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OF THE STATE OF CALIFORNIA

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Application of Pacific Gas and Electric Company To Revise Its Electric Marginal Costs, Revenue Allocation, and Rate Design Including Real Time Pricing, to Revise its Customer Energy Statements, and to Seek Recovery of Incremental Expenditures. (U 39 M).	**Application 10-03-014** **(Filed March 22, 2010)**

SIERRA CLUB CALIFORNIA COMMENTS ON THE PROPOSED DECISION BY ADMINISTRATIVE LAW JUDGE PULSIFER AND ALTERNATE DECISION BY COMMISSIONER PEEVEY

April 25, 2011

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Table of Contents

I. Introduction and Interest of Sierra Club California in this Proceeding p.3

II. Sierra Club California Agrees with Proposed Decision to Reject the Customer Charge Proposal, as this flat charge is a disincentive to conservation. p.4

III. Sierra Club California Agrees with Proposed Decision and Alternate Decision to Retain Tier 4, but urges at least a seven cent differential above Tier 3 rather than the 4 cent proposed. p.5

IV. Sierra Club California Urges Caution and Careful Study Regarding the Proposal to Change Baseline Seasons to a Four Month Summer Period p.6

V. Sierra Club California Urges that the Commission Reject the "flat generation and distribution rates" Proposal, as this would establish an anti-competitive rate structure for Community Choice Aggregators. p.7

a. The Proposal for Flat Generation and Distribution Rates with Tiered Conservation Incentive Adjustment (CIA) Has No Cost Basis, Discourages Community Choice Aggregation, and Should be Rejected. p.7

b. In the alternative, if the Commission finds that the existing rate structure presents a problem in need of a solution, Sierra Club California urges that the Commission and the Parties work toward alternative solutions that do not impact economic viability of Community Choice Aggregation by moving this Proposal to the GRC Phase 3 or another Proceeding, or adopting a suggested alternative. p.9

Table of Authorities

Commission Rules of Practice and Procedure

Rule 14.3 p.3

Statutes

Pub. Util Code Section 311(d) p. 3

Pub. Util Code Section 739.1(b)(2) p. 4

Pub. Util Code Section 739.9(a) p. 4

Pub. Util Code Section 366.2(c)(3) p. 8

Pub. Util Code Section 366.2(c)(17) p. 8

I. Introduction and Interest of Sierra Club California in this Proceeding

Pursuant to Pub. Util Code Section 311(d) and Rule 14.3 of the Commission's Rules of Practice and Procedure, Sierra Club California hereby submits these Comments on the Proposed Decision by Administrative Law Judge Pulsifer, and the Alternate Decision by Commissioner Peevey. PG&E is proposing significant changes to its existing rate structure, including merging current residential tiers 3 and 4 into a single tier 3 rate, creating a new tier 3 rate for CARE customers, and assessing all residential customers a flat customer charge of $3 ($2.40 for CARE customers).[1] In addition, PG&E proposes changing baseline quantities from 60% to 55% of average usage within each climate zone.[2] These changes are in addition to a recently approved Decision to collapse tiers 4 and tier 5 which was approved earlier in 2010.[3] PG&E is also proposing a "generation flattening" that would assess a complex charge on the distribution side of the bill.[4]

Sierra Club California in its Opening Brief urged the Commission to consider the negative impacts and inconsistencies of the proposed residential rate design with adopted California energy policies, including the loading order for energy conservation, energy efficiency, and renewable energy, and California laws and programs designed to achieve solar installation and greenhouse gas emissions reduction.[5] The effect of consolidating tiers 3 and 4, and assessing revenue through a flat customer charge cause significant environmental impacts from increased energy consumption, reduced energy efficiency retrofits, reduced photovoltaic

[1] Exhibit 7 (Sierra Club) at 3; Exhibit 1 (PG&E).
[2] Id.
[3] CPUC Decision A.10-02-029.
[4] Exhibit 8 (Sierra Club) at 1.
[5] Sierra Club Opening Brief at 4.

solar installation, and associated criteria pollutant and greenhouse gas emissions from increased energy consumption from polluting power plants. The generation flattening proposal would have the effect of discouraging community choice aggregators from forming, generation providers with the potential to procure higher levels of renewable energy generation. These rate design changes contradict many energy policies of the state of California and should be rejected by the Commission.

