

**BEFORE THE PUBLIC UTILITIES COMMISSION OF  
THE STATE OF CALIFORNIA**



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Application of Southern California Edison (U 338-E) To Establish Marginal Costs, Allocate Revenues, Design Rates, and Implement Additional Dynamic Pricing Rates

A.11-06-007

(Filed June 6, 2011)

**OPENING COMMENTS OF THE CENTER FOR ACCESSIBLE TECHNOLOGY  
AND THE GREENLINING INSTITUTE TO THE MOTION OF SOUTHERN  
CALIFORNIA EDISON, THE DIVISION OF RATEPAYER ADVOCATES,  
THE UTILITY REFORM NETWORK, SOLAR ENERGY INDUSTRIES  
ASSOCIATION AND WESTERN MANUFACTURED HOUSING  
COMMUNITIES ASSOCIATION FOR ADOPTION OF RESIDENTIAL RATE  
GROUP SETTLEMENT AGREEMENT**

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August 27, 2012

Pursuant to Rule 12.2 of the Commission's Rules of Practice and Procedure and the emailed Ruling issued by Administrative Law Judge Stephen C. Roscow on August 7, 2012, the Center for Accessible Technology (CforAT) and the Greenlining Institute (Greenlining) submit this timely response to the Motion of Southern California Edison, the Division of Ratepayer Advocates, The Utility Reform Network, Solar Energy Industries Association, and Western Manufactured Housing Communities Association (collectively, the Settling Parties) for adoption of a proposed settlement agreement concerning residential rates (Residential Settlement).<sup>1</sup>

CforAT/Greenlining object to the terms of the Residential Settlement because the settlement fails to ensure energy affordability for residential customers of Southern California Edison, particularly low-income customers.

While the terms of the settlement itself will impact low-income and low-use residential customers,<sup>2</sup> CforAT/Greenlining recognize that the level of impacts from this particular settlement can be characterized as modest. However, this adjustment to residential rates must be considered in conjunction with other recent and proposed changes to residential rates; when cumulative impacts are considered, the current path of residential rate design is trending toward a reduction in costs for those customers who use the most energy and a corresponding rate increase for low-income and low use customers.

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<sup>1</sup> Motion of Southern California Edison, the Division of Ratepayer Advocates, The Utility Reform Network, Solar Energy Industries Association, and Western Manufactured Housing Communities Association for Adoption of Residential Rate Group Settlement Agreement, filed on July 27, 2012.

<sup>2</sup> The Residential Settlement would reduce the number of tiers from five to four and would set a differential of 4¢ per kWh between tiers 3 and 4 beginning in 2013 and a differential of 3¢ per kWh beginning in 2014; this will result in rate increases for customers whose usage reaches tier 3 levels, but not tier 4 levels. The Residential Settlement would also reduce the baseline allowance for basic service from 55% of average to 53% of average, which will shift a portion of residential usage into a higher (more expensive) tier for each affected household, with no corresponding reduction in rates available for households whose usage does not reach the upper tiers.

CforAT and Greenlining have previously argued that the Commission must consider the cumulative impacts of ongoing changes in residential rate design.

Specifically, CforAT/Greenlining have noted that:

In environmental reviews under the California Environmental Quality Act, proposals must be considered for cumulative impact to ensure that potentially damaging plans are not split into multiple, small projects in which the sponsor argues that each step has only a limited environmental impact; rather, the entirety of a project must be reviewed to consider whether it will result substantial harm.<sup>3</sup> Policymakers addressing residential rate design should similarly consider the cumulative impacts of the various components of [an IOU's] rate vision, and avoid adopting incremental changes to the utility's residential rate design that may each seem manageable alone, but which cumulatively will be devastating to vulnerable consumers who already face substantial energy burdens and hardship in obtaining essential energy supplies.<sup>4</sup>

This obligation to review cumulative impacts of residential rate design proposals stems from the Commission's mandate to ensure that rates are affordable. Most explicitly, Section 382(b) of the California Public Utilities Code recognizes "that electricity is a basic necessity, and that all residents in the state should be able to afford essential electricity and gas supplies." The same statute further mandates that "the commission shall ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures."<sup>5</sup> This mandate is further supported by a ruling of the U.S. Supreme Court, which found that affordable utility access is a "necessity of modern life."<sup>6</sup>

