gas and/or electric
 10 SmartMeters™ on a monthly basis; and (5) funding other operating costs for the
 11 program, including communications with customers interested in the option.

12 PG&E proposes new two-way electric and gas Modified SmartMeter™
 13 Balancing Accounts (MSMBA) in which to record the actual electrical and gas
 14 revenue requirements, and actual fees/revenue collected from the program.
 15 In addition, PG&E is requesting to recover the costs of offering the option
 16 subject to annual true-up of the costs and forecasted revenue requirements.

17 Additional details on the program, the program costs, and the ratemaking
 18 and cost recovery mechanisms for the program are provided in the following
 19 chapters of this testimony:

20 1 (2) - This chapter describes the incremental costs associated with
 21 offering the proposed alternative to the current SmartMeter™ devices
 22 (e.g., costs associated with deployment/installation, manual meter reading,
 23 IT and billing system upgrades, mesh network reinforcement, operations, call
 24 center inquiries, and communications activities and materials.)
 25

1 This chapter
2 describes the cost recovery and revenue requirement proposal for recovery of
3 the incremental costs of the modifications to the SmartMeter™ program through
4 the MSMBAs. In addition, the per customer up-front fee, the monthly fixed or
5 volumetric fees, and the exit fees will be recorded to the MSMBAs.

6 The remainder of this policy and program overview chapter will summarize
7 the program policy context; PG&E's evaluation of alternatives; a description of
8 the recommended "radio-off" option; incremental cost components; and the
9 customer fees/rates and eligibility requirements.

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12 PG&E remains fully committed to SmartMeter™ technology as a positive
13 change for customers. PG&E's existing SmartMeter™ Program represents a
14 significant, unprecedented shift in metering technology. After more than
15 100 years of electro-mechanical metering, PG&E and other utilities are able to
16 offer cost-effective digital meters with automated two-way communication
17 capability. And rather than manually read its customers' 10 million meters once
18 per month, PG&E now can obtain hourly and quarter-hourly interval reads of
19 customers' energy usage to provide them with substantially more information
20 about practices they previously could monitor and adjust only monthly. This new
21 technology is the foundational element of the Smart Grid, and provides the
22 platform necessary to optimize Demand Response (DR), energy conservation,
23 and renewable energy use. PG&E's SmartMeter™ technology supports
24 California's energy and environmental policies, including providing customers
25 with more information, Dynamic Pricing, development of Home Area Network
26 (HAN) compatible appliances such as programmable thermostats, smart air
27 conditioners, rooftop solar photovoltaic, and smart charging of Electric Vehicles
28 (EV). In short, SmartMeters™ are a critical tool in California's energy future.

29 Moreover, the Commission and other independent California advisory
30 groups have recognized that SmartMeters™ comply with all known standards,
31 including those of the Federal Communications Commission (FCC) and the

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2 ffi There are no proven solutions in the marketplace that can effectively
3 integrate PLC technologies with PG&E’s existing RF-mesh backhaul
4 network.

5 ffi Some utilities have deployed PLC technologies as an alternative to
6 RF-mesh technologies, but creating a hybrid RF-mesh/PLC solution
7 would require a significant investment in infrastructure that is not
8 economically viable at the relatively small scale projected here.

9 ffi PLC solutions do not exist for gas meters since they are not
10 connected to an electric supply.

11 Similarly, traditional telephone-line wired solutions are
12 technologically and economically infeasible as follows:

13 ffi PG&E currently has in place approximately 19,000 MV-90 meters
14 and is not aware of any existing MV-90 system that scales beyond
15 30,000 meters. To effectively offer this option to PG&E’s customer
16 base would necessitate making it available to more than
17 100,000 customers, thus requiring a technological solution that does
18 not presently exist. If doing so is even possible, the cost would be
19 prohibitively high, and the operational complexities are unknown.

20 ffi Offering a telephone-line wired meter is substantially more
21 expensive than the radio-off option. Notwithstanding that
22 commercial customers have used commercial-grade, wired
23 MV-90 modem-based meters for years, they are expensive, and
24 PG&E is not aware of any existing residential-grade meters that are
25 wired for a telephone connection.

26 ffi Moreover, connecting a residential meter to a phone service
27 connection will require an additional cost.

28 ffi This alternative does not support HAN or the smart-charging of
29 electric vehicles, and therefore provides less functionality than,
30 for example, the meter relocation alternative.

