

Decision 14-02-019 February 27, 2014

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
Southern California Gas Company
(U904G) to Establish an Advanced
Meter Opt-Out Program.

Application 12-05-016
(Filed May 11, 2012)

**DECISION ADOPTING AN ADVANCED METER OPT-OUT PROGRAM
FOR SOUTHERN CALIFORNIA GAS COMPANY**

1. Summary

This decision approves Southern California Gas Company's (SoCalGas) request for authority to establish an advanced meter opt-out option for its residential customers. The adopted option shall be similar to those offered by Pacific Gas and Electric Company, Southern California Electric Company, and San Diego Gas & Electric Company. This decision also adopts the following interim fees and charges for residential customers selecting the opt-out option:

For Non-CARE¹ Customers:

| | |
|----------------|---------------|
| Initial Fee | \$75.00 |
| Monthly Charge | \$10.00/month |

For CARE Customers:

| | |
|----------------|--------------|
| Initial Fee | \$10.00 |
| Monthly Charge | \$5.00/month |

¹ CARE customers are those customers participating in the California Alternate Rates for Energy program.

SoCalGas shall file a Tier 1 Advice Letter within 15 days of the effective date of this decision to implement the adopted opt-out option. SoCalGas is further authorized to establish a new two-way Memorandum Account to track revenues and costs associated with providing the opt-out option until a final decision on costs and cost allocation issues is issued in Application 11-03-014 et al. This proceeding is closed.

2. Background

On February 1, 2012, the Commission issued Decision (D.) 12-02-014, which modified Pacific Gas and Electric Company's (PG&E) SmartMeter Program to include an option for those residential customers who did not wish to have a wireless smart meter.² Similar decisions were issued for San Diego Gas & Electric Company (SDG&E) in D.12-04-019 and for Southern California Edison Company (SCE) in D.12-04-018.³ The Opt-Out Decisions adopted interim fees for those customers electing to participate in the opt-out option and directed that a separate phase (Phase 2) be initiated to consider cost and cost allocation issues associated with the opt-out option. The decisions also directed that Phase 2 consider whether the opt-out option should be extended to communities, such as local governments and residents of apartment buildings or condominium complexes.

On May 11, 2012, Southern California Gas Company (SoCalGas) filed the instant application, which requests authority to offer an option for those residential customers who do not wish to have an advanced meter installed at

² As used in this decision, a wireless smart meter is an electric or gas meter that transmits customer usage data through radio transmission.

³ D.12-02-014, D.12-04-018, and D.12-04-019 are collectively referred to as the "Opt-Out Decisions."

their location.⁴ Similar to the opt-out options adopted for PG&E, SDG&E, and SCE, SoCalGas' option would allow residential customers to opt out of having an advanced meter for any reason, or for no reason, and would adopt interim fees pending establishment of permanent fees in Phase 2 of Application

(A.) 11-03-014 et al. As part of implementing its opt-out option, SoCalGas proposes to file a Tier 1 Advice Letter that would include the following:

1. Establish procedures for residential customers to select the opt-out option if they do not wish to have an advanced meter.
2. Adopt the following interim fees interim fees and charges for residential customers selecting the opt-out option:

For Non-CARE⁵ Customers:

| | |
|----------------|---------------|
| Initial Fee | \$75.00 |
| Monthly Charge | \$10.00/month |

For CARE Customers:

| | |
|----------------|--------------|
| Initial Fee | \$10.00 |
| Monthly Charge | \$5.00/month |

3. Establish a new two-way Memorandum Account to track revenues and costs associated with providing the opt-out option until a final decision on costs and cost allocation issues is issued.

Finally, SoCalGas states that it will become a party in Phase 2 of A.11-03-014 et al. to consider cost and cost allocation issues associated with offering an opt-out option and whether to also allow a community opt-out option.

⁴ As used in this decision, a gas meter with the Advanced Metering Infrastructure (AMI) gas module installed is referred to as an "advanced meter."

A timely protest was filed by the Consumers Power Alliance (CPA). CPA maintains that SoCalGas' proposed interim rates are excessive, given the fundamental differences between the advanced meters and the electric smart meters utilized by PG&E, SCE, and SDG&E.⁶ It further notes that if the proposed interim rates are adopted, customers in SoCalGas and SCE's shared service territories would pay twice the amount for opting out of both advanced meters and electric smart meters than customers in PG&E's and SDG&E's service territories. CPA believes that such a result would be discriminatory.