II. Sierra Club California Agrees with Proposed Decision to Reject the Customer Charge Proposal, as this flat charge is a disincentive to conservation.

The Proposed Decision includes a comprehensive legal analysis demonstrating why the customer charge violates Public Utilities Code Sec. 739.1(b)(2) and 739.9(a).[6] The Proposed Decision additionally recognizes that the "fixed customer charge would be an unavoidable component of the bill, and "[b]ecause a fixed customer charge cannot be avoided by a customer's reducing usage or being more energy efficient, the customer charge offers no conservation price signal."[7]

Sierra Club Witnesses testified that "fixed prices do not encourage energy conservation since they are not at all tied to how much energy is consumed. Recovering revenue lost through the proposed rate change would be equivalent to reducing tier 3 rates by 2 cents/kWh, or a 7% reduction in the marginal price for tier 3 customers. In effect, this is another blow to the efficacy of a tiered system, and will further limit the effectiveness of the CPUC in achieving its goal."[8] Collection of revenue through a fixed customer charge would increase rates on lower use

[6] Proposed Decision at 20-30.
[7] Proposed Decision at 30.
[8] Exhibit 7 (Sierra Club) at 18-19.

customers, but would lower rates for high-use customers, resulting in decreased incentive for Tier 3 and Tier 4 customers to conserve energy.

If the customer charge were implemented, the rates for Tiers 3 and 4 would be reduced by approximately 2 cents/kWh.[9] The customer charge would significantly contribute toward the reduced levelized cost of energy (LCOE) for solar PV and noted in Sierra Club testimony and in the Proposed and Alternate Decisions.[10] The LCOE is a key indicator of whether customers have an incentive to install solar PV. Similarly, the customer charge would significantly contribute toward the reduced Savings to Investment Ratio (SIR) and longer payback periods for efficient air conditioner upgrades.[11]

Sierra Club California respectfully urges the Commission to adopt the Proposed Decision regarding the rejection of the fixed customer charge.

III. Sierra Club California Agrees with Proposed Decision and Alternate Decision to Retain Tier 4, but urges at least a seven cent differential above Tier 3 rather than the 4 cent proposed.

Sierra Club California agrees with the Proposed Decision and Alternate Decision to retain Tier 4. Sierra Club agrees that a four-tiered structure provides stronger conservation incentives to customers and provides price signals that promote increased distributed renewable generation development among customers.[12]

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[9] Proposed Decision Appendix Table A, Peevey Alternate Decision Appendix A.
[10] Exhibit 7 (Sierra Club) at 29-53.
[11] Exhibit 7 (Sierra Club) at 60-64.
[12] See Proposed Decision at 40 and Alternate Decision at 37.

Currently there is an 11 cents per kWh differential between PG&E's residential Tiers 3 and 4, and the Proposed Decision and Alternate Decision set the differential at four cents between the Tiers.[13] The Decisions recognize that if "Tier 4 were entirely eliminated, there would be no rate incentive to conserve for usage beyond 200 percent of baseline," and that "eliminating Tier 4 could impede progress toward the CSI goal of creating a self-sustaining residential solar PV market."[14]

These indicators also require a Tier 4 rate that sends an adequate signal, rather than a mere line item with a slightly increased marginal price. Reducing the differential between Tiers 3 and 4 from 11 cents to 4 cents would provide a weak conservation incentive, and contribute toward lower levelized cost of energy (LCOE) for solar PV and reduced Savings to Investment Ratio (SIR) for air conditioner retrofits.[15] **Therefore, Sierra Club California respectfully urges at least a seven cent differential above Tier 3, and that ordering paragraph 10 in the Proposed Decision, or paragraph 6 of the Alternate Decision be revised accordingly.**

IV. Sierra Club California Urges Caution and Careful Study Regarding the Proposal to Change Baseline Seasons to a Four Month Summer Period

The Proposed Decision and Alternate Decision find merit in TURN's recommendation that PG&E consider changing its baseline seasons to a four-month summer period and a longer eight-month winter period.[16] While Sierra Club California has no position on this proposal at

[13] Proposed Decision at 44-45.
[14] Proposed Decision at 45. See Sierra Club Opening Brief at 7-10.
[15] Exhibit 7 (Sierra Club) at 29-53 and 60-64.
[16] Proposed Decision at 53.

this time, such a change should occur if after adequate study and public participation that there are not adverse impacts on energy conservation.

