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<td>2. DRA’s testimony from Mr. Hadden, asserts that reducing or eliminating SDG&amp;E’s AMI technology Data accuracy and 2-way bi-directional meter requirements may reduce systems costs by 15%. Mr. Hadden has no basis for this claim.</td>
<td>4</td>
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<td>3. SDG&amp;E supports DRA’s testimony from Mr. Hadden Chapter 8 regarding AMI Technology acceptance testing as being essential to SDG&amp;E’s vendor solicitation and contracting process. These costs are incorporated into SDG&amp;E’s AMI business case.</td>
<td>5</td>
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<td>5</td>
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<tr>
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<td>5</td>
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Chapter 18
Prepared Rebuttal Testimony
of
TED M. REGULY
SAN DIEGO GAS & ELECTRIC COMPANY

I. Introduction

The purpose of this testimony is to respond to several claims and assertions made by the Utility Consumers Action Network (UCAN) and the Division of Ratepayer Advocates (DRA) witnesses in their prepared testimony submitted on August 14, 2006, specifically with regard to SDG&E’s AMI Technology selection strategy. I will be sponsoring my own rebuttal as well as identifying and summarizing key rebuttal testimony of other SDG&E witnesses. Attached is a letter from Mr. Steve Pullins of SAIC (Author of EPIC study) to Mr. Scott Anders of EPIC which addresses several of UCAN’s misrepresentations of a preliminary draft of the EPIC San Diego Smart Grid Study.

II. SDG&E’s AMI Technology and Installation costs are 21% lower than PG&E’s Commission approved costs and incorporate solid state meter technology

Both DRA and UCAN compare SDG&E’s AMI business case to Pacific Gas and Electric Company’s (PG&E’s) as filed in A.05-06-028 and approved by the Commission in D. 06-07-027. This is logical since PG&E is the first utility in California to undergo a full Commission review of an AMI proposal. However, it is important to note the major differences between the two proposals in order to effectively evaluate the two business cases side by side. The most important difference is that PG&E is retrofitting its electromechanical meters to accept an AMI communication module whereas SDG&E is proposing to install a new solid state meters with the communication module embedded in the meter. SDG&E calculates that the installed cost per meter in SDG&E’s case is actually 21.8% lower than the costs for PG&E to retrofit it meters.

Table TMR 18-1 (Attachment A) compares SDG&E’s AMI Technology and Installation costs to those approved by the Commission for PG&E. It is a direct comparison of PG&E’s approved AMI Technology and Installation costs to those SDG&E provided to DRA in response to DRA Data Request No. 43 with modifications as noted.
As stated in DRA witness Geilen’s prepared direct testimony (DRA, Chapter 1), DRA compares SDG&E’s and PG&E’s cost and benefits. For the reasons described in Mr. Kyle’s testimony, SDG&E does not support using this approach for modeling SDG&E’s business case cost effectiveness for reasons noted in his rebuttal testimony. SDG&E believes, however, that this method is appropriate for the purpose of comparing SDG&E to PG&E AMI system costs.

As shown in table TMR 18-1, SDG&E’s estimated costs for its AMI system (including installation) is $21.8\%$ lower than PG&E’s costs for its AMI system (plus installation) on a PVRR basis utilizing DRA’s recommended analytical approach. In an *ex parte* notice dated July 14, 2006, DRA criticized PG&E’s intent to utilize retrofitted electro-mechanical as being ‘old fashioned’.

“DRA also explained that the PD errs in allowing Pacific Gas and Electric Company (“PG&E”) to use old fashioned electro-mechanical meters and should instead require PG&E to use solid state, electronic meters in those instances where it plans to replace meters as part of its Advanced Metering Infrastructure project”. With Attachment 1 specifically stating, “Solid state meters have more benefits and features than old mechanical types, are a proven, reliable technology, and are not significantly more expensive than the old fashioned meters”.

Given that SDG&E’s AMI system and installation costs are $21.8\%$ lower than PG&E’s on a per meter basis, and its system provides as much or more functionality via a solid state electric meter, the Commission should find SDG&E’s AMI System and Installation costs reasonable. Further, as specifically stated in Mr. Abbott’s January 18, 2006 testimony in the matter of PG&E’s A.05-06-028 at page 2-25 lines 20 -23, AMI System and installation costs in this range are reasonable:

“The costs of the meter and its communication module appear to be generally in line with other recent AMI system procurements I am familiar with. The installed cost per meter point of the overall system also appears to be in the middle of the expected range.”

The Commissions’ final decision adopts that conclusion (PG&E’s AMI Proceeding dated July 20, 2006 at page 63).

“The project costs, as stipulated (see Table 1), are reasonable and within the range of a likely litigated outcome”.

TMR-2
### Table TMR 18-1

<table>
<thead>
<tr>
<th>Cost Source:</th>
<th>PG&amp;E's AMI Costs</th>
<th>SDG&amp;E's AMI Costs</th>
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</thead>
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<tr>
<td></td>
<td>PVRR ($ Millions)</td>
<td>PVRR ($ Millions)</td>
</tr>
<tr>
<td>Vahlstrom</td>
<td>1,016.8</td>
<td>147.0</td>
</tr>
<tr>
<td>Lau**</td>
<td>394.4</td>
<td>96.0</td>
</tr>
<tr>
<td>Nguyen</td>
<td>129.3</td>
<td>4.0</td>
</tr>
<tr>
<td>All others</td>
<td>647.9</td>
<td>212.5</td>
</tr>
<tr>
<td>Total</td>
<td>$2,188.4</td>
<td>$590.1</td>
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<tr>
<td></td>
<td>Technology &amp; Install</td>
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<th>PG&amp;E's AMI Costs</th>
<th>SDG&amp;E's AMI Costs</th>
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<tbody>
<tr>
<td>Total Elec. &amp; Gas Meters (Millions)</td>
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<tr>
<td>PVRR per E&amp;G meter ($/meter)</td>
<td>$240</td>
<td>$191</td>
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<td>Percent higher/(lower) than PG&amp;E</td>
<td>6.3%</td>
<td>-21.8%</td>
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<td>Total Electric Meters (Millions)</td>
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<tr>
<td>PVRR per Elec meter ($/meter)</td>
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<td>$348</td>
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<td>Percent higher/(lower) than PG&amp;E</td>
<td>3.6%</td>
<td>-25.3%</td>
</tr>
</tbody>
</table>

*From PG&E Oct. 13, 2005 Application Update page 3
*From DRA Data Request 43
**Excludes PG&E's Remote Turn on/off switches ($76.4 M).
*Excludes SDG&E's PCTs ($17.9 M).