

BEFORE THE PUBLIC UTILITIES COMMISSION 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 No. 10-03-014
(Filed March 22, 2010)

REPLY COMMENTS OF THE UTILITY REFORM NETWORK
ON THE ALTERNATE DECISION OF COMMISSIONER PEEVEY



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May 2, 2011

**REPLY COMMENTS OF THE UTILITY REFORM NETWORK
ON THE ALTERNATE DECISION OF COMMISSIONER PEEVEY**

Pursuant to Rule 14.3 of the Commission Rules of Practice and Procedure, TURN submits these reply comments on the Alternate Decision (AD) of Commissioner Peevey on residential rate design issues. TURN responds only to the comments of CLECA/CMTA. Responses regarding legal strictures on the customer charge are contained in separate reply comments on the Proposed Decision (PD) of ALJ Pulsifer.

I. OBJECTIONS TO THE IMPACT OF CARE DISCOUNTS ON NON-RESIDENTIAL RATES ARE MISLEADING AND IGNORE OTHER CROSS-SUBSIDIES BENEFITING NON-RESIDENTIAL CUSTOMERS

CLECA/CMTA devote a significant portion of their opening comments to a long lament about the unfairness of rate protections for CARE customers. Not satisfied with the proposed adoption of fixed customer charges, lower baselines and a Tier 3 CARE rate (subject to an automatic increase), CLECA/CMTA decry that the Commission has not explicitly recognized the injustice of having non-residential customers contribute to the cost of the CARE subsidy. Specifically, CLECA/CMTA demand that the Commission take note of the fact that actual CARE rates are discounted more than the 20% minimum required by statute. Moreover, CLECA/CMTA want the Commission to acknowledge the revenue allocation consequences of failing to dramatically raise CARE rates.¹

In considering these requests, the Commission must take a variety of factors into account. First, the protections for CARE rates are a function of statute rather than Commission policy. SB 695 explicitly constrains increases on any charges for CARE customers using up to 130 percent of the baseline quantity. TURN

¹ CLECA/CMTA opening comments, pages 4-5.

continues to believe that SB 695 prohibits the Commission from adjusting PG&E's "initial" Tier 3 CARE rate until the next General Rate Case cycle. Since the costs of the CARE discount are statutorily allocated to all customer loads on an equal cents per kwh basis, the Legislature clearly intended for CLECA/CMTA members to pay their fair share of these costs. These statutory provisions were part of a comprehensive legislative package supported by a wide range of stakeholders.

Second, the changes to CARE rates in the PD and AD will reduce the size of the overall CARE subsidy. The Commission is considering adopting most of the economically regressive rate changes proposed by PG&E in this case, all of which will reduce the gap between CARE and non-CARE rates. There are more steps the Commission can take to bring down the costs of the CARE program. In particular, Greenlining identified a tiny fraction (less than one percent) of CARE customers responsible for \$92 million of the total annual CARE subsidy.² The Commission should direct PG&E to take action to ensure that these customers are actually eligible for the CARE discount and prevent improper business or agricultural activities from taking advantage of the discounted rates offered by this program.

Third, the Commission must be mindful that large commercial and industrial customers benefit from a wide array of subsidies financed disproportionately by the residential class. The Self-Generation Incentive Program offers heavy subsidies for onsite generation at non-residential customer premises and provides no benefits to the residential class while allocating more than half of the costs to residential customers. Other public purpose programs (like energy efficiency, demand response, and solar subsidies) provide disproportionate benefits to large customer classes while residential customers foot most of the

² Greenlining opening brief, page 27.

bill. Interruptible rates similarly force residential customers to pay for generous discounts offered to large customers who are rarely interrupted.

Furthermore, many large customers have fled the utility in favor of direct access. As the Commission is aware, the expansion of direct access has a destabilizing effect on the entire wholesale electric system, makes it more difficult to achieve resource adequacy goals, undermines long-term planning efforts, and greatly reduces the likelihood that the state will meet ambitious renewable energy targets. When direct access customers fall short in meeting these state goals, bundled customers are forced to pick up the slack and residential customers are allocated a large share of those costs.

TURN encourages the Commission to review all of these subsidies and programs to determine the extent of net subsidies provided to and from the residential class. We expect that this exercise would reveal major disparities in the costs paid, and the benefits received, by residential customers. And this type of analysis could be used to better align revenue allocation with class-specific benefits in the future.

II. CONCLUSION

The Commission should reject the AD and adopt the PD with the modifications proposed in TURN's comments.

Respectfully submitted,

_____/S/_____
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Dated: May 2, 2011

CERTIFICATE OF SERVICE

I, Larry Wong, certify under penalty of perjury under the laws of the State of California that the following is true and correct:

On May 2, 2011, I served the attached:

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on all eligible parties on the attached list **A.10-03-014** by sending said document by electronic mail to each of the parties via electronic mail, as reflected on the attached Service List.

Executed this May 2, 2011, at San Francisco, California.

/S/
Larry Wong

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