Since the proposed change would have the likely effect of lowering upper tier rates during one month of the summer, Sierra Club California urges that this process consider potential impacts on conservation, and incentives for energy efficiency and solar, and alternatives that may address potential impacts. **Sierra Club California respectfully requests that ordering paragraph 9 of the Proposed Decision or paragraph 11 of the Alternate Decision be amended to include the language: "the evaluation shall consider potential effects on conservation, energy efficiency, and solar installation."**

V. Sierra Club California Urges that the Commission Reject the "flat generation and distribution rates" Proposal, as this would establish an anti-competitive rate structure for Community Choice Aggregators.

a. The Proposal for Flat Generation and Distribution Rates with Tiered Conservation Incentive Adjustment (CIA) Has No Cost Basis, Discourages Community Choice Aggregation, and Should be Rejected.

The Proposed Decision and Alternate Decision find that the PG&E proposal to implement flat generation and distribution rates is reasonable, on the grounds that the CIA will maintain a conservation incentive for all customers through the tiered non-generation rates.[17] However, the proposal is anticompetitive, in that it undermines competing generation service by Community Choice Aggregators (CCAs).

[17] Proposed Decision at 62 and Alternate Decision at 58.

CCA customers in upper tiers would incur a significant additional cost, and revenue critical to CCA business plans would flow to PG&E rather than to the CCA. The Decisions recognize that "The implementation of the PG&E proposal could potentially impact how a CCA may design its own rates to compete for retail customers."[18] To keep rates competitive, CCAs would face economic pressure to keep their own rates flat, while PG&E charges the increased marginal prices for the upper tiers through the CIA. The consequence is that while CCAs are essentially forced to keep their rates artificially flat to maintain competitive rates, PG&E will collect the revenue that is in excess of the avoided generation cost of service, even though such customers are unbundled customers, and the CCA provides generation service, not PG&E. Although PG&E asserts that it makes for an uneven playing field for this revenue to flow to CCA's, it is anticompetitive for the restraint of a tiered CIA to prevent CCAs from collecting this revenue.

The proposal violates the principles established in law, particularly the requirement of CCAs to develop an implementation plan which includes ratesetting and other financial details within the authority of a CCA.[19] The allowable charges that a utility may assess a CCA or its customers described in the law include "notices, billing, metering, collections, and customer communications or other services provided to an aggregator or its customers," but clearly do not include a CIA impacting unbundled customers.[20]

The proposal further lacks a cost basis. Despite the City and County of San Francisco's testimony demonstrating how cost of generation likely increases with usage, and does not stay flat, PG&E has not presented evidence of a cost basis for the proposal.[21]

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[18] Proposed Decision at 63 and Alternate Decision at 59.
[19] Public Utilities Code Section 366.2(c)(3).
[20] Public Utilities Code 366.2(c)(17).
[21] Exhibit 5 (CCSF) at 4.

Sierra Club California respectfully urges the Commission to reject the proposed Generation Flattening and Tiered Conservation Incentive Adjustment and to accordingly modify ordering paragraph 5 of the Proposed Decision or paragraph 7 of the Alternate Decision.

b. **In the alternative, if the Commission finds that the existing rate structure presents a problem in need of a solution, Sierra Club California urges that the Commission and the Parties work toward alternative solutions that do not impact economic viability of Community Choice Aggregation by moving this Proposal to the GRC Phase 3 or another Proceeding, or adopting a suggested alternative.**

Although Sierra Club California considers the Flat Generation proposal to be unreasonable and anticompetitive, in response to the Proposed Decision and Alternate Decision findings that concur with PG&E's characterization of a problem, Sierra Club California suggests in the alternative, notwithstanding Sierra Club's opposition to the Customer Incentive Adjustment, that the proposed solution is anticompetitive, and that further consideration of the issue could lead to a Decision that is fair to all Parties and interests.