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PG&E evaluated this alternative, but found this option is infeasible for multiple reasons:

ffi Non-communicating SmartMeters™ (i.e., a SmartMeter™ with its radio off as proposed here by PG&E) can serve the same function as a non-smart meter. As PG&E has already installed and/or purchased virtually all of the meters that it will need to complete its planned SmartMeter deployment, it is more efficient and logical to complete PG&E's deployment and turn off the radios as opposed to introducing a new meter.

ffi Legacy electromechanical meters do not have the ability to track interval energy-consumption, such as the hourly and quarter-hourly reads that SmartMeters™ can provide. Since California has based its energy policy on time-of-use based rates, installing meters capable of providing interval data is foundational to achieving this goal. Installing SmartMeters™ with their radios turned off is far more consistent with California's energy policy than leaving legacy electromechanical meters in place. Moreover, completing PG&E's current installation will provide customers with greater prospective flexibility: when current residents who choose the radio-off solution move or sell their homes, subsequent residents will already have their SmartMeters™, just as current customers will have the option to have PG&E re-activate their meters so that they may participate in energy programs that rely on SmartMeters™, such as HAN and smart-charging of electric vehicles.

Based on its evaluation, PG&E has concluded that turning off the radios in the electric and/or gas SmartMeters™ or relocating the electric SmartMeters™ under existing Rule 16 are feasible alternatives, and proposes that the Commission approve the use of the radio-off alternative for those residential customers who choose to disable the

1 range from approximately \$2,500 to \$4,500 for overhead customers and \$6,000
2 to \$11,000 for underground customers. Rare cases could fall outside of these
3 estimated ranges.

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5 The projected customer-specific fees/rates for selecting the radio-off
6 alternative to PG&E's existing SmartMeter™ Program are not insubstantial and
7 reflect the higher cost of delivering electric and gas service to those customers
8 who choose not to participate in the SmartMeter™ Program. As the
9 Commission recognized in approving PG&E's existing SmartMeter™ Program,
10 building a Smart Grid and enabling new functions offers customers significant
11 economic efficiencies. For example, it enables PG&E not only to close
12 meter-reading offices and save those costs,¹³ but also remotely validate and
13 "ping" meters to ensure that they are working correctly, and respond more
14 quickly to outages and customer relocation requests than ever before. As it is
15 more expensive to serve customers who are /+ part of the Smart Grid than it is
16 to serve those customers who participate in the Smart Grid, PG&E submits that
17 it is appropriate for non-Smart Grid customers to bear the costs of the
18 modifications to the SmartMeter™ Program on a self-funded basis.

19 PG&E's proposed rates and fees, as set forth in the fee/rates Tables 1-1
20 and 1-2 in Section A above, reflect the incremental costs of PG&E's
21 modifications to the SmartMeter™ Program, including labor costs associated
22 with turning off the SmartMeter™ radios, manual meter-reading, costs to
23 reinforce the communications network to the extent that it is diminished as
24 customers choose the radio-off option, IT costs, communication costs, and
25 operational costs. In addition, PG&E will charge an "exit" fee at the time that a
26 radio-off customer either terminates service or decides to re-enable the
27 SmartMeter™ radio. PG&E's fees/rates are reasonable and PG&E has
28 proposed various fee structure options, including the ability to pay the up-front
29 fee over a reasonable financing period, for the convenience of its customers.

¹³ Although the use of SmartMeters™ has eliminated meter-reader positions, PG&E has proved displaced meter readers with new jobs or has assisted them in retiring when those personnel elected not to accept these new positions.

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2 The issue before the Commission⁷ how to balance the enormous benefits
3 that SmartMeters™ and the Smart Grid offer while addressing the concerns of
4 those customers who have an aversion to RF-based devices⁷ is significant. Not
5 only does this issue affect California energy policy, but potentially national and
6 international energy policy, as well. Utilities across the world have begun to roll
7 out advanced metering technology to ensure the increased energy conservation,
8 DR, renewable energy and reduced greenhouse gas emissions that
9 SmartMeters™ enable, and thus policymakers undoubtedly will be observing
10 this proceeding closely.

11 PG&E's proposed modifications to the SmartMeter™ Program strike the
12 right balance between these subjects: it allows the majority of customers and
13 the state to continue to receive the benefits of SmartMeter™ technology, while
14 also addressing the concerns of those customers who do not want an
15 RF-communicating meter on their premise. PG&E's proposed modifications to
16 the SmartMeter™ Program balance these interests by providing a non-RF
17 communications option to those customers who so strongly desire a choice,
18 while ensuring the continued integrity and reliability of PG&E's overall
19 SmartMeter™ system.

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⊥ffi ↑⊥ ffi♂ -↑ ffi⊥♂ffi | • •ffi ffi6⊥#ffi7 ffi ⊥•↑⊥♂6 ffi9-|ffi| ffi >%- 5-ffi

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ffi 7⊥♂ ♂♂♂• ffi6 ⊥5 ffi •↑♂•⊥♂ffi9-|ffi⊥ ; 7 ffi ↑#ffi ⊥#⊥ffiffi-↑#ffi#ffi⊥ffi♂ 9ffi⊥|ffi

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ffi •7⊥ ♂#⊥♂♂ffi;ffi ↑ ffi♂% ♂ ffiG-| ffi⊥⊥⊥-ffi♂#⊥|| #ffi♂ffp/# ffi|4ffi ↑ ffi

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PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 2C
CUSTOMER COMMUNICATIONS AND OPERATIONS SUPPORT COSTS

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1 The key objective of the survey was to determine the proportion of
2 customers who would consider selecting an alternative meter option if they had
3 to pay a one-time installation cost and monthly fee. The survey used two
4 different pricing scenarios (installation plus monthly fee and monthly fee only).
5 Because the survey was conducted prior to PG&E's complete analysis of the
6 forecasted costs to offer an alternative to SmartMeters™, the survey questions
7 did not include the specific, cost-based up-front and monthly fee or energy
8 usage charge that PG&E proposes in this application. However, the survey
9 results did provide quantitative data on the percentage of customers who would
10 consider an alternative metering option if required to pay an up-front installation
11 fee and a recurring monthly charge.¹¹ Of the total residential customers
12 surveyed, 2.7 percent said that they would pay both a \$100 one-time installation
13 fee and a \$15 monthly fee, which is approximately 145,800 customers. Because
14 the study involved taking a sample of customers (as opposed to surveying the
15 entire population), the sampling error of the 2.7 percent forecast at the
16 95 percent confidence interval is +/-1.9 percent. Therefore, the forecasted
17 participation rate could range between 0.8 percent and 4.6 percent.

18 Notwithstanding these survey-findings, there are numerous factors that
19 could impact the number of customers who actually choose an alternative to
20 PG&E's existing wireless SmartMeters™. These include the following:

- 21 ffi The survey assumes 100 percent awareness and comprehension of PG&E's
22 existing SmartMeter™ program and the alternative technology metering
23 option that the California Public Utilities Commission (CPUC or Commission)
24 may approve.
- 25 ffi Changing the price of the monthly fee (\$15/month) or the installation fee
26 (\$100) presented to customers will likely impact the number of customers
27 who choose the alternative metering option.
- 28 ffi The survey further assumes that customers' current awareness, knowledge,
29 and attitudes toward the SmartMeter™ program stay constant, i.e., that

¹¹ The survey question posed to customers was: "Would you still select [an alternative meter] over the existing wireless SmartMeter™ if you were required to pay a \$15 monthly service fee and a...\$100 one-time installation fee"?

1 customers do not subsequently change their mind as a result of future
2 communications by PG&E or external parties such as the media.

3 ffi Survey-respondents often overstate their willingness to take action.
4 However, given the intensity of emotion over these issues and the
5 unprecedented nature of offering multiple infrastructure options to
6 utility-customers, it is difficult to accurately estimate whether that will occur
7 in this case.

8
9

10 Customers will have two primary SmartMeter™ options, as described in
11 Chapter 1, “Policy and Program Overview.”

12 These two options are:

- 13 A. Continue standard SmartMeter™ installation (both gas and electric
14 meters).
- 15 B. Select a “Radio-Off” SmartMeter™ with no wireless RF communication
16 (both gas and electric meters).

17 These options are presented in a Table 2C-1 below, illustrating each
18 option’s available features, required customer actions, and which types of
19 customers are eligible for each option.

1 As noted in Table 2C-1, while there are two primary options for
2 residential customers, there are also some secondary options/choices for
3 customers who choose the radio-off option:

- 4 1. Customers who are enrolled in PG&E's California Alternate Rates for
5 Energy (CARE) program will receive a discount on the upfront fee and
6 monthly charges.
- 7 2. Customers have the opportunity to decide how both the upfront fee and
8 the ongoing cost will be integrated into their bill. They can pay more
9 upfront in return for reduced monthly payments, or pay a reduced
10 upfront payment and pay more on a monthly basis. Also, the monthly
11 fee can be billed either as a fixed monthly charge or an incremental per
12 kilowatt-hour usage charge (or per therm usage charge for gas-only
13 customers).
- 14 3. Customers can choose to pay the upfront charge in a single payment or
15 in installments over a reasonable financing period.