A prehearing conference (PHC) was held on June 28, 2012. An Assigned Commissioner's Ruling and Scoping Memo (Scoping Memo) was issued on July 13, 2012. The Scoping Memo identified the scope of the proceeding to be:

1. Should SoCalGas' proposed opt-out option, which is similar to the options adopted for the other Investor-owned Utilities in the Opt-Out Decisions, be approved?
2. Should SoCalGas' proposed interim charges for those residential customers who elect the opt-out option be approved?⁷

Based on the protest and discussion at the PHC, the only disputed issue concerns whether it is fair to impose interim opt-out charges and fees on those SoCalGas customers who are also SCE customers. Parties agreed that this issue could be resolved without evidentiary hearings, since it concerns a policy

⁵ CARE customers are those customers participating in the California Alternate Rates for Energy program.

⁶ Consumers Power Alliance Protest to Application (CPA Protest) filed June 15, 2012, at 1.

⁷ See Assigned Commissioner's Scoping Memo and Ruling, filed July 13, 2012, at 3-4.

determination and not disputed facts. The Scoping Memo provided for a single round of briefing to address this disputed issue.

3. Parties' Positions

SoCalGas does not agree with CPA's proposal that customers in SoCalGas' and SCE's shared service territories should pay the same level of opt-out charges and fees to opt out of both advanced meters and electric smart meters as customers in PG&E's or SDG&E's service territories. It first notes that it also shares service territories with PG&E and SDG&E, as well as other publicly-owned electric utilities, including Imperial Irrigation District, Los Angeles Department of Water and Power, and the cities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Pasadena, and Riverside. Consequently, SoCalGas maintains that CPA's proposal could potentially have an impact beyond SoCalGas and SCE.⁸

SoCalGas further argues that the opt-out option is a service provided by the utility, which would require it to incur additional costs. These costs would include those associated with processing a customer's opt-out request and changes to its customer information and billing systems. It maintains that the overlapping of service territories does not impact the costs that will be incurred. "[A] customer who chooses to opt-out of the SoCalGas and SCE advanced meters imposes costs on both utilities, and those costs are the same for SoCalGas irrespective of whether the same customer chooses to opt-out of SCE. To set fees that change because a customer opts-out of multiple utilities is to somehow

⁸ Opening Brief of Southern California Gas Company (SoCalGas Opening Brief), filed July 27, 2012 at 5.

suggest that economies of scale exist where there are none.”⁹ As such, SoCalGas states it should be authorized to recover the costs associated with providing the opt-out option.

Finally, SoCalGas notes that PG&E has customers who receive electric service from SCE. SoCalGas argues that if the Commission had any concern that customers in overlapping service territories would pay overlapping opt-out fees, it would have addressed this concern in D.12-02-014.¹⁰ However, it states that D.12-02-014 did not adopt different interim opt-out fees for those PG&E customers who receive electric service from SCE.

CPA rebuts SoCalGas’ Opening Brief by noting that SoCalGas fails to address the fact that some customers would have to pay twice as much as others to opt-out of gas and electric smart meters.¹¹ It further disputes SoCalGas’ conclusion that the Commission was not concerned that customers in overlapping service territories would pay two separate sets of opt-out fees. CPA notes that at the time D.12-02-014 was adopted, SoCalGas had not yet filed this application. Consequently, there was no reason for the Commission to discuss overlapping opt-out fees.¹² Finally, CPA notes that SoCalGas’ proposed interim opt-out fees are not cost-based and cannot be considered reasonable simply because they are consistent with the interim fees adopted for the other utilities. “SoCalGas is not an electric utility. The equipment and systems it is deploying

⁹ SoCalGas Opening Brief at 7.

¹⁰ SoCalGas Opening Brief at 6.

¹¹ CPA Reply Brief at 2.