Although the Proposed Decision and Alternate Decision accurately summarize the positions of the Parties, this Proceeding considered this issue as a strictly up-or-down issue, without deliberately diagnosing the specific nature of the problem, and further policy analysis that could lead to alternative options. Parties submitted testimony, participated in adversarial evidentiary hearings, and argumentative briefing, but did not participate in settlement

negotiations on this issue. Parties focused on opposing PG&E's particular proposal, but did not have the flexibility to better assess the problem and investigate options that could be less problematic and more fair to Parties.

If the Commission determines that a problem exists relative to potential disparity in PG&E's generation rate in relation to CCA rates,[22] or that there is a need to "level the playing field,"[23] Sierra Club California urges the Commission to likewise recognize that the CIA as specifically proposed here is an overbroad response more like swinging the pendulum to the opposite end, rather than leveling the playing field. The Commission can play an important role ensuring fair and competitive rate structures, and directing appropriate steps in the process.

Potential alternatives that are more narrowly tailored to the asserted problem of a CCA being able to charge flat rates, and would avoid or lessen adverse impacts for CCAs, might include: (1) charging the CIA only to customers of CCAs that have flat rates, so that a CCA has an option not to be discriminated against; or (2) adjusting the CIA so that the utility and CCAs effectively evenly split (a) the CIA revenue in excess of avoided generation cost of service for increased marginal prices for the upper tiers, and (b) the CIA revenue adjustment below cost for decreased marginal prices for lower tiers, based on PG&E's rate structure, so that incremental revenue flowing between the utility and the CCA is balanced.

Sierra Club California respectfully urges that that Commission move this Proposal to the GRC Phase 3 or another Proceeding, or adopt the framework of a suggested alternative, accordingly modifying ordering paragraph 5 of the Proposed Decision or paragraph 7 of the Alternate Decision.

[22] Proposed Decision at 63 and Alternate Decision at 59.
[23] Proposed Decision at 64 and Alternate Decision at 60.

Respectfully submitted,

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APPENDIX – PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND PROPOSED MODIFICATIONS TO THE PROPOSED DECISION

Findings of Fact

1. The effect of consolidating Tiers 3 and 4, and assessing revenue through a flat customer charge will likely cause significant environmental impacts from increased energy consumption, reduced energy efficiency retrofits, reduced photovoltaic solar installation, and associated criteria pollutant and greenhouse gas emissions from increased energy consumption from polluting power plants.
2. Fixed charges do not encourage energy conservation since they are not tied to how much energy is consumed.
3. Recovering revenue lost through the proposed customer change would be equivalent to reducing tier 3 rates by 2 cents/kWh, or a 7% reduction in the marginal price for Tier 3 customers.
4. Collection of revenue through a fixed customer charge would increase rates on lower use customers, but would lower rates for high-use customers, resulting in decreased incentive for Tier 3 and Tier 4 customers to conserve energy.
5. The generation flattening proposal would have the effect of discouraging community choice aggregators from forming, generation providers with the potential to procure higher levels of renewable energy generation. The proposal is anticompetitive, in that it undermines competing generation service by Community Choice Aggregators (CCAs).
6. To keep rates competitive, CCAs would face economic pressure to keep their own rates flat, while the utility charges the increased marginal prices for the upper tiers through the CIA. The consequence is that while CCAs are essentially forced to keep their rates artificially flat to maintain competitive rates, the utility will collect the revenue that is in excess of the avoided generation cost of service, even though such customers are unbundled customers, and the CCA provides generation service, not the utility.
7. The generation flattening proposal lacks a cost basis. The cost of generation is likely to increase with usage, and not remain flat.

Conclusions of Law

1. The evaluation of considering a four-month summer baseline period should consider potential effects on conservation, energy efficiency, and solar installation.
2. The generation flattening proposal is unreasonable because it lacks a cost basis and imposes an anticompetitive conservation incentive adjustment impacting unbundled customers of Community Choice Aggregators.
3. The generation flattening proposal violates principles established in Public Utilities Code Section 366.2, particularly the requirement of CCAs to develop an implementation plan which includes ratesetting and other financial details within the authority of a CCA.
4. The allowable charges that a utility may assess a CCA or its customers described in Public Utilities Code Section 366.2 include "notices, billing, metering, collections, and customer communications or other services provided to an aggregator or its customers," but do not include a CIA impacting unbundled customers.