16 All of the specific prices that support these options can be found in
17 Chapter 3, "Cost Recovery and Revenue Requirements."

18 Finally, customers with electric SmartMeters™ may also choose to
19 relocate their meters to another location on their property, at their expense,
20 under Tariff Rule 16, as described in testimony, Chapter 1, "Policy and
21 Program Overview."

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23 PG&E plans to notify customers of their alternative technology metering
24 options through a bill insert. Customers may call PG&E's call center to
25 request more information and to request a radio-off selection form.

26 Customers will also be able to visit PGE.com for more information and to
27 download the forms. PG&E proposes that customers who want to select a
28 proposed alternative to the standard SmartMeter™ installation will be
29 required to return a signed declaration to the PG&E Records Center so that
30 PG&E has an affirmative record of the customer's choice and customer
31 acknowledgment that the choice may not enable the same functionality or
32 benefits as the standard SmartMeter™ installation. As a part of that
33 declaration, customers will indicate their choices for secondary options—
34 CARE-enrollment discount and which method of upfront and monthly

1 charges they prefer. Once the document is received and registered in our
2 Customer Care and Billing System (CC&B), the customer will be notified that
3 PG&E has received the “order” and will be given an estimated timeframe for
4 the meter change to occur (e.g., in 10-30 days or an alternative timeframe
5 depending on the volume of requests). The SmartMeter™ operations team
6 will manage the meter change work and contact the customer at the time of
7 installation using the existing SmartMeter™ process, tools and
8 communications strategy. The customer operations team will also verify
9 customers who are CARE-enrolled and eligible for the discount. As part of
10 the communication process during the meter transition, customers could
11 receive door hanger materials and other literature once the meter changes
12 are completed. This communication strategy has proven to be successful in
13 PG&E’s most recent SmartMeter™ deployments, and we look to leverage
14 our experience here. Once the meter radio is turned off, the monthly
15 charges will be included on the customer’s bill through the fixed charge or
16 incremental energy charge.

17 At the time when the customer disconnects their service due to a move
18 or other reasons, PG&E will charge the customer a fee for turning the radio
19 back on in the SmartMeter™.

20 **3** (b) (1) (i) (A)

21 PG&E’s proposed communications strategy is an effective way to inform
22 interested customers about the modifications to the SmartMeter™ Program.
23 PG&E is focused on achieving the following results with customers based on
24 the proposed communication strategy:

- 25 ffi Customers receive sufficient notification about the options available to
26 them.
- 27 ffi Customers are able to obtain clear and useful information about the
28 options through multiple channels (i.e., phone, website, mailed letter) to
29 best educate them for their selection process.
- 30 ffi Customers who choose an alternative technology metering option
31 understand how to communicate their selection to PG&E and feel
32 sufficiently informed about the process for the implementation of their
33 selection.

1 ffi Customers value the opportunity to select an alternative metering option
 2 through modifications to the SmartMeter™ Program.

3 Overall, PG&E has envisioned a process that leverages existing
 4 workflows to manage a customer’s choice when it is made. By leveraging
 5 the changes made to the Information Technology systems described in
 6 Chapter 2B, "Information Technology Costs," PG&E has identified the most
 7 cost-effective way to manage this process on behalf of all customers.
 8 Table 2C-2 below outlines the cost for the overall communication and
 9 planning efforts as described in the list above.

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Line No.	Expense Description	Cost (000s)
1	<u>Notification</u>	
2	Customer Request Forms	\$175
3	<u>Information Delivery</u>	
4	Online Updates	152
5	Customer Inquiry	2,756
6	Employee Training and Change Management	100
7	<u>Management of Choice Selection</u>	
8	Billing Operations Staffing	14,637
9	Customer Communication and Planning	560
10	Total	<u>\$18,379(a)</u>

(a) Minor variances due to rounding.