¹² CPA Reply Brief at 3-4.

are materially different than those being deployed by other electric utilities and cost differentials may likely exist.”¹³

CPA maintains that the issue of fairness to ratepayers in the overlapping service territories must be considered in this instance. It maintains that the proposed interim fees have not been found to be cost-justified nor best structured in a way to serve policy objectives and the interest of the public.¹⁴ It notes that although SoCalGas proposes the same level of interim fees as PG&E, SCE, and SDG&E, SoCalGas has not yet commenced deployment of its AMI program. In contrast, PG&E, SCE, and SDG&E have, or will soon, complete deployment of their smart meters.¹⁵ Further, CPA states that SoCalGas’ gas smart meters are different than the electric smart meters in that the gas meters do not need to be completely replaced.¹⁶ Consequently, CPA argues that it would be unreasonable for the Commission to authorize interim rates for SoCalGas that are identical to those of the electric utilities.¹⁷

In response to these arguments, SoCalGas states that CPA incorrectly concludes that SoCalGas’ opt-out costs should be lower than PG&E or SCE. SoCalGas asserts “the utilities’ opt-out costs are not driven by the type of meter being installed, but also by the costs to construct information systems to automate the opt-out process and the labor costs to enroll customers in the program, to perform work at the meter to install or remove a module and to read

¹³ CPA Reply Brief at 6.

¹⁴ CPA Opening Brief at 2.

¹⁵ CPA Opening Brief at 3.

¹⁶ CPA Opening Brief at 9.

¹⁷ CPA Opening Brief at 10.

the meter.”¹⁸ Further, SoCalGas notes that by authorizing its opt-out program and establishing interim fees before it begins mass installation of the advanced meter modules would provide cost savings to customers.”¹⁹

4. Discussion

There appears to be no dispute that SoCalGas should be authorized to modify its existing AMI project to offer an option for those residential customers who do not wish to have an advanced smart meter to have a gas analog meter. SoCalGas’ proposed Tier 1 Advice Letter requirements are the same requirements we adopted for PG&E, SCE, and SDG&E in the Opt-Out Decisions. With the exception of the level of the interim fees and charges, parties do not oppose SoCalGas’ proposed procedures for offering an opt-out option.

Parties do not dispute that SoCalGas will incur costs to provide an opt-out option. The question of the costs that should be authorized for recovery and the allocation of these costs among customer groups are under consideration in Phase 2 of A.11-03-014 et al. The issues to be considered here are whether SoCalGas’ proposed interim fees and charges are reasonable, and whether it is fair to assess these interim fees and charges on those SoCalGas customers who receive electric service from SCE prior to a final determination of costs and cost allocation.

SoCalGas’ proposed interim fees and charges are the same as those adopted for PG&E, SCE, and SDG&E. CPA’s opposition to the proposed level of fees and charges are based on its belief that the costs to opt-out of an advanced

¹⁸ SoCalGas Reply Brief at 6.

¹⁹ SoCalGas Reply Brief at 5. Although SoCalGas had not begun deployment of its Advanced Meter project when it filed this application, it did initiate deployment in October 2012.

meter are lower than the costs to opt-out of an electric gas meter. CPA's conclusion, however, only looks at the meter itself, and not the other costs associated with providing the opt-out option. These include SoCalGas' costs to modify its information system and operations to accommodate the opt-out option. The interim fees and charges adopted in the Opt-Out Decisions are significantly lower than the fees and charges proposed by the utilities.²⁰ While SoCalGas' costs to offer an opt-out option may be lower than the costs for PG&E, SCE, and SDG&E, that alone does not lead to a conclusion that SoCalGas' interim fees and charges should be set at a lower amount than the other utilities. Consequently, we find that SoCalGas' proposed interim fees and charges are reasonable and should be adopted.

CPA next argues that it would be discriminatory to require customers in the overlapping SoCalGas and SCE territories to pay twice as much to opt-out of having gas and electric smart meters than customers served by PG&E or SDG&E. Therefore, it maintains that in the interest of fairness, no interim fees and charges should be assessed on those SoCalGas customers who receive electric service from SCE. While we agree that we should consider what is fair to the customers in the overlapping service territories, we must also balance that against fairness to the utility. CPA's position fails to take into consideration the fact that SoCalGas will incur costs for every residential customer who selects the opt-out option, regardless of whether the customer receives electric service from SCE,

²⁰ See, D.12-02-014 at 16 (PG&E's proposed initial charge of \$270 and monthly charge of \$16 for analog opt-out option); D.12-04-018 at 10 (SCE's proposed initial charge of \$91 and monthly charge of \$25 for analog opt-out option); D.12-04-019 at 8 (SDG&E's proposed initial charge of \$202 and monthly charge of \$15 for analog opt-out option).