5. (In the Alternative) The generation flattening proposal requires additional deliberation by the Commission, so that the Commission may consider alternatives that promote a fair competetive and cooperative environment among community choice aggregators and the utility.

PROPOSED MODIFICATIONS TO PROPOSED DECISION FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

Findings of Fact

1. PG&E's current residential rate structure utilizes a four-tier inverted structure based on customer usage.

2. Customers with the lowest consumption (in Tiers 1 and 2) pay the lowest per-kWh rates while customers pay higher per-kWh rates for the additional usage applicable to higher tiers.

3. Over the past decade, the rates charged for upper tier-usage have borne all increases in residential costs, while lower-usage rates remained frozen through. Consequently, over a period of several years, a growing divergence developed in the rates charged for lower-usage versus higher-usage.

4. Residential rate increases are constrained by statutory limitations under the CARE program which provides assistance to low-income electric and gas customers with annual household incomes no greater than 200 percent of the federal poverty guideline levels.

5. Approximately one-quarter of all residential usage (i.e, non-CARE households consuming in Tiers 3, 4, and 5) absorbed all residential rate increases between 2001 and 2009.

6. PG&E's rate design proposals are largely aimed at narrowing the divergence between upper- and lower-tiered rates so that rates align more closely with costs of service.

7. PG&E's package of rate design proposals would cause 40 percent of above-average CARE users to see bill increases of over 14 percent, averaging approximately $11.60 per month.

8. Residential customers in general, and low-income customers in particular, have experienced increasing difficulty in affording utility service in recent years, as evidenced, for example, by the increasing rates of service disconnections due to non-payment of utility bills.

9. For low-income customers that are struggling to afford payment of utility bills in today's difficult economy, dollar increases in utility bills that may appear relatively minor to more affluent customers may represent a significant financial burden.

10. Although PG&E incurs fixed costs to service each customer account, current residential rate design recovers those fixed costs entirely through volumetric rates based on usage.

11. PG&E's proposal to apply a fixed customer charge would more closely match rate design with costs of service, increasing bills for low-usage customers and decreasing bills for high-usage customers.

12. Shifting revenue recovery from a volumetric rate to a fixed customer charge produces a bill impact that cannot be avoided by changing usage patterns or being more energy efficient. A customer charge thus offers no price signal to be more energy efficient.

13. PG&E's customer charge would have the greatest percentage impact on customers that use the least energy. Imposing a customer charge on CARE rate schedules would raise energy bills for vulnerable customers that are least economically able to afford the increased charge.

14. A CARE customer using only baseline amounts in climate zone T would see an increase greater than 10 percent in their monthly bill as a result of the customer charge. A non-CARE customer using only baseline amounts in climate zone T would see an increase of almost 10 percent as a result of the customer charge.

15. PG&E's proposal to institute a CARE Tier 3 rate would increase CARE rates for usage above 130 percent of baseline by 2.9 cents/kWh in 2011, with additional increases of 1.5 cents/kWh in 2012 and 2013, respectively.

16. PG&E's proposed CARE Tier 3 rate is a 57 percent discount from the current non-CARE Tier 3 rate, 57 percent discount (12.5 cents to 29.1 cents) and a 56 percent discount (12.5 cents to 27.6 cents) from the proposed non-CARE Tier 3 rate.

17. The cumulative three-year increase due to PG&E's proposed CARE Tier 3 rate would be 50 percent, producing undue rate shock.

18. A CARE Tier 3 rate provides an incentive for CARE customers to be more energy efficient for usage that exceeds 130 percent of baseline.

19. PG&E's proposal to collapse Tiers 3 and 4 into a single tier would move closer to a cost-based rate structure since Tier 4 rates exceed the corresponding marginal cost of service.

~~20. PG&E's proposal to collapse Tiers 3 and 4 would help to mitigate the volatility in bills associated with the current four-tier structure.~~

21. Collapsing Tier 4 would remove the price incentive to be more energy efficient for usage that exceeds 200 percent of baseline.

