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

Application of Pacific Gas and Electric Company To Revise Its Electric Marginal Costs, Revenue Allocation and Rate Design. (U39M)

Application 13-04-012  
(Filed April 18, 2013)

**ASSIGNED COMMISSIONER'S SCOPING MEMORANDUM AND RULING**

**1. Summary**

This scoping memo identifies the issues to be considered in this proceeding. It sets a procedural schedule, determines the category of the proceeding is ratesetting, and determines there is a need for hearings pursuant to Rule 7.3 of the Commission's Rules of Practice and Procedure (Rules).<sup>1</sup>

**2. Background**

Pacific Gas and Electric Company (PG&E) asks the Commission to adopt its proposals to revise electric marginal costs, revenue allocation, and rate design. This request is related to PG&E's Application (A.) 12-11-009, a request to increase authorized revenues which will be authorized in the 2014 test year general rate case. PG&E proposes here to move its electric rates closer to a cost of service basis, which it claims would send more economically efficient price signals and would promote more equitable treatment among all customers. At the same

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<sup>1</sup> [http://docs.cpuc.ca.gov/WORD\\_PDF/AGENDA\\_DECISION/143256.PDF](http://docs.cpuc.ca.gov/WORD_PDF/AGENDA_DECISION/143256.PDF).

time, PG&E asserts that its proposals balance other objectives including customer acceptance, rate stability, and simplifying electric rates to make them easier for customers to understand.

Underlying PG&E's proposals are its updated unit marginal cost studies. This updated marginal cost information is used to allocate the overall revenue requirement to the individual customer groups. After integrating the billing determinants with the corresponding unit marginal costs, and accounting for policy considerations, PG&E constructed a revised rate design for all of its customer groups. The overall effect of PG&E's proposals is revenue neutral. The results of the Commission's decision here will be applied to PG&E's then-current authorized revenues, incorporating any revenue change adopted in A.12-11-009, and other Commission or Federal Energy Regulatory Commission proceedings. Application of the rate design approved in this proceeding to a changed revenue requirement will produce rates that will likely differ from rates now in effect.

### **3. Categorization and Need for Hearings**

This scoping memo confirms the Commission's categorization of this proceeding as ratesetting as preliminarily determined in Resolution ALJ-136-3314. This determination is appealable under the provisions of Rule 7.6. This scoping memo also determines that hearings are necessary. The application timely appeared on the Commission's daily calendar.

### **4. Record and Restrictions on *Ex Parte* Communications**

This Scoping Memo adopts a schedule that includes formal hearings. (*See* Rules 7.1(a) and 7.3(a) and Rule 7.5.) The record will be composed of all documents filed and served on parties. It will also include testimony and exhibits received at hearing. Parties shall use the procedures contained in Rule 11.3 to seek resolution of discovery disputes. Parties are directed to either

resolve disputes or expeditiously refer disputes to the assigned Administrative Law Judge (Judge) to avoid adverse impacts on the schedule.

Any party may serve rebuttal to any other party's direct testimony, i.e., rebuttal is not limited to PG&E. PG&E is expected to make its primary showing in its direct testimony and updates and therefore rebuttal by all parties will be limited and may not introduce new information not previously disclosed. It may however, include responsive arguments or explanations.

In a ratesetting proceeding involving hearings, *ex parte* communications are permitted only if consistent with certain restrictions, and are subject to reporting requirements. (See Pub. Util. Code § 1701.3(c) and Rules 8.2, 8.3, and 8.5.). Parties shall electronically serve the assigned Commissioner and Judge all three-day notices required by Rule 8.2(c)(2) for all *ex parte* meetings with decisionmakers.

## **5. Scope**

Interested parties were provided an opportunity to comment on what issues should be included in the scope of this proceeding in their protests to the application and again at the prehearing conference. Parties should develop prepared testimony to address any issues on which factual information or policy opinion may be helpful to explain or support their positions. Issues that turn solely on interpretation of law may be deferred to briefing. In the interest of minimizing delay, however, the parties are cautioned against narrowly interpreting the scope of prepared testimony.

The individual details of specific changes to the determination of electric marginal costs, revenue allocation, and rate design are too numerous to list in the scoping memo, but any relevant issue is within the scope of this proceeding. All other ratesetting issues which would otherwise change PG&E's authorized

revenue requirement or how PG&E operates as a utility are not included in the scope.

The Division of Ratepayer Advocates (DRA) identified the following issues in its timely protest:

DRA is concerned with the following changes to all of PG&E's Residential Customer Rate Design tariffs:

- A reduction of electric baseline quantities;
- Collapsing Tiers 3 and 4 together for all non-Time of Use (TOU) residential schedules;

In addition, the following changes to specific tariffs are of concern:

- California Alternative Rates for Energy (CARE) – An increase of the Tier 3 rate from 14 cents/kWh to 20 cents/kWh;
- Optional Seasonal/TOU Rates – