Application of San Diego Gas & Electric Company (U-902-E) for Adoption of an Advanced Metering Infrastructure Deployment Scenario and Associated Cost Recovery and Rate Design.	Application 05-03-015

CHAPTER 16

AMI BUSINESS POLICY

Prepared Rebuttal Testimony

of

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SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

SEPTEMBER 7, 2006

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The Energy Action Plan (EAP) recognizes that California is in the process of transforming its electric utility distribution network from a system using 1960s era technology to an intelligent, integrated network enabled by modern information and control system technologies. "Significant capital investments are needed to support existing facilities, replace aging infrastructure, and ensure that California's electrical supplies will meet current and future needs...." (EAP II, p.10).

One key directive of EAP II is to "promote adequate investment in the utility distribution system, with an emphasis on translating those expenditures into higher levels of reliability" (EAP II, p.10). Although UCAN and DRA appear to understand the objective, they differ from one another and from SDG&E over what technology SDG&E should deploy and how quickly SDG&E should transition its existing energy delivery system into one capable of providing our customers with state-of-the-art services.

DRA and UCAN present contrasting views of SDG&E's AMI system functionality. DRA suggests that SDG&E has gone too far in our proposed AMI system design by including certain "demanding technical requirements." Conversely, UCAN asserts that SDG&E has not gone far enough and our plan is "unduly limited in scope and vision." We believe, however, that our proposal is positioned correctly between these opposite visions. We are proposing a system that will give our customers the significant benefits AMI offers today and also lays the foundation for future expansion with additional capabilities, enabling even greater operational efficiencies, increased reliability and new customer services. SDG&E's AMI proposal is flexible and can accommodate future technology upgrades.

UCAN's assertion that SDG&E is presenting "a piecemeal and inappropriately limited" AMI proposal is without basis. SDG&E agrees with UCAN that technological advances will make "smart grid" a viable option in the San Diego region at a future date. In fact, SDG&E is assessing "smart grid" technologies and will deploy such technologies when they are reliable and cost effective. We believe, however, that SDG&E's AMI proposal is future oriented and is a first step towards a smart grid. AMI technology is clearly foundational to "smart grid" because AMI provides data on the farthest endpoint of the distribution system (at the customer's premises). Compiling this distribution end-point data is significant because it provides a more complete view of the distribution system. In addition to collecting endpoint and time differentiated consumption data, our AMI proposal is capable of providing two-way communication to the customer premises, handling net metering, and improving outage detection and restoration capabilities. Furthermore, it allows transmission and distribution (T&D) operations to sense, monitor, and analyze information from many data sources at various levels of system granularity. System planners can utilize this information to optimize assets. These are all key components of a "smart grid."

The EAP II –mandated loading order " identifies energy efficiency and demand response as the State's preferred means of meeting growing energy needs" (EAP II, p.2) and places a high premium on reducing peak demand through demand response programs and dynamic pricing, rather than constructing new generation to meet peak demand needs. DRA appears to agree with the economic principles behind demand response rates, but does not want SDG&E to put a default CPP rate into practice. This is contrary to the Commission's clear policy direction. SDG&E is perplexed by statements of DRA that interpret Commission decisions and rulings as expressing a reluctance to approve default CPP rates, when in fact the Commission's explicit intent is just the opposite.[1] In its review of IOU applications proposing default critical peak pricing tariffs for 2007 the

[1] DRA Testimony, Chapter 5, p. 5-14, lines 17-19. "...DRA disagrees with SDG&E's rate design assumption for C&I customers. There is no evidence indicating that the Commission will eliminate the current TOU rates and make CPP mandatory."

Commission expressed its desire for a meaningful CPP rate proposal. The Commission did not adopt the "tentative" CPP rate proposals offered in a settlement agreement, in part, because of the limited demand response that could be expected from the rate proposals:

> ...we share several of the concerns raised by TURN in its comments about the limited amount of demand response expected from the proposed rates and the relative value of a voluntary or default critical peak pricing tariff. We agree with TURN that a default tariff, coupled with education, technical assistance, and technical incentives, will result in the most demand response from those customers whose load profiles cause them to place a disproportionate amount demand on peak, where demand reduction is most valued and needed (D. 06-05-038, page 15)

A further indication of the Commission's commitment to implement default CPP rates now is evidenced in a recent Assigned Commissioner's Ruling (ACR), dated July 26, 2006, in Phase 2 of the Pacific Gas and Electric Company (PG&E) General Rate Case (GRC). In her ACR, Commissioner Chong explicitly directs PG&E to propose a default CPP rate. Additionally, a recent draft decision from Commissioners Brown and Gruenich, directs SDG&E to accelerate its GRC Phase 2 filing to January 2007 and to propose a default CPP rate proposal in that filing so that the rate can be in place by January 2008 concurrent with the initial deployment of the AMI meters.

SDG&E believes that time-based rates are critical to achieving the full benefits of an AMI system. Accordingly, SDG&E has made it clear that it will propose a default CPP rate for its medium and large customers at the next possible opportunity. The Commission should consider DRA's argument to reduce SDG&E's demand response benefits to be suspect. DRA based its demand response calculation on what can be expected with current rates and voluntary participation in demand response rates - - an assumption which is inconsistent with the Commission's ratemaking policy.

DRA continues to compare SDG&E's AMI proposal with the proposal presented by PG&E. There is one important point that the Commission should not

forget; an AMI solution should be designed around a utility's unique system and demand response characteristics. The best AMI system for one utility may not be the most optimal system for another. The Commission recognized this reality when it directed IOUs to develop and propose individual AMI projects. SDG&E's proposal should be judged on its merits and not on how it compares to a system designed for a different utility.

Our proposal is designed to serve SDG&E's customers. With the Commission's approval, SDG&E will deploy an AMI system that is best suited to meet SDG&E's and State's requirements. SDG&E is conducting a rigorous assessment and selection of available state-of-the-art AMI technologies and supporting information systems.

In summary, SDG&E is ready and eager to move forward with full AMI deployment. We trust that the Commission will approve our plan as proposed and allow SDG&E to begin the necessary work to transform our distribution system to our customer's benefit.

This concludes my rebuttal testimony.