22. The continuation of a four-tier rate design will preserve a price signal to encourage customers to install solar photovoltaic facilities and promote progress toward achieving the CSI goal of creating a self-sustaining residential solar photovoltaic market. Promoting the market for residential PV helps advance the state's loading order, meet greenhouse gas emission reduction goals, and achieve RPS compliance.

23. PG&E's proposal to reduce baseline quantities from 60 to 55 percent of average usage would reduce total baseline quantities by an average of 4.5 percent (CARE) to 5.8 percent (non-CARE). The reduced baseline percentage moves more usage into the higher-rate Tier 3 rate.

24. Increasing the usage billed as Tier 3 will generate additional revenue from lower-usage customers to be used to lower rates for upper-tier usage customers, thus reducing the disparity between upper and low tier rates.

25. Setting a 55 percent baseline for PG&E is consistent with the baseline percentages adopted for SCE and SDG&E, and thus results in a more consistent treatment of PG&E ratepayers relative to those of SCE and SDG&E.

26. PG&E's proposed baseline reduction would cause customers with usage confined to the current Tier 1 and 2 quantities to see rate increases attributable to the incremental usage to be billed at Tier 3 rates.

27. In 1998, when electric rates were unbundled as part of electric industry restructuring, one or more rate components had to remain tiered in order for the total rate to be tiered. Tiering was put into the generation and the distribution component of PG&E's rate.

28. PG&E proposes to implement flat generation and distribution rate components and to apply inverted tiers via a new CIA rate component.

29. Since PG&E proposes to calculate the CIA component on a residual basis, the proposal to implement flat generation and distribution rate components would have no bill impacts for bundled utility customers.

30. Under the existing tiered rates, higher-use residential customers pay a significantly higher average generation rate than lower use customers. ESP or CCA can offer generation rates to their DA or CCA customers that are not tiered as are PG&E's generation rates.

~~31. The use of inverted tiers for generation rates makes higher-usage bundled customers artificially attractive to ESPs/CCAs.~~

32. The flattening of generation rates would ~~not~~ help to level the playing field between PG&E and energy service providers/community choice aggregators (ESPs/CCAs) ~~by ensuring that generation rates do not vary by tier~~ <u>because it would restrict the ability of ESPs and CCAs to set their own tiered rates, and would shift revenue that would otherwise be charged to upper tiered prices from CCAs to PG&E.</u>

33. DA and CCA Customers could experience bill impacts with implementation of the CIA rate component. MEA's current customers would experience an average cost increase of 25 percent as a result of having to pay a CIA rate if MEA does not alter its current rates.

34. While per kWh generation costs can increase during certain hours as usage increases, no evidence shows that per kWh generation costs correlate with increases in usage measured on a

monthly basis. However, there is no evidence that generation costs remain flat as usage increases.

35. The generation component of unit rates is billed based on monthly usage data.

36. PG&E designs its upper-tier residential TOU rates to recover in each TOU period the same amount of costs per-kWh above its marginal costs.

37. Solar Alliance has ~~not~~ demonstrated that PG&E's TOU rates provide an insufficient incentive to install solar.

38. Schedule E-6 TOU price differentials are based on actual marginal cost differences.

39. ~~Artificially~~ Due to the fact that upper tier TOU rates exceed marginal costs, increasing the TOU differentials ~~would~~ result in cost shifting because TOU customers' changes in usage would produce bill savings that exceed PG&E's avoided cost. ~~Such cost differences would thus be shifted to other customers.~~

40. ~~Solar Alliance failed to show that~~ In the past, the Commission has approved rate designs using ~~the Commission uses~~ EPMC to scale marginal costs up to recover the additional non-marginal costs in the revenue requirement.

41. Using EPMC allocators to design rates within monthly tier categories would ~~not~~ better match marginal costs, ~~would not be revenue neutral between TOU and non-TOU classes, would result in cost shifting, and would be at odds with how rates have previously been designed.~~

42. PG&E's proposal to roll the baseline credits into Tier 1 rates so that Schedules E-7 and EL-7 show the same Tier 1 vs. Tier 2 relationship as PG&E's other residential rates is reasonable.

Conclusions of Law

1. Residential rate design principles must conform to applicable statutory restrictions and must be applied in a manner consistent with just and reasonable standards under Sec. 451.

