



PG&E Customer Revolt May Threaten Rollout of Obama's Smart Grid

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By Mark Chediak



Dec. 30 (Bloomberg) -- Consumer backlash and cost concerns may cause delays in the nationwide rollout of "smart" utility meters at the center of the Obama administration's \$8 billion push to update the U.S. electricity grid.

PG&E Corp., owner of California's largest utility, halted meter installations in Bakersfield, north of Los Angeles, after hundreds of customers complained that readings weren't accurate. The meters, part of a so-called smart-grid initiative billed as clearing the way for more renewable-energy use, are designed to help consumers conserve power during periods of peak demand.

Martha Johnson, pastor of a church in Bakersfield, said her utility bill almost doubled from a year earlier to \$874 in July after her new meter was installed. "That caught my eye because I've never had a bill that high," said Johnson, 64.

San Francisco-based **PG&E**, which faces a lawsuit from a Bakersfield customer who's seeking class-action status, says its meters are accurate and hot weather and increased rates led to higher bills than consumers expected. The state **Utilities Commission** ordered an independent study of billing accuracy.

Whether PG&E's complaints stem from perception or defects, they may slow U.S. installations of the meters, a cornerstone of President **Barack Obama's** plan to spur grid upgrades with \$8 billion in public-private funding. Consumer groups question whether benefits of the meters justify costs passed on when regulators allow utilities to increase rates to pay for them.

Regulator Reluctance

"If customers lose confidence in smart meters, I would expect regulators would be more reluctant to grant rate increases to install new meters across the system," said **Travis Miller**, a utility analyst at **Morningstar Inc.** in Chicago. "Any kind of adverse impact from these projects could impact long-term growth of the meters."

The devices allow **utilities** to check energy use remotely, eliminating the need for employing meter readers. They can be connected to equipment that shows customers when rates are highest, allowing households and other consumers to shift power use to less costly periods. Smart meters also give utilities more control of demand, helping them match usage with renewable electricity flows, such as from wind and solar power.

There are about 8 million smart electric meters in the U.S., and that count will jump sevenfold by 2019, according to the **Institute for Electric Efficiency** in Washington.

"Other states are looking very closely at what is happening in California," said **Mindy Spatt**, a spokeswoman for the **Utility Reform Network**, a consumer group in San Francisco. "What we know for sure about the meters is they are job killers and they are very expensive. The rest is just pie in the sky."

Cost Objections

Utility-consumer groups across the country have raised cost concerns about meter projects, said **Charles**

Acquard, executive director of the National Association of State Utility Consumer Advocates.

Ben Schuman, an analyst who covers such meter makers as **Itron Inc.** at Pacific Crest Securities in Portland, Oregon, said the devices installed so far have proved accurate. The unknown is whether consumers will use the technology to cut power costs, he said.

Liberty Lake, Washington-based Itron has risen 7.3 percent this year on the Nasdaq Stock Market, trailing a 45 percent jump by the Nasdaq Composite Index. Schuman has "sector perform" ratings on Itron and other makers of meter-related products, including **Comverge Inc.**, EnerNOC Inc. and Esco Technologies Inc. Comverge and EnerNoc have more than doubled in value this year. Esco has dropped 11 percent.

Duke Plan Rejected

Regulators in states such as Connecticut and Texas are pressing utilities to show how smart meters will benefit consumers. In November, Indiana regulators rejected a proposal by **Duke Energy Corp.** to install about 800,000 smart meters after concluding the company didn't show the plan's long-term rewards.

Charlotte, North Carolina-based Duke, which got \$200 million in federal funding to deploy smart meters and other equipment in three states, will reapply in January for approval in Indiana, company spokesman **Dave Scanzoni** said.

Fairfield, Connecticut-based **General Electric Co.** and Switzerland's Landis+Gyr are supplying the 10 million meters that PG&E plans to deploy at a cost of \$2.2 billion.

Bakersfield resident Pete Flores filed suit in October, alleging that his bills almost tripled after a smart meter was put in. Lawyer **Michael Kelly**, who represents Flores, said he plans to file an updated suit with more plaintiffs in January.

California Case

"The allegations in the lawsuit are untrue," PG&E spokesman **Paul Moreno** said.

PG&E tested meters in Bakersfield and found they were working properly, Moreno said. The company is installing 12,000 to 15,000 meters a day in central California and the San Francisco area.

PG&E has investigated more than 400 customer complaints, mostly from Bakersfield and other areas where hot weather and rate increases as high as 22 percent caused power bills to surge, Moreno said. Bakersfield had 17 days above 100 degrees Fahrenheit (38 Celsius) in July, up from six days a year earlier, according to the National Weather Service.

Mark Hura, smart-grid leader for GE, and Landis+Gyr spokesman **Stan March** said their meters read power usage within an accuracy range of 0.2 percent.

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