PG&E, SDG&E or a publicly-owned utility (e.g., Burbank Water and Power). As SoCalGas has noted,

SCE and SoCalGas have shared service territories well prior to consideration of its respective opt-out programs, but the Commission does not split costs between the utilities so that they are in some way “artificially” treated like a joint commodity utility.²¹

We do not find that CPA sufficient justification why the interim opt-out fees and charges should be treated differently, especially since the Commission has not previously waived fees for similar services in overlapping service territories.

Moreover, CPA’s arguments ignore the fact that there are opt-out customers in other overlapping service territories, such as SCE customers who receive gas service from PG&E. CPA has not explained why it would not be discriminatory to grant a waiver to SoCalGas/SCE customers, while other similarly situated customers would be required to pay the opt-out fees and charges to both utilities. We do not believe it would be fair to treat SoCalGas differently with respect to collection of interim fees and charges merely because it did not file an application to offer an opt-out option until after the Opt-Out Decisions were issued.

Finally, we do not find CPA’s comparison of the opt-out fees and charges to be paid by SoCalGas customers with the fees and charges paid by PG&E and SDG&E customers to be applicable. PG&E and SDG&E customers are not served by more than one utility, and to the extent they are, they are subject to two sets of opt-out fees and charges.

²¹ SoCalGas Opening Brief at 8.

Based on these considerations, we adopt SoCalGas' proposed interim opt-out fees and charges. These interim fees and charges will be imposed on all residential customers who elect the opt-out option. These fees and charges will be subject to adjustment pending the resolution of Phase 2 in A.11-03-014 et al. SoCalGas has participated in the second phase of A.11-03-014, which has considered its proposed costs and cost allocation issues with providing an opt-out option.

Finally, SoCalGas' request to establish a new two-way Memorandum Account to track revenues and costs associated with providing the opt-out option during this interim period is granted. Authorization of this Memorandum Account, however, does not necessarily mean that the Commission has decided that the types of costs to be recorded in the account should be recoverable in addition to rates that have been otherwise authorized, e.g., in a general rate case. SoCalGas is reminded that just because the Commission has authorized these Memorandum Accounts does not mean that recovery of costs in the Memorandum Account from ratepayers is appropriate. Thus, SoCalGas shall bear the burden when it requests recovery of the recorded costs, to show that separate recovery of the types of costs recorded in the account is appropriate, that the utility acted prudently when it incurred these costs and that the level of costs is reasonable.

5. Next Steps

It is our desire to have the opt-out option approved in today's decision implemented as soon as possible. Consequently, SoCalGas is directed to file a Tier 1 Advice Letter to implement an advanced meter opt-out option for its AMI project and to establish an Advanced Meter Opt-Out Tariff within 15 days of the effective date of this decision. This Advice Letter filing shall:

1. Establish procedures for residential customers to select the opt-out option if they do not wish to have an advanced meter.
2. Establish procedures to inform customers that the AMI project has been modified to include an opt-out option for residential customers who do not wish to have an advanced meter at their location.
 - a. Customers who do not wish to have an advanced meter at their location must exercise the opt-out option. However, any customer who prevents or fails to provide reasonable access to install an advanced meter will deem to have affirmatively exercised the opt-out option.
3. Adopt the following interim fees and charges for residential customers selecting the opt-out option:
For Non-CARE Customers:

| | |
|----------------|---------------|
| Initial Fee | \$75.00 |
| Monthly Charge | \$10.00/month |

For CARE Customers:

| | |
|----------------|--------------|
| Initial Fee | \$10.00 |
| Monthly Charge | \$5.00/month |
4. Establish a new two-way Memorandum Account to track revenues and costs associated with providing the opt-out option until a final decision on costs and cost allocation issues is issued.

As part of implementing the opt-out option, SoCalGas shall comply with the following guidelines:

1. Residential customers may begin signing up to participate in the opt-out option 20 days after the effective date of this decision. SoCalGas shall have a dedicated phone number for customers to call and sign up for the opt-out option. This number shall be staffed by customer service representatives trained to explain the opt-out option and fees.