2. The determination of rate design principles involves a balancing of countervailing public policy goals and interests. These principles include considerations of equity so that rate levels change in relation to costs of service, while preserving affordability of essential service levels consistent with universal service obligations.

3. PG&E's rate design proposals in this application should be evaluated within the context of economic and regulatory trends affecting residential customer rates over the past decade, as well as expected trends in prospective economic conditions going forward.

4. The Commission's authority to adopt rate design is constrained by applicable statutory restrictions. In particular, Commission authorizations to change rate levels for Tier 1 and 2 usage are constrained by Pub. Util. Code § 739.9(a) and (b).

5. Based on accepted standards of statutory construction, a fixed customer charge is included in baseline rate limitations "for electricity usage up to 130 percent of the baseline quantities" as prescribed in §§ 739.1(b)(2) and 739.9(a).

6. Any ambiguity in statutory language limiting rate increases for baseline usage should be interpreted in a manner consistent with the legislative intent to avoid rate shock and promote rate stability.

7. Consistent with legislative intent, the rate restrictions in §§ 739.1(b)(2) and 739.9(a) should be interpreted as including fixed customer charges as an unavoidable rate element for usage within baseline.

8. Compliance with the inverted rate structure requirement of § 739.7 is accomplished based on a comparison of the baseline rate (Tier 1) to the average of all non-baseline rates.

9. Although the Commission is prohibited under §§ 739.1(b)(2) and 739.9(a) from approving PG&E's residential customer charge proposal, the proposal would also conflict with relevant ratemaking principles intended to protect customers against undue rate shock.

10. PG&E's proposal for a fixed customer charge should be denied on policy grounds in view of the undue risk of rate shock, particularly for low-income and/or low-usage customers.

11. Section 739.1(b)(5) does not preclude the Commission from approving additional interim increases beyond in a CARE Tier 3 rate during 2012 or 2013.

12. Section 739(a)(1) which specifies that the baseline percentage be set between 50-to-60 percent of average residential consumption. PG&E's baseline proposal would set the electric baseline percentage at the middle of this authorized range.

13. A four-tier rate structure should continue, <u>with a minimum seven cents per kWh differential between Tiers 3 and 4</u>, as a means of promoting a price signal conducive to energy efficiency and a self-sustaining photovoltaic solar market.

14. Sec. 366.2(c)(9) provides that "All electrical corporations shall cooperate fully with any community choice aggregators that investigate, pursue, or implement community choice aggregation programs."

15. PG&E's proposal for a CIA should be ~~implemented~~ <u>considered</u> in a manner that promotes a fair competitive and cooperative environment among community choice aggregators and the utility.

16. PG&E's Schedule E-6 and E-7 tariffs are <u>not</u> consistent with the provisions of Senate Bill 1, codified as Pub. Util. Code § 2851 (a)(4), regarding the Commission's authority to develop a time-variant tariff that provides the maximum incentives for ratepayers to install solar energy systems.

O R D E R

IT IS ORDERED that:

1. The revised rate schedules for Pacific Gas and Electric Company's electric residential retail service as set forth in Appendix Table A of this decision, and modified by paragraph 10 of this order, illustrating the effects of the rate design measures approved in this order, are hereby adopted.

2. Within 45 days of the date this order is mailed, Pacific Gas and Electric Company shall file a Tier 1 advice letter in compliance with General Order 96-B. The advice letter shall include revised tariff sheets to implement revised residential rate schedules in accordance with Appendix Table A, and consistent with the ordering paragraphs below.

3. The tariff sheets shall be made effective subject to Energy Division determining that they are in compliance with this order. No additional customer notice need be provided pursuant to General Rule 4.2 of General Order 96-B for this advice letter filing.

4. Pacific Gas and Electric Company's request to implement a fixed customer charge is hereby denied.

5. Pacific Gas and Electric Company's (PG&E) proposal to adopt a Conservation Incentive Adjustment (CIA) is ~~approved~~ [denied] [moved to (Phase 3 of the General Rate Case) (a new proceeding) so that Parties may consider alternatives that achieve a fair competitive and cooperative environment among community choice aggregators and the utility]. ~~subject to a one-year waiting period before the adjustment is to implemented. PG&E shall be authorized to file an advice letter implementing flat generation and distribution rate components and implementing the CIA, all to become effective one year from the issuance date of this decision~~.

