Tamara Cordova, Esq.
NEVADA STATE BAR NO. 8037
Samuel S. Crano, Esq.
NEVADA STATE BAR NO. 7664
PUBLIC UTILITIES COMMISSION OF NEVADA
1150 E. William Street
Carson City, NV 89701-3109
Telephone: (775) 684-6151

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Investigation regarding NV Energy’s Advanced Service Delivery Meter Program a/k/a Smart Meter and its implementation. Docket No. 11-10007

REGULATORY OPERATIONS STAFF’S REPLY COMMENTS

COMES NOW, the Regulatory Operations Staff (“Staff”) of the Public Utilities Commission of Nevada (“Commission”), and pursuant to the Notice of Second Request for Comments and Notice of Workshop (“Notice”) filed December 12, 2011, provides its reply comments.

In the Notice, the Commission requested comments from NV Energy regarding various opt-out proposals from the NV Energize (smart meter) program, and reply comments from other interested parties, including Staff.

Initially, Staff would note that the Order in Docket Nos. 10-02009, 10-03022 and 10-03023 accepted the smart meter program based on NV Energy’s assertion that the program would be cost effective through use of federal grant monies and operational savings to offset the costs of the program. If allowing an opt-out process either causes those operational savings not to materialize, or imperils the availability of grant monies, Staff believes that those choosing to opt-out of the program (the cost causers) should pay whatever amount is necessary to make the other ratepayers whole. A new subsidy should not result from any opt-out provision. That being said, if a customer chooses to pay the full costs of opting-out of the NV Energize program, Staff fully supports that customer’s right to do so.

Further, Staff notes that NV Energy’s cost estimates associated with non-standard metering
options are preliminary. Staff, therefore, did not have sufficient data to analyze the reasonableness of the cost estimates. However, as the present Docket has not been properly noticed to include an opt-out cost in NV Energy's tariff, but only to evaluate customer concerns and investigate an opt-out process, Staff believes the preliminary cost estimates are sufficient for comparing opt-out methods, while noting that the final cost of an opt-out option could be significantly different.

The following are some of Staff's general concerns:

NV Energy's derivation of non-recurring and monthly fees for non-standard metering arrangements is based on NV Energy's recommendation that all additional costs associated with non-standard metering arrangements should be recovered from those who request such arrangements. NV Energy's recommendation is based on NV Energy's reading of Rule 16. Though Staff agrees that cost causers generally should pay for the costs they cause, the Commission may want to consider whether non-standard metering arrangements should simply be considered part of NV Energize prior to assigning certain costs. Further, some of the on-going operating costs associated with monthly fees may be represented in the basic service charge that all customers will be paying regardless of metering arrangements and therefore, might be overstated in NV Energy's Comments.

Perhaps most importantly, NV Energy's assumptions of 4,500 non-standard metering arrangements in southern Nevada and 3,000 non-standard metering arrangements in northern Nevada are the basis for the calculation and are not supported by actual data of what the eventual number of opt-out customers is likely to be. The cost estimates may differ significantly, thus perhaps several variations should be done at different levels of participation of the opt-out program for comparison.

Some remaining questions concern whether the opt-out option is indefinite, or will be offered only for a specified length of time, whether the option to opt-out will be available to all customers or only those currently on the postponement list, and whether the option will be advertised to customers, and the aggressiveness of said advertising. Staff recommends that the Commission may want to gather additional information in those areas as well, prior to adopting a final opt-out procedure.

---


2 Other Staff concerns are outlined below in the evaluation of NV Energy's answers to Commission questions.
NV Energy’s Comments:

NV Energy, in its Comments, filed December 28, 2011, presented four opt-out proposals and presented analysis, as requested in the Notice. NV Energy classified the opt-out proposals as Non-Standard Metering Alternatives ("NSMA") A-D, which tracked the requested alternatives proposed in the Notice (at page 1). NV Energy requests the Commission modify tariff Rule 16 to set the smart meter as the Standard Metering Arrangement and to adopt NSMA C as the preferred NSMA. Staff, generally, does not object to the framework outlined by NV Energy in that regard. Staff believes it is reasonable to try and incorporate any opt-out program into NV Energy’s currently existing tariff to the extent possible, given the potential benefit the prior vetting and experience with the currently existing tariff could provide to ratepayers and the utility. Of the opt-out options outlined, NSMA C seems the most cost effective, while eliminating the bulk of the customer complaints that have been brought forward to date (concerns regarding RF exposure and data security).