10 (♂ →- (→ J•
 11 The costs for this section will support the development and
 12 production of customer request forms for customers who choose an
 13 alternative metering option. The costs include:

- 14 ffi Production of letters, envelopes, and brochures
- 15 ffi Postage

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 17 As stated at the beginning of this section, it is critical that customers
 18 understand their options and the costs and benefits associated with

1 each choice. These details will be communicated as part of the
2 requested information package and selection form, but that alone is not
3 sufficient to support our customers should questions arise. Additional
4 costs to support that information delivery are:

5 ffi Online content at www.pge.com

6 ffi Customer Inquiries

7 PG&E's experience is that any mail-out to this size group of
8 customers will generate incoming calls to our contact centers and
9 inquiries at our local offices. In addition, because of previous customer
10 concerns regarding SmartMeters™, PG&E anticipates that there will be
11 customers wanting to discuss their alternative metering options with a
12 customer service representative before making a decision. PG&E
13 forecasts approximately 100,000 inquiries with a forecast talk time of
14 over 9 minutes each. The talk time is based on current SmartMeter™
15 related call durations. The estimate of \$2.756 million is based on the
16 2010 average cost per call of \$8.23 and an average handle time of just
17 over 5 minutes. An additional \$0.02 million will be required for training
18 and modifications to internal support systems (GenRef).

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20 Customers who choose a technology metering alternative will be
21 asked to send a signed, pre-paid postage declaration letter to PG&E
22 Records Center in Stockton, California. CC&B will be modified to
23 enable the Records staff to:

24 ffi Record Customer Choice

25 ffi Update SmartMeter™ billing systems to return them to non-interval
26 billed

27 ffi Generate literature to acknowledge customers choice in a mailing

28 Additional staffing is required to process the letters and input a
29 customer's choice into the CC&B system.

30 Once a customer has made a choice, PG&E will also need to notify
31 customers several times. First, PG&E will need to notify a customer
32 when his/her request for a SmartMeter™ alternative has been received.

1 Second, PG&E will need to notify a customer when the
2 installation/modification will occur. Third and finally, when the work has
3 been completed, PG&E will notify the customer. These communications
4 will be through a combination of letters, postcards, door hangers, and
5 Interactive Voice Response (IVR) calls. Finally, PG&E will likely follow
6 up with customers for additional planning and measurement of
7 performance in this process. Costs for these activities will include:

8 ffi Production of mailers

9 ffi IVR call costs

10 ffi Postage

11 ffi Post-implementation communication/validation

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13 PG&E has sought to find the most efficient, effective, and informative
14 method to support our customers as they learn about and determine the best
15 way for them to participate in the introduction of SmartMeters™ and their
16 associated benefits. As noted throughout the testimony, there are many factors
17 that could impact the adoption forecast and subsequently, these cost estimates.
18 In addition, with this plan, PG&E is prepared to respond as quickly as possible to
19 coordinate operations for customers that request the radio-off alternative meter
20 option and the costs described reflect our recognition of the need to respond to
21 customers in an efficient manner. Should customers decide that they do not
22 want the benefits of radio-enabled meters, the approach described above should
23 enable them to understand their options and to be appropriately informed as
24 their meter changes are made.

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 3
COST RECOVERY AND REVENUE REQUIREMENTS

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1 memorandum accounts to the MSMBAs for rate recovery as presented in this
2 chapter.

3 PG&E believes this proposal allows the modifications to the SmartMeter™
4 Program to proceed in a timely manner, consistent with CPUC direction.

5 Cost recovery and associated revenue requirements for the period after
6 December 2013 shall be addressed in PG&E's 2014 General Rate Case (GRC)
7 Phase 1 and subsequent GRCs.

8 The remainder of this chapter is organized as follows:

- 9 ffi Section B – Summary of Costs
- 10 ffi Section C – Incremental Nature of Costs
- 11 ffi Section D – Cost Recovery Proposal
- 12 ffi Section E – Customer Charge Proposals
- 13 ffi Section F – Revenue Requirements
- 14 ffi Section G – Conclusion

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16 PG&E requests authorization to recover approximately \$113.4 million in total
17 costs expected to be incurred from 2012 through 2013, to implement and
18 operate the modifications to the SmartMeter™ Program presented in this
19 application. These costs include incremental capital and expense costs related
20 to manually turning off the radios in the electric and gas SmartMeters™, manual
21 meter-reading, Information Technology (IT) modifications, strengthening PG&E's
22 RF-mesh communications network, and other operating costs, including
23 communications with customers interested in the option. Since PG&E cannot
24 predict exit rates for participants, costs associated with re-enabling the meter
25 radio are not currently included in the 2012 and 2013 cost forecasts. However,
26 these costs are proposed to be recorded to the MSMBAs. PG&E currently
27 estimates the total cost to re-enable the meters to be approximately \$128 per
28 unit, as described in Chapter 2A, "Field Deployment Costs."

29 The total incremental costs are shown in Table 3-1 and described in detail in
30 Chapters 2A, 2B, and 2C of the testimony.