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<sup>3</sup> The State CEQA Guidelines, California Administrative Code, title 14, section 15064 set out the criteria for determining the significance of environmental effects caused by a project. Subdivision (h)(1) directs the preparation of an Environmental Impact Review "if the cumulative impact may be significant and the project's incremental effect, though individually limited, is cumulatively considerable. "Cumulatively considerable" means that the incremental effects of an individual project are significant when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects."

<sup>4</sup> Center for Accessible Technology and the Greenlining Institute's Reply Comments Addressing Policy Issues Related to Time-Variant Pricing and Residential Rate Design in Response to the Joint Ruling Issued on February 7, 2012, filed on April 26, 2012 in A.10-02-028 et al., at p. 4.

<sup>5</sup> Cal. Pub. Util. Code § 382(b).

<sup>6</sup> *Memphis Light, Gas & Water Division v. Craft* (1978) 436 U.S. 1, 18.

Notwithstanding the state’s mandate that energy must be affordable, low income customers have long faced substantial energy burdens, as documented in the Commission’s Low Income Needs Assessment, commonly referred to as the KEMA Report.<sup>7</sup> According to the KEMA report, based on data from program year 2003, the average low-income household in California spent 4.2% of its total household income on energy.<sup>8</sup> Underlying that average, the KEMA Report found that 43% of low income households spend over 5% of their total household income on energy, while only 27% spend less than 2.5% of their household income on energy.<sup>9</sup> For Southern California Edison customers in particular, electric-only low income customers with a high energy burden average spending 10.4% of household income on energy, and gas and electric customers (shared with Southern California Gas Company) with a high energy burden average spending 8.9% of household income on energy.<sup>10</sup> Edison’s low-income customers also reported high levels of energy insecurity, with 57% of electric-only and 63% of combined gas and electric low-income households being identified as “vulnerable” or “in crisis.”<sup>11</sup>

Since the KEMA Report was issued in 2007, California has faced the greatest economic crisis since the Great Depression, with high levels of unemployment and underemployment. In addition, energy rates have increased, and are expected to increase further based on a final decision in Phase 1 of Edison’s pending General Rate Case.

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<sup>7</sup> Final Report on Phase 2 Low Income Needs Assessment, prepared for the California Public Utilities Commission by KEMA, Inc., issued on September 7, 2007 and available online at <http://docs.cpuc.ca.gov/published/Graphics/73106.PDF>.

<sup>8</sup> KEMA Report at p. 5-9.

<sup>9</sup> KEMA Report at pp. 5-12 – 5-13.

<sup>10</sup> KEMA Report at p. 5-14.

<sup>11</sup> KEMA Report at p. 5-21.

Given these changes, it is highly likely that energy burdens for low-income households are greater now than they were at the time that the KEMA Report was issued.<sup>12</sup>

While CforAT and Greenlining object to the Residential Settlement as a step along an unsustainable path of rate design that fails to adequately address affordability of necessary supplies of energy, we recognize that the broad issue of rate design has been raised by the Commission in R.12-06-013, Order Instituting Rulemaking on the Commission's Own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities' Residential Rate Structures, the Transition to Time Varying and Dynamic Rates, and Other Statutory Obligations. Because affordability as a key element of rate design has been identified as an important issue in the Rulemaking, CforAT and Greenlining believe that the Rulemaking is a more appropriate forum for a comprehensive discussion of cumulative impact of changes in residential rate design. In the meantime, the Commission should not allow energy affordability to be eliminated incrementally for low-income customers and others who are most vulnerable.

Respectfully submitted,

August 27, 2012

/s/ Melissa W. Kasnitz

/s/ Enrique Gallardo

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<sup>12</sup> In A.11-05-017 *et al.*, the Commission recently approved a decision that orders an updated low income needs assessment to be conducted, with results to be available no later than Aug. 31, 2013. *See* D.12-08-044, Sec. 5.2.7.