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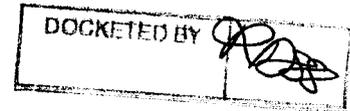
AZ CORP COMMISSION
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March 16, 2012



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Arizona Corporation Commission
DOCKETED

MAR 16 2012



Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: *Electric Cooperatives' Comments on Smart Metering and on the ACC Staff's
Draft Proposed Meter Guidelines; Docket No. E-00000C-11-0328*

Dear Sir/Madam:

The following comments on the Arizona Corporation Commission Staff's Draft Proposed Meter Guidelines ("Guidelines") filed on February 24, 2012 are provided by Arizona Electric Power Cooperative, Inc. ("AEPSCO"); Southwest Transmission Cooperative, Inc.; Duncan Valley Electric Cooperative, Inc. ("Duncan"); Graham County Electric Cooperative, Inc. ("Graham"); Mohave Electric Cooperative, Inc. ("Mohave"); Navopache Electric Cooperative, Inc. ("Navopache"); Trico Electric Cooperative, Inc. ("Trico") and Sulphur Springs Valley Electric Cooperative, Inc. ("Sulphur") (collectively, "the Cooperatives").

These comments represent the consensus position of the Cooperatives; however, individual cooperatives may supplement these comments and reserve the right, individually and collectively, to provide comments and positions on any of the issues or proposed rule changes in this docket as they deem appropriate to address their unique circumstances.

Background

Cooperatives, with the encouragement of federal and state regulators, have been installing Automatic Meter Reading (“AMR”) devices and more recently Advanced Meter Infrastructure (“AMI”) devices for over a decade because of the benefits and cost savings to their members. All AMR/AMI meters historically and currently produce electric quantity and quality data and do not collect personal data beyond the utility meter. These comments will first briefly summarize the types of meters installed by the Cooperatives. Since Staff has stated in its February 24 filing that it may propose an opt-out policy, the Cooperatives have also provided the consequences of implementing an opt-out policy within the areas they serve. Finally, these comments will address the Guidelines and questions contained in Staff’s February 24 filing.

Types of Meters

The Cooperatives have installed either AMR (one-way communication) or AMI (two-way communication) equipment. Either type communicates historically collected customer consumption, meter ID number and quality of electric service information that has been historically collected as system data and is not personal in nature.

AMI typically uses either a power line carrier (“PLC or wire”) technology which sends a signal along the wire that supplies power to the location or a wireless technology using radio frequency (“RF”). This meter only collects historically available electric data.

The majority of AMI that has been installed to date in Cooperative service territories has been PLC which transmits information over the hard wire with two-way communication. Mohave, Sulphur and Trico use this technology. (Please refer to the AMI summaries for each cooperative attached to the Cooperatives' comments filed on October 24, 2011 in this docket for a more detailed explanation.)

Navopache uses a wireless Elster meter that is similar to that used by Arizona Public Service.

Duncan has installed AMR that is read by a meter reader using a handheld device.

While the majority of Trico's AMI meters use PLC/hard wire technology, Trico also uses some AMI with cellular communication for Time of Use ("TOU") and Bi-Directional Net Metering due to the volume and/or frequency of information that must be transmitted.

AEPCO, SWTC and Graham have not provided a meter summary because they have not installed any AMI/AMR devices at customer locations.

Regardless of the type of meter or communication technology, the only information that the Cooperatives' AMI sends out is the meter identification and generic consumption data that may be sent out monthly, daily or hourly depending on the member/customer's rate schedule billing requirements. The Cooperatives' AMI will also transmit critical electric quality information in order to monitor and ensure electric service quality.

Opt-out Policy Issues

The Cooperatives are concerned that the Commission is considering an opt-out policy primarily due to APS customers' perceptions regarding the risks associated with RF provided during the September 8, 2011 Open Meeting and letters received from APS customers prior to and after that date. The Cooperatives do not believe the letters received or the public comments received at this Open Meeting are representative of the Cooperatives' service areas. Given the length of time that AMI has been deployed in the Cooperatives' service areas, the few customer inquiries and concerns and the associated cost savings and other benefits, the Cooperatives believe only a few customers in their service territories do not support AMI (collectively approximately 40 complaints reported out of the Cooperative's total of 151,000 members). The few complaints that have been received were based on and reflect the growing web-based misinformation regarding perceived health or privacy issues.

As demonstrated by the California Council on Science and Technology ("CCST") report discussed in the Cooperatives' October 24, 2011 filing in this docket, AMI/AMR that uses RF communication configurations pose no health risks to customers that are greater than any other home appliances or cell phones. There is no study that PLC technology poses any health risks. Consequently, the Cooperatives' believe that an opt-out policy for AMI/AMR due to perceived health risks is unwarranted.

Finally, as no personal customer information is transmitted from the meters, the Cooperatives believe there is no basis for customers to refuse AMI/AMR for data privacy/security reasons.