2012 2013 Total(a)
 Field Deployment \$36,385 - \$36,385
 Information Technology 1,912 - 1,912
 Total Incremental Capital Costs \$38,297 - \$38,297

Line No.	Description	2012	2013	Total(a)
1	Field Deployment	\$36,385	-	\$36,385
2	Information Technology	1,912	-	1,912
3	Total Incremental Capital Costs	\$38,297	-	\$38,297

(a) Minor variances due to rounding.

1 Within the context of this application, PG&E considered incremental costs

2 associated with modifications to the SmartMeter™ Program to be those labor,
 3 equipment, material, and contract costs that would have not otherwise been
 4 incurred had it not been for the Modified SmartMeter™ Program, as described in
 5 Chapters 2A, 2B and 2C.
 6

7 PG&E is seeking authority to record the actual revenue requirements and

8 revenues collected from individual customers benefiting from the program in the
 9 new two-way MSMBAs (MSMBA-E and MSMBA-G). Any resulting
 10 overcollection or undercollection of the MSMBAs will be trued-up annually
 11 through modifications to the SmartMeter™ Program rates via PG&E's AET and
 12 AGT filings.
 13

14 For purposes of cost recovery, PG&E will record, on a monthly basis,

15 the revenue requirements associated with the actual costs incurred and
 16 revenues collected from participating customers in the new two-way
 17 balancing accounts, as described earlier in this chapter.
 18

19 Two-way balancing accounts are appropriate as revenues and costs
 20 specific to this program are difficult to estimate accurately. This is due to the
 21 uncertainty of the number of customers choosing to participate, the rate
 22 option chosen by individual customers, and the difficulty of forecasting
 23 whether such customers will be located in low-, medium-, or high-density
 24 meter areas. Meter readings for customers in low-density meter areas will

1 be more time consuming and more expensive than meter readings for
2 customers in high-density areas. The actual costs of compensating electric
3 RF-mesh communications network devices may vary significantly from
4 forecast costs as described in Chapter 2A, "Field Deployment Costs."
5 Given the high level of uncertainty surrounding the participation rate,
6 population density, and certain cost forecasts, PG&E proposes to record the
7 actual revenue requirements associated with recorded costs in new two-way
8 balancing accounts.

9 This cost recovery proposal assumes that PG&E will implement the
10 program beginning January 1, 2012. If the Commission modifies the
11 implementation of this proposal, PG&E reserves the right to seek recovery
12 of any additional costs incurred. Additionally, PG&E may file an advice letter
13 proposing to establish gas and electric memorandum accounts to track the
14 revenue requirements associated with actual costs that may be incurred
15 before a decision is issued in this proceeding. Upon Commission approval
16 of PG&E's proposed balancing accounts in this proceeding, PG&E will
17 transfer the recorded balance from the memorandum accounts to the
18 MSMBAs for rate recovery as presented in this chapter.

19 Also described in Chapter 1, "Policy and Program Overview," customers
20 may alternatively request that PG&E physically relocate the SmartMeter™ at
21 the customer's expense, which is governed by PG&E's existing Rule 16,
22 Section F.2.b. These customers would not pay any other charges proposed
23 in this chapter.

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25 Total costs forecasted for modifications to the SmartMeter™ Program
26 were used to develop gas and electric revenue requirements. PG&E
27 requests that the Commission find the costs and associated revenue
28 requirements to be reasonable. PG&E's total cost forecast is based on an
29 initial estimation of approximately 145,800 customers who may choose to
30 participate in the radio-off metering option during the 2012-2013 period.
31 Actual customer participation may vary significantly, resulting in significantly
32 higher or lower costs and associated revenue requirements.

33 Additionally, if actual revenue requirements vary from the revenues
34 recorded in the MSMBAs, PG&E requests any resulting overcollection or

1 undercollection to be trued-up annually through the Modified SmartMeter™
2 Program rates via PG&E's AET and AGT filings.

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4 PG&E proposes that customers choosing an alternative metering option will
5 pay reasonable charges to cover the costs of implementing the program.
6 Customers will pay an up-front fee covering all or a portion of PG&E's immediate
7 costs of implementing the program, monthly fees covering its ongoing monthly
8 expenses and capital revenue requirements, and an exit fee upon no longer
9 participating.

10 PG&E proposes two customer charge proposals.

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12 PG&E proposes a \$135 up-front fee for non-California Alternate Rates
13 for Energy (CARE) customers, and a 20 percent discounted up-front fee of
14 \$105 for CARE customers. Customers will be given the choice of paying the
15 up-front fee at once or in installments over a reasonable financing period.

