

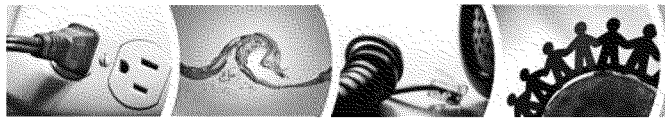
Date: March 30, 2012
To: President Peevey, Commissioner Ferron, Commissioner Florio,
Commissioner Sandoval, Commissioner Simon
From: Joe Como, DRA Acting Director
Subject: DRA report, "Case Study of Smart Meter System Deployment:
Recommendations for Ensuring Ratepayer Benefits"

DRA presents to you its report entitled *Case Study of Smart Meter System Development: Recommendations for Ensuring Ratepayer Benefits* which contains key findings and recommendations resulting from an in-depth analysis by DRA of the costs and benefits of Advanced Metering Infrastructure (AMI), thus far. The intention of the attached report is not to criticize ratepayer investments in AMI or to re-litigate the original AMI business cases. Rather, our intention is to raise awareness going forward so that ratepayers can realize the maximum benefit from their multi-billion dollar investment in AMI and so California can continue to be at the forefront of energy regulation. In this report, DRA makes recommendations about how to ensure ratepayers benefit from AMI investment with a case study of the AMI deployment of Southern California Edison (SCE).

The conclusions drawn in the report apply generally to all large investor owned utilities with AMI. DRA selected SCE's Smart Connect program as the subject for the case study for the following reasons:

- ffi SCE has a pending General Rate Case in which it is requesting recovery of SmartConnect-related costs and such an analysis would assist in evaluating SCE's data,
- ffi SCE is deploying only electric smart meters which simplifies the analysis,
- ffi SCE benefited from lessons learned by being the last of the three largest California electric utilities to deploy an electric AMI system, and
- ffi SCE's SmartConnect system was not complicated by a meter upgrade proceeding, as was PG&E's SmartMeter system.

California has served as an international example in many areas of energy regulation and innovation. However, in being a true leader, we must not only implement policies and programs, but also be able to verify that we are achieving the intended goals. In order to verify the achievements of AMI-related goals, it is critical to follow the overall costs and benefits in a holistic manner that may reach beyond the constraints of the primary proceeding.



I hope you will derive helpful insights from the report and look forward to discussing it with you.

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