6. Pacific Gas and Electric Company is authorized to implement a Tier 3 rate applicable to California Alternate Rates for Energy customers, to be set equal to 150 percent of the Tier 1 rate.

7. Pacific Gas and Electric Company's (PG&E) request to increase the California Alternate Rates for Energy (CARE) Tier 3 rate by additional interim amounts during 2012 is denied. PG&E's request to raise the CARE Tier 3 rate by 1.5 cents per kilowatt-hour in 2013 is approved.

8. Pacific Gas and Electric Company's (PG&E) request is approved to reduce electric baseline quantities from 60 percent to 55 percent of average usage for basic customers, except for all-electric baseline quantities in the winter season, which PG&E proposes to set at 65 percent of average usage for all-electric customers during the winter season per Public Utilities Code Section 739(a)(1).

9. Pacific Gas and Electric Company is directed to evaluate the effects of implementing a four-month summer period and an eight-month winter period for baseline measurement purposes, and to present the results of its evaluation in its 2012 Rate Design Window proceeding. *The*

evaluation shall consider potential effects on conservation, energy efficiency, and solar installation.

10. Pacific Gas and Electric Company's request to collapse Tier 4 into Tier 3 is denied. The Tier 3 versus Tier 4 differential shall be reduced, however, ~~consistent with the rate tables set forth in Appendix A~~ to a seven cent differential.

11. California Alternate Rates for Energy eligibility requirements are hereby revised for nonprofit group living facilities and qualified agricultural employee living facilities to enable them to become eligible to qualify for service under Schedule EML. Pacific Gas and Electric Company's gas and electric Rule 19.2, Section B.4 and 19.3, Section B.4 are hereby modified with the following text replacement. The text is revised as follows:

> The total gross income for all persons residing in each household at a Facility may not exceed the following:
> Is replaced with –
> The total gross income for all persons residing at a Facility
> may not exceed the following:

12. Pacific Gas and Electric Company (PG&E) is authorized to update baseline usage quantities using the same methodology approved in Decision (D.) 02-04-026, adjusted for seasonal and vacation home usage as required by D.04-02-057 and modified in D.07-09-004, and using the most recently available four years of seasonal data (which is November 2005 through October 2009). Revenue-neutral rate adjustments will apply an equal cents-per- kilowatt-hour change to PG&E's non-California Alternate Rates for Energy rates for usage in excess of 130 percent of baseline.

13. Pacific Gas and Electric Company's proposed changes are adopted for Schedules E-9A and E-9B which are used by residential customers who own electric vehicles.

14. Pacific Gas and Electric Company's proposal is adopted to continue its current approach to rate design for Schedules E-6 and EL-6.

15. Schedule E-7 and EL-7 baseline credits are eliminated, rolling them into the baseline rates. Experimental Schedules EA-7 and EL-A7 are also eliminated.

16. Separately metered Schedule E-9B is closed to new participants. E-9 baseline credits are eliminated by rolling them into existing baseline rates.

VERIFICATION

I am the Senior Advocate with Sierra Club California and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in this pleading are true.

I declare under penalty of perjury that the matters stated in this pleading are true and correct.

Executed on the **25th day of April, 2011**, at Sacramento, California.

/s/ Jim Metropulos

_____

Jim Metropulos, Senior Advocate

Sierra Club California

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CERTIFICATION OF SERVICE

Application 10-03-014

I, Jim Metropulos, certify that on this day April 25, 2011, I sent copies of the attached Sierra Club California's comments on the Proposed Decision and Alternate Decision, General Rate Case, Phase 2 to be served on all parties by emailing a copy to all parties identified on the electronic service list provided by the California Public Utilities Commission for this proceeding, and also by efiling to the CPUC Docket office, with a paper copy to Administrative Law Judge Thomas Pulsifer, and Presiding Commissioner Michael Peevey.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on April 25, 2011, at Sacramento, California.

Dated: April 25, 2011 at Sacramento, California.

/s/ Jim Metropulos

_____

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