16 For monthly fees, PG&E proposes giving customers the choice of:

17 ffi Paying a fixed monthly fee of \$20 per month for non-CARE customers
18 and \$16 per month for CARE customers (Option 1); or

19 ffi Paying monthly rate adder per kilowatt-hour (kWh) (for electric only and
20 electric and gas combined customers) or per therm rates (for gas only
21 customers) (Option 2) of:

22 – 3.6¢ per kWh or 53.2¢ per therm for non-CARE customers

23 – 2.9¢ per kWh or 42.6¢ per therm for CARE customers

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25 PG&E proposes a \$270 up-front fee for non-CARE customers, and a
26 20 percent discounted up-front fee of \$215 for CARE customers.

27 Customers will be given the choice of paying the up-front fee at once or in
28 installments over a reasonable financing period.

29 For monthly fees, PG&E proposes giving customers the choice of:

30 ffi Paying a fixed monthly fee of \$14 per month for non-CARE customers
31 and \$11 per month for CARE customers (Option 1); or

1 The up-front fee, the monthly fees, and the exit fees will be recorded to
2 the MSMBA-E and MSMBA-G. Upon Commission approval, PG&E will file
3 an advice letter to implement a new tariff to charge customers, who
4 voluntarily request the alternative metering option, the up-front fee, the
5 monthly fixed or volumetric fees, and the exit fee.

6 ~~PG&E has estimated incremental annual revenue requirements based on~~

7 PG&E has estimated incremental annual revenue requirements based on
8 the incremental costs described in this chapter. Based on when the expenses
9 are incurred, and when capital expenditures are put into rate base, PG&E
10 derived associated revenue requirements for the years 2012 and 2013, as
11 shown in Table 3-6 below. PG&E requests that the Commission adopt the
12 forecasted revenue requirements of approximately \$84.4 million for the 2012
13 through 2013 period for modifications to the SmartMeter™ Program.

14 ~~This section describes the capital costs related to the implementation of~~

15 This section describes the capital costs related to the implementation of
16 the modifications to the SmartMeter™ Program. Capital costs requested in
17 this application are for upgrading PG&E's RF-mesh communications
18 network to address any degradation caused by the alternative metering
19 option and for IT upgrades supporting customer services.
20 Revenue requirements have been determined based on the depreciation
21 methods, and asset life information included in PG&E's 2011 GRC
22 Settlement Agreement currently pending approval by the Commission.
23 The calculation also uses the authorized rate of return, and capital ratios
24 adopted in PG&E's 2008 Cost of Capital (COC) decision,
25 Decision 07-12-049.¹¹ Subsequent calculations of capital-related revenue
26 requirements recorded to the applicable balancing accounts, will incorporate
27 the then-authorized asset parameters.

28 ~~The majority of these expenses are operating expenses related to~~

29 The majority of these expenses are operating expenses related to
30 turning off the radios from installed electric and gas SmartMeters™,
31 manually reading the radio-off meters on a monthly basis, and other

¹¹ Decisions 08-05-035 and 09-10-016 maintained the 2008 COC factors for 2009, 2010 and 2011, respectively.

operating costs for the program, including customer outreach and communications. Other expense-related costs include property, business, other taxes, and franchise fees and uncollectible accounts expense.

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Annual revenue requirements are estimated based on the incremental capital-related costs and operating expenses presented in this application, which are not included in any other PG&E cost recovery filing. PG&E is presenting these forecasted revenue requirements for several reasons:

- ffi To show how the incremental costs presented in this application translate into revenue increases.
- ffi To support PG&E’s request that the Results of Operations model assumptions and methods used to calculate the capital revenue requirements discussed herein be approved for calculating monthly capital.
- ffi To provide forecasted revenue requirements for the calculation and evaluation of rate impacts.

PG&E is requesting that the revenue requirement recovery be split between gas and electric departments. This revenue requirement is allocated between gas and electric based on the number of gas and electric customers, as shown in Table 3-6 below.

Table 3-6
Revenue Requirement Allocation by Department
 (a) Minor variances due to rounding.

Line No.	Year	Total(a)	Gas	Electric
1	2012	\$58,596	\$26,368	\$32,228
2	2013	25,789	11,605	14,184
3	Total	\$84,384	\$37,973	\$46,411

(a) Minor variances due to rounding.

For illustrative purposes, PG&E’s revenue requirement for 2014 would be \$26.3 million, based on the assumptions presented in this chapter.