The Cooperatives believe the development of data privacy and security Guidelines discussed in detail below will reassure all customers that only certain information can be collected and transmitted by meters.

One of the largest issues associated with an opt-out policy is the cost. The Cooperatives serve members in large, rural service areas that are geographically diverse. Allowing a few customers to opt-out from AMI in the Cooperatives' service areas can impose significant costs on a per-meter basis (such as hiring new meter readers, finding, maintaining, testing and training employees on older/obsolete meters, traveling to and from potentially remote areas in a large service area and manually entering meter reads into billing system).

The Cooperatives, with the encouragement of state and federal regulators, have made substantial investment in AMI technology in order to improve the quality of and lower the cost of service for all members. A good portion of the benefits/cost savings associated with remote reading and integrated billing systems that result from AMI could be lost if an opt-out policy were adopted.

For example, Trico has only 3 remaining employees assigned to meter reading related activities such as connects and reconnects, meter exchanges etc. Assuming additional meter readers would need to be hired to implement an opt-out policy, meter reading costs would increase by approximately forty-five thousand dollars (\$45,000) for each new meter reader's salary and benefits. Vehicles would need to be acquired, and there would be more wear and tear on equipment, as well as additional administrative costs related to meter readying and billing. These

additional expenses will be difficult to forecast given that they are directly related to the number of customers who opt-out, and the dispersed nature of Cooperative service territories.

Another issue associated with an opt-out policy is who pays the cost discussed above. The Cooperatives believe that members who choose not to recognize the economies and benefits of AMI/AMR and take advantage of the lower cost of reading AMI/AMR meters should be required to pay the additional expenses demonstrated to be associated with manual reads. It is unreasonable to deny other members the advantages of AMI/AMR and charge these additional costs to all customers. All costs associated with an opt-out policy should be paid through a monthly charge by those customers who opt-out.

Finally, because virtually all of the major manufacturers in the industry have switched production to AMI/AMR technology, there is a dwindling supply of older electromechanical meters. At some point in the not too distant future, the only electromechanical meters that will be available will be expensive refurbished ones, on a limited basis. It is unfair to require the other members to pay those costs.

Cooperatives' Comments on and Revisions to Staff Guidelines

In general, the Cooperatives are aware of and have implemented practices consistent with both the laws governing privacy as contained in Arizona Revised Statutes § 44-1376 through § 44-1376.05 as well as the Commission's rules as identified in A.A.C. R14-2-203(A)(2). The

Cooperatives' employees are trained using policies that are consistent with the above mentioned laws and rules to ensure that customer information remains private and confidential.

Concerning the first sentence and the first Guideline, the Cooperatives recommend that the word "Residential" be inserted at the beginning of this sentence and the first Guideline to avoid confusion that may result from irrigation and commercial interruptible service tariffs, for example. Also given that the Cooperatives currently have or will have REST and DSM programs that will require end-use devices to be measured for research, demand/energy savings or energy production, the Cooperatives have proposed a sentence stating such at the end of the first Guideline. (The Cooperatives have attached a document to these comments containing all of their revisions to the Guidelines.)

The Cooperatives recommend that certain language from the second Guideline be added to the eighth Guideline and the second Guideline be deleted entirely to eliminate duplicity.

Concerning the third Guideline, regardless of the type of meter, the AMI/ AMR meters used by cooperatives currently only send the member's meter identification no., meter read and service quality information. The Cooperatives do not believe it is necessary to protect or encrypt utility measurements at the meter that are used for electric service quantity or quality purposes because this information is not personal. In addition, this information is available currently from the meter, regardless of type, outside a customer's residence. The Cooperatives believe that the only information that would need to be protected or encrypted is personal residential customer

information such as customer name, billing address, telephone number, billing information, etc. However, this personal information is not being sent by the Cooperatives' meters.

While the cooperatives that use AMI meters with RF communications may be able to encrypt information sent from meter, the Cooperatives that use PLC communications can not encrypt the meter identification no., readings or voltage information. This information is sent via a proprietary method by the PLC vendor's equipment. If the Guidelines are adopted as written, there will be a significant cost for the Cooperatives that use PLC communications to encrypt any information. Consequently, the Cooperatives have recommended adding language to the third Guideline that this guideline only applies to information transmitted wirelessly to clarify this issue. There is also the same issue with attempting to encrypt information from AMR meters.

The Cooperatives currently suggest the fourth Guideline be modified to include only the meter number since that is all that is currently being used by the Cooperatives.

Concerning the fifth Guideline, the Cooperatives recommend that language be inserted in this Guideline to avoid confusion that may result from tariffs and programs that have been previously authorized by the Commission and should not be included in this guideline.

Since this document lists smart metering data privacy and security guidelines, it is not necessary to include the sixth Guideline regarding the disconnection of service as a Guideline. However, if

Staff believes this information should be included in the document, it could be included as a footnote and there should be some language about using AMI/AMR to disconnect service per the ACC Rules.

Concerning the seventh guideline, it appears that the Commission is attempting to regulate RF transmissions which are clearly under the jurisdiction of the FCC. The Cooperatives would recommend that this guideline be deleted for that reason.

The eighth Guideline has been modified to included language from the second Guideline as discussed above.

The ninth Guideline concerns the Cooperatives from the perspective that individual customer information can only be shared with the customer, utility and duly authorized agent and not sold as stated in the second and eighth Guidelines but this Guideline states that this information can not be used internally for system planning. One of the most important benefits of AMR/AMI data is its use for research, system planning, identifying outages and for improving service. The Cooperatives would recommend that this Guideline be removed entirely.

Staff Questions Regarding Proposed Guidelines for Electric Meters

1. Are the draft proposed guidelines currently in effect by most utility companies, or do they represent a significant process change?

Cooperatives' Response:

The general response to this question is that the specific guidelines are not but the majority of the substance and intent of the proposed guidelines are in effect by the Cooperatives, particularly with those using PLC/hard wire technology. However, as stated in the previous section, if the Guidelines as drafted are not modified as requested by the Cooperatives, these guidelines as drafted will require major process changes and significant time and expense for the Cooperatives and their members.

2. Does the draft proposed guidelines adequately address privacy issues?

Cooperatives' Response:

If the distinction is made between electric service quantity and quality data and personal data, the Cooperatives believe the existing Federal, State and ACC Guidelines with their suggested modifications adequately address privacy issues.

Any new guidelines must be carefully drafted to avoid unreasonably interfering with normal utility practice and impose unintentional expenditure on the utility.

3. What customer education procedures presently exist, or should be developed, for communicating a utility company's privacy policies?

Cooperatives' Response:

The Cooperatives advise members that the Cooperatives comply with FACT Act and all federal, state, and ACC privacy laws, rules, and regulations. These privacy policies should continue to be shared with customers periodically through newsletters or mailings.

4. What other metering issues need to be addressed?

Cooperatives' Response:

The memorandum from Staff dated February 24 stated that Staff was considering the development of an opt-out policy based on the comments and discussion at the March 23 workshop . The Cooperatives request that their comments and recommendations on an opt-out policy included in this filing be considered and adopted by the Staff and the Commission.

Conclusions

Since 2000, the Cooperatives have been installing AMR and AMI using PLC communications. Since 2005, Cooperatives have been installing AMI with RF communications. The meters do not transmit personal customer data. There are no credible findings of adverse health effects associated with either PLC or RF technologies utilized by the Cooperatives. Given the CCST key report findings that demonstrate a lack of health effects associated with AMI, the minimal

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volume of customer complaints and the potential significant cost increase that could result even if only a few customers opt-out, the Cooperatives do not believe an opt-out policy is warranted.

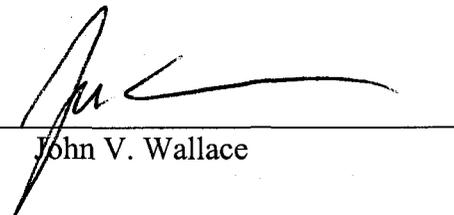
The Cooperatives have been encouraged by state and federal regulators to make AMI investments to improve the quality of and lower the cost of service for all members. Due to the large service areas, a good portion of the benefits/cost savings associated with remote reading and integrated billing systems that result from the Cooperatives' AMI could be lost due to an opt-out policy.

We urge the Commission to consider the Cooperatives' comments on and revisions to the Guidelines and modify the Guidelines accordingly and reject an opt-out policy, at least as it relates to Cooperatives.

Sincerely,

GRAND CANYON STATE ELECTRIC
COOPERATIVE ASSOCIATION

By



John V. Wallace

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Original and thirteen (13) copies of
Electric Cooperatives' Comments
filed this 16th day of March, 2012,
with:

DOCKET CONTROL
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Draft Proposed Meter Guidelines

The following is a list of proposed guidelines for the use of all residential meters by electric utilities and for any data obtained from their use.

1. Residential measurement will not be specific to any particular appliance or electrical device, unless authorized by a customer or approved by the Commission for a specific tariff or program. Meters that only measure a single electric device or a group of such devices will be permitted.
2. Any meter information that is personal and in addition to electric service quantity or quality measurements at the meter wirelessly transmitted between meters and the utility must be encrypted and/or password protected using industry approved and recommended standards.
3. Data from each meter must use unique identifier(s) associated with the customer's service to ensure that each customer is billed only for his / her own usage.
4. The utility will not control or shut off individual residential appliances without customer consent unless authorized by an approved ACC tariff or program.
5. Individual personal data gathered will be available to and shared with only the customer, the utility, and with entities under contract with the utility and bound to comparable confidentiality provisions, or as requested by law enforcement or other public agencies, by the Commission or its Staff, in conjunction with legitimate collection activities, or to provide safe and reliable service to the customer and will never be sold.