In evaluating the four opt-out options, NV Energy addressed all ten of the questions posed by the Notice. Staff does have concerns regarding the response provided in some instances, as outlined below:

1) Whether any opt-out alternative would affect the $139 million grant received from the United States Department of Energy.

NV Energy states that the Department of Energy (DOE) has indicated that it will reimburse NV Energy for 50 percent of the cost of purchasing L&G meters, removing the communications module, and installing a L&G meter that does not contain a communications module ("NSMA C")\(^3\) or modifying a present smart meter to broadcast less frequently ("NSMA D").\(^4\) Because of this, NV Energy does not believe that their preferred non-standard metering arrangement, NSMA C, would jeopardize DOE funding.\(^5\)

NV Energy indicates that DOE will not reimburse the company for either installing an analog meter ("NSMA A") or installing a digital meter that does not record interval

---

\(^3\) *Id.* Section II(C), page 10; Attachment 6, page 3.

\(^4\) *Id.* at Attachment 7, page 3.

\(^5\) *Id.* at Section III(A), page 12. It should be noted, however, that NV Energy backed off a little bit from the above statement, saying that "NV Energy cannot speak definitely for the DOE." *See* *Id.* at page 11, line 25.
data (“NSMA B”). However, NV Energy does not address if opt-out options A or B would be considered a material failure to comply with the terms and conditions of the grant, so as to allow DOE to terminate the grant. Staff believes the number of eventual opt-out customers and allowed opt-out methods could materially impact that analysis.

2) Whether the low radiation chip for the wide area network (WAN) can be turned off and if so, at what cost.

NV ENERGY states that it has the ability to manually remove the FlexNet and ZigBee communications module from the L&G meter.\(^6\)

In Section III(B), NV Energy estimates that the labor and transportation costs for a site visit to disable the ZigBee communication module would be $89.56 per meter within NPC’s service territory and $107.33 per meter within SPPC’s service territory.

The costs are further delineated in Attachment 6, wherein the direct cost of installation is listed as $89.56 per meter within NPC’s service territory and $107.33 per meter within SPPC’s service territory, meter modification labor to remove the communications module would be an additional cost of $42.94 and $48.62 in NPC’s and SPPC’s service territories respectively. However, NV Energy indicates that the DOE will reimburse NV Energy for half the cost of removing the communications module and installation. Thus the cost to NV Energy for meter modification labor and installation would equal $66.25 and $77.98 per meter in NPC’s and SPPC’s service territories respectively. NV Energy then adds to this cost for customer support and application processing labor, customer communications materials and reinstallation of a standard smart meter (more commonly referred to as exit fees) for a total projected up-front cost of $129.92 in southern Nevada and $153.33 in northern Nevada.\(^7\)

Staff would note, however, that NV Energy’s up-front cost estimations are based on their statement that a customer premises visit is required for all opt-out options regardless of the current serving arrangement (i.e., analog or AMI meter). Staff believes the need for a customer premise visit every time needs to be investigated further.

3) Whether the radio transmission capability of the wireless smart meters can be turned off remotely and the associated cost to include that feature.

NV Energy states that it currently cannot remotely disable the FlexNet communications module in either the Sensus or L&G meters. However, Sensus has started to develop this capability within the meter. The process of releasing that

\(^6\) Id. at Section III(B), page 12 and Section III(C), pages 12-13.

\(^7\) Id. at Attachment 6, page 3-6.
capability would involve an upgrade to FlexNet and ZigBee firmware as well as the head-end software and would not available before the third quarter of 2012. No cost estimates were provided for firmware update.

4) Whether the radio transmission capability of the wireless smart meters can be programmed to turn on and transmit data at a specified time each month and the associated cost to include that feature.

According to NV Energy, Sensus indicated that the time between transmissions from a FlexNet enabled meter currently is configurable. The longest allowable time between transmissions currently is 84 hours. As such, the FlexNet radio cannot be configured to transmit only once a month. While Sensus might be able to develop a firmware upgrade that would facilitate fewer transmissions, the cost of such an alternative cannot be estimated at this time. Better information regarding this option would be necessary to evaluate effectively.

5.) A comparison of costs to implement each of the alternatives:
   a. If an analog meter is currently installed.
   b. If a wireless smart meter is currently installed.

The cost calculations associated with the four alternatives assumes the same cost estimates regardless of having an analog or smart meter installed. This assumption is based on NV Energy’s claim that a customer premises visit is necessary regardless of the current serving arrangement. Again, Staff recommends the need for a customer premise visit every time be investigated further.

6.) A comparison of costs when a meter is read:
   a. By a utility employee every month
   b. By a utility employee on a quarterly basis, with the remaining months being read by the customer, including a semi-annual utility audit
   c. By a utility employee on a semi-annual basis, with the remaining months being read by the customer

NV Energy provides a total annual cost estimate for each of the three alternatives. The Companies suggest that the costs will increase if utility personnel meter reads are replaced by customer reads. NV Energy states that lowering the number of utility meter reads per month will not decrease the number of utility meter readers needed, but will increase office costs associated with consumer interaction, bill monitoring/reviewing, correcting errors, and potential lost revenues.

---

8 Id. at Section III(C), pages 12-13.
9 Id. at Section III(D), page 13.
10 Id. at Page 15 line 18 - Page 16 line 9.
11 Id. at Page 17 Section “F”.
The estimates are provided for both northern Nevada and southern Nevada but show no detail as to how these numbers were calculated. Better information regarding this option would be necessary to evaluate effectively.

7.) Identification of all costs that would be incurred regardless of how data for any of the alternatives is collected (e.g., read by the utility employee or customer)

Attachments 4, 5, 6, and 7 all provide a breakdown of costs for the respective alternative. However, there is not a clear link between the costs used to develop the estimates for question number six and how they tie into the total alternative cost breakdowns.13

In addition, as noted above, the up-front costs for all four alternative cases include “exit” costs. While Staff understands the desire to return a residence to the “standard” meter set, some questions remain, as a matter of policy for the Commission to consider, including: whether the reinstallment fee should be paid in the setup fee or as an exit fee, and when an opt-out customer ends electric service does NV Energy automatically install a Smart Meter, or consult with the new customer for their preference (thus potentially saving the cost of two site visits and meter modifications).

A further Staff concern is that some of the line items listed as on-going costs in Attachment 8, the marginal cost study, appear to be better categorized as up-front costs, e.g., “system modifications” and “handheld purchase.” Staff questions whether NV Energy would have to buy new handheld units every month or year, and whether the system firmware would need constant modification. However, as these items were listed similarly on all opt-out options, they affect each choice equally, and should not influence the choice of option, only the cost of such an option. This issue would need to be addressed when final cost of any opt-out provision is established.

8) Inventory of meters, including where the meters will come from (existing inventory and newly purchased) and how much inventory of the existing analog meters will be kept.

NV Energy provides the inventory as of Dec. 20, 2011, in Table 4.14 It appears that this is the inventory of the meters that are not currently installed. Total number of meters (installed or not) is not provided.

12 Id. at Page 18, Table Three.
13 Id. at page 18 Table Three and the cost tables in Attachments 4-7, no direct link apparent.
14 Id. at Section III(G), page 19.
NV Energy does not mention how much inventory of the existing analog meters will be kept. The opt-out option chosen will most likely dictate the future inventory of the analog meters. NV Energy indicates that existing inventory would be the source of any analog meter necessary to provide a non-standard metering installation. NV Energy further states the analog meters would need to be tested and, when necessary, recalibrated to ensure accuracy.  

NV ENERGY further indicates that digital meters for NSMA B would be purchased, if needed.

9.) The proposed upfront and monthly fees/rates to be paid by ratepayers under each of the opt-out alternatives.

NV Energy provided upfront and monthly fees for each of the four alternatives for both Nevada Power Company and Sierra Pacific Power Company.

The monthly fees were broken down and described in Attachments 4, 5, 6, and 7 and then run through the Marginal Cost study. Staff agrees with NV Energy that the “full marginal cost” should be used, rather than the reconciled costs.

However, for the NSMA A and NSMA B options some costs were classified as upfront costs in the descriptions of costs in Attachments 4 and 5, but later classified as ongoing in the Marginal Cost Study transition in Attachment 8.

Another concern Staff has is that some of the monthly costs associated in the monthly fee appear to be costs that are already be represented in the basic service charge which all customers will be paying whether they choose the standard metering arrangement or an alternative. Both of these issues would need to be addressed when final cost of any opt-out provision is established.

---

15 Id. at footnote 32.
16 Id. at Attachment 5, page 7.
17 Id. at Page 20 Table 5.
18 Id. at Attachment 8, pages 5-6.
19 Id. at Page 20 Table 5. In addition, as stated above, Staff is commenting herein on the methodology to be employed, and does not endorse the actual cost amounts cited by NV Energy, as such costs are indicated to be preliminary and subject to further examination.
20 Compare Id. at Attachment 4, page 6 “Ancillary meter supplies” $9.17 and “Meter Testing Labor” $13.29 and $15.42 and Attachment 5, page 5 “Meter and ancillary meter supplies” $35.86 and $35.73 with Attachment 8, page 5 line 18 and page 6 line 18.
10) Review of orders from other state public utility commissions on the issue of opt-out with regards to the criteria for opting-out and the cost of opting-out.

In Section III(I) NV Energy provides a review of orders from three other state public utility commissions. Commissions from Maine and Oregon have issued orders requiring opt-out option. California has released a proposed order. NV Energy states that other commissions have either not expressed a point of view on the issue, or have expressed a point of view but have not issued a formal order (e.g., the Oklahoma Commission’s website flatly rejects smart meter opt-out).

After reviewing the orders from Maine, and Oregon and the Proposed Order from California, Staff agrees that NV Energy provided a sufficient summary. Additionally, Staff found that Vermont Public Service Board has proposed “Principles Regarding Automated Metering Opt Out.” Principle 1 states that “it is appropriate, at this time, to allow customers a choice to opt out of automated meter usage.” In addition, the Arizona Corporation Commission is investigating the issues related to a proposed opt-out procedure, but has not yet issued an opinion.

---

21 The California Public Utilities Commission is set to vote on the Proposed Order on January 12, 2012; at that meeting the CAPUC deferred the item.

22 Id. at Section III(I), page 21-23, see also footnote 35.


The table below shows the options and charges in the Maine, and Oregon Orders.

<table>
<thead>
<tr>
<th>State</th>
<th>Company</th>
<th>Residential Customer Type</th>
<th>Meter Type</th>
<th>Initial Charge</th>
<th>Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>PG&amp;E</td>
<td>Standard</td>
<td>Non-communicating smart meter</td>
<td>$90.00</td>
<td>$15.00</td>
</tr>
<tr>
<td>(Proposed Order)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>California</td>
<td>PG&amp;E</td>
<td>CARE*</td>
<td>Non-communicating smart meter</td>
<td>$5.00</td>
<td></td>
</tr>
<tr>
<td>(Proposed Order)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maine</td>
<td>Central Maine Power</td>
<td>Standard</td>
<td>Non-communicating smart meter</td>
<td>$20.00</td>
<td>$10.50</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maine</td>
<td>Central Maine Power</td>
<td>Standard</td>
<td>Analog</td>
<td>$40.00</td>
<td>$12.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maine</td>
<td>Central Maine Power</td>
<td>Lifeline @100%**</td>
<td>Both options</td>
<td>50% of initial charge</td>
<td>50% of monthly charge</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maine</td>
<td>Central Maine Power</td>
<td>Lifeline @ 75%***</td>
<td>Both options</td>
<td>75% of initial charge</td>
<td>75% of monthly charge</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oregon</td>
<td>Portland General Electric</td>
<td>All</td>
<td>Non-communicating smart meter</td>
<td>$254.00</td>
<td>$51.00</td>
</tr>
</tbody>
</table>