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2 PG&E is proposing cost recovery for modifications to the SmartMeter™
3 Program through new balancing accounts. Only incremental costs and/or
4 associated revenue requirements to implement the modifications to the
5 SmartMeter™ Program will be recorded into these accounts. A full review of
6 forecast costs will take place as part of this application process, and once these
7 forecasts have been reviewed and adopted, no further reasonableness review
8 should occur.

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1 I am also sponsoring cost recovery testimony in various California Public
2 Utilities Commission proceedings, including PG&E's 2009 Market Redesign
3 and Technology Upgrade (A.10-02-012), General Rate Case – Phase 3
4 (A.10-03-014), Default Residential Rate Programs (A.10-08-005), and 2010
5 Market Redesign and Technology Upgrade (A.11-02-011).

6 Q 4 What is the purpose of your testimony?

7 A 4 I am sponsoring the following testimony in PG&E's Modifications to the
8 SmartMeter™ Program:

9 ffi Chapter 3, "Cost Recovery and Revenue Requirements," with the
10 exception of Section E, "Revenue Requirements," sponsored by

11 Redacted

12 Q 5 Does this conclude your statement of qualifications?

13 A 5 Yes, it does.

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Q 1 Please state your name and business address.

A 1 My name is Redacted, and my business address is Pacific Gas and Electric Company, 77 Beale Street, San Francisco, California.

Q 2 Briefly describe your responsibilities at Pacific Gas and Electric Company (PG&E).

A 2 I am a principal regulatory specialist in the Revenue Forecasting and Analysis section of the Analysis and Rates Department, where I am responsible for producing and supervising the preparation of revenue requirement models, and developing related testimony.

Q 3 Please summarize your educational and professional background.

A 3 I received a bachelor of science degree in nuclear and power engineering from the University of Cincinnati in 1985. I received a master of business administration degree from Golden Gate University in 1995. From 1985 to 1987, I worked as an engineer for Westinghouse Electric Corporation.

I joined PG&E in 1987 as an engineer in the Nuclear Power Generation Department. My responsibilities included nuclear fuel utilization analysis and reactor physics calculations. I was promoted in 1995 to supervisor, responsible for fuel and core technical analysis. In 1997, I was promoted to acting director of Nuclear Technical Services. My responsibilities included managing technical projects and programs supporting the Diablo Canyon Power Plant.

In late 1998, I left PG&E to join Altran Corporation, a management and engineering consulting company. As a senior consultant, I supported utilities throughout the United States on projects such as Y2K auditing, plant licensing review and probabilistic reliability studies.

I rejoined PG&E as a senior rates analyst in late 2000 and was promoted to the position of team lead of the Operations and Maintenance (O&M) expense group in August 2003. In this position, I was the working cash expert witness in the 2003 and 2007 General Rate Cases (GRC) as well as the O&M expense witness in Federal Energy Regulatory Commission filings. In June 2006, I became the supervisor of the Results of

1 Operations group. In this position, I continued to be the PG&E expert
2 witness for working cash in addition to being an expert witness for revenue
3 requirement calculations and being a case manager for the cost of capital
4 regulatory filing. In October 2010, I was promoted to my current position,
5 principal regulatory specialist. In this position, I continue to be focused on
6 the production of revenue requirement calculations for regulatory filings.
7 Most recently, I was the revenue requirement witness in PG&E's
8 SmartMeter™ Upgrade Program (A.07-012-009), the 2009 Rate Design
9 Window (A.09-02-022), the 2009 Nuclear Decommissioning Cost Triennial
10 Proceeding (A.09-04-007), the 2011 GRC (A.09-12-020), and the Market
11 Redesign and Technology Upgrade filing (A.09-06-001).

12 Q 4 What is the purpose of your testimony?

13 A 4 I am sponsoring the following testimony in PG&E's Modifications to the
14 SmartMeter™ Program:

15 ffi Chapter 3, "Cost Recovery and Revenue Requirements":

16 ffl Section E, "Revenue Requirements."

17 Q 5 Does this conclude your statement of qualifications?

18 A 5 Yes, it does.

- 1 ffi Chapter 2A, "Field Deployment Costs."
- 2 Q 5 Does this conclude your statement of qualifications?
- 3 A 5 Yes, it does.

1 improvement. My first role was in Product Lifecycle Development, and I was
2 subsequently promoted to director, Pricing Products, in October 2010.

3 Q 4 What is the purpose of your testimony?

4 A 4 I am sponsoring the following testimony in PG&E's Modifications to the
5 SmartMeter™ Program:

6 ffl Chapter 2C, "Customer Communications and Operations Support
7 Costs."

8 Q 5 Does this conclude your statement of qualifications?

9 A 5 Yes, it does.