2. Since a residential customer may opt-out for any reason, or no reason, SoCalGas may not require a customer to explain or state why he or she wishes to participate in the opt-out option as a condition for signing up.²²
3. SoCalGas shall not charge customers the initial fee or the monthly charges until one of the following occurs: (1) for customers who do not yet have an advanced meter installed, the customer notifies SoCalGas that he/she does not want an advanced meter; or (2) for customers who already have an advanced meter installed, the customer notifies SoCalGas that he/she no longer wants advanced meter services and SoCalGas removes the advanced meter.
4. Customers may pay the initial fee to participate in the opt-out option over a three-month period.
5. SoCalGas may remove a customer from participating in the opt-out option if the customer fails to pay either the initial fee within three months of electing the opt-out meter or the monthly charge.
6. A customer may only enroll in the opt-out option once per calendar year at the same residence.

6. Comments on Proposed Decision

The proposed decision of Administrative Law Judge (ALJ) Amy Yip-Kikugawa in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on February 13, 2014 by SoCalGas. No reply comments were filed. The decision has been revised, as necessary, in response to comments.

²² However, SoCalGas may ask this question if a response is optional.

7. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Amy C.

Yip-Kikugawa is the assigned ALJ in this proceeding.

Findings of Fact

1. D.12-02-014 modified PG&E's SmartMeter Program and adopted an analog meter opt-out option for residential PG&E customers who do not wish to have a wireless smart meter.

2. D.12-04-018 modified SCE's SmartConnect Program and adopted an analog meter opt-out option for residential SCE customers who do not wish to have a wireless smart meter.

3. D.12-04-018 modified SDG&E's AMI Program and adopted an analog meter opt-out option for residential SDG&E customers who do not wish to have a wireless smart meter.

4. SoCalGas' opt-out option is similar to the opt-out options adopted for PG&E, SDG&E, and SCE.

5. SoCalGas is participating in Phase 2 of A.11-03-014 et al. to establish permanent fees and charges for opt-out customers.

6. SoCalGas shares service territories with SCE, PG&E, SDG&E, and other publicly-owned electric utilities.

7. SoCalGas will incur costs associated with offering an opt-out option.

8. The Commission has not previously waived or split fees for similar services in overlapping service territories.

Conclusions of Law

1. SoCalGas' proposed advanced meter opt-out option should be approved.

2. A residential customer selecting the opt-out option should be assessed an initial charge and a monthly charge.

3. It would not be reasonable to waive the opt-out fees and charges for SoCalGas residential customers who receive electric service from SCE.
4. An interim initial fee and monthly charge for customers electing the opt-out option should be assessed until final decision on cost and allocation issues is issued in A.11-03-0174 et al.
5. SoCalGas should be authorized to establish a new two-way gas Memorandum Account to track revenues and costs associated with providing the opt-out option until a final decision on cost and allocation issues is issued in A.11-03-0174 et al.
6. SoCalGas' proposed opt-out option should be implemented as quickly as possible.
7. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company's request to establish an advanced meter opt-out option for its residential customers is approved.
2. Within 15 days of the effective date of this decision, Southern California Gas Company shall file a Tier 1 Advice Letter to implement an advanced meter opt-out option for its Advanced Metering Infrastructure Program (AMI) project and to establish an Advanced Meter Opt-Out Tariff. The Advice Letter filing shall:
 - a. Establish procedures for residential customers to select the opt-out option if they do not wish to have as advanced smart meter.
 - b. Establish procedures to inform customers that the AMI Program has been modified to include an opt-out option

for residential customers who do not wish to have an advanced meter at their location.

- c. Customers who do not wish to have an advanced meter at their location must exercise the opt-out option. However, any customer who prevents or fails to provide reasonable access to install an advanced meter will deem to have affirmatively exercised the opt-out option.
- d. Adopt the following interim fees and charges for residential customers selecting the opt-out option:

For Non-CARE Customers:

| | |
|----------------|---------------|
| Initial Fee | \$75.00 |
| Monthly Charge | \$10.00/month |

For CARE Customers:

| | |
|----------------|--------------|
| Initial Fee | \$10.00 |
| Monthly Charge | \$5.00/month |

- e. Establish a new two-way Memorandum Account to track revenues and costs associated with providing the opt-out option until a final decision on costs and cost allocation issues is issued.

3. Southern California Gas Company shall comply with the guidelines stated in Section 5 of this decision.

- 4. Application 12-05-016 is closed.

This order is effective today.

Dated February 27, 2014, at San Francisco, California.

MICHAEL R. PEEVEY
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
MICHAEL PICKER
Commissioners