*The CARE program provides a monthly discount on Energy bills for income-qualified households and housing facilities.
**If customer participates in the company’s Residential Electricity Lifeline Program and has an income level equal to or less than 100% of the Federal Poverty Guidelines, the customer will pay 50% of the Initial Charge and Recurring Monthly Charge related to their opt-out selection.
***If customer participates in the company’s Residential Electricity Lifeline Program and has an income level greater than 100% of the Federal Poverty Guidelines, the customer will pay 25% of the Initial Charge and Recurring Monthly Charge related to their opt-out selection.
Staff additionally, found some aspects of the opt-out procedures created (or proposed) regarding commission orders in other states that we thought would be of interest to the Commission:

**Maine (Central Maine Power):**

- Manual meter reads would be conducted on at least a bi-monthly basis.
- Any customer who does not elect an opt-out during the initial 30-day enrollment period, and later request to opt-out after the enrollment deadline, would be subject to a surcharge of $25.00 in addition to the applicable opt-out charges.
- No charge to convert from a non-standard meter to a standard meter.

**Oregon (Portland General Electric):**

- If the Customer is not the owner of the premises, the Customer must provide authorization from the owner to the Company.
- If a meter needs to be relocated due to the meter's communication/signal being impeded by an action or inaction of a Customer, PGE may require that the Customer bear the expense of relocating the meter. And, barring the Company's ability to gain cooperation by the customer, in the most extreme circumstance, the Company may terminate service.
- No exit fees

**California (PG&E):**

- No exit fees (although requested by PG&E)
- The Commission believes that the costs for the opt-out option should not be solely the responsibility of just those electing to opt-out. While some of the costs for the opt-out option are directly associated with disabling the radio transmission capability of the SmartMeter, other costs are related to the SmartMeter infrastructure as a whole. Further, the actual costs of the opt-out option will be dependent upon the number of customers electing to enroll in the program and their impact on the SmartMeter infrastructure. Since these costs could vary significantly from the costs estimated by PG&E, the Commission does not believe it would be reasonable for them to be recovered from only participants in the opt-out option. As such, the Commission believes that it is appropriate that all ratepayers share in a portion of these costs.
- The proposed order calls for PG&E to track its revenues and costs in a two-way memorandum account at this time due to the uncertainty associated with both the costs to provide the opt-out option and the number of customers that will select this option.
Conclusion

Staff’s concerns with an opt-out procedure center on the principle that subsidies are disfavored. Staff supports opt-out procedures that are cost based. Staff has concerns with the opt-out proposals and initial cost estimates put forward by NV Energy and addresses the majority of those concerns as outlined above. Staff will be available at the Workshop to be held on January 18, 2012 to answer any questions the Commission may have, and will, of course, provide additional comments to the Commission upon request in the future.

RESPECTFULLY SUBMITTED this 13th day of January, 2012.

PUBLIC UTILITIES COMMISSION OF NEVADA
REGULATORY OPERATIONS STAFF

[Signature]

Tamara Cordova, Staff Counsel
Samuel S. Crano, Assistant Staff Counsel
PROOF OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding by electronic mail to the recipient’s current electronic mail address and mailing a copy thereof, properly addressed to:

SHAWN ELICEGUI, ESQ.
SPPC/NPC
PO BOX 10100
RENO NV 89520
selicegui@NVEnergy.com
regulatory@NVEnergy.com
csilveira@NVEnergy.com

ERIC WITKOSKI, ESQ.
BCP
555 W. WASHINGTON
LAS VEGAS, NV
bcpserv@ag.nv.gov

Cheryl Wisecup
Cw7790@msn.com

Crystal Smith
cks@cox.net

Elizabeth Cutter
Lcutter@cox.net

Jack Montrose
nvjack@ccccomm.net

Karen Waldman
Karen.n.waldman@gmail.com

Mike Hazard
Mhazard36@cox.net

William E. Cooper
Weci2@juno.com

Anthony S. Brunetta
brunettassociates@embarqmail.com

Ellie Ahern
ellieahern@clear.net

Kathi Meci
kmecilv@yahoo.com

John E. Glendon
jglendon@cox.net

Bhavani Johnston
Bhavanij@att.net

May Kay Aufmance
Mk2010@aufmance.com
Karen Joeckle
MySirChaz@aol.com

Kim and Miriam Een
Kmeen7@embarqmail.com

Richard W. Ries
Richardconsults@yahoo.com

DATED at Carson City, Nevada, on the 13th day of January 2012.

[Signature]

An employee of the Public Utilities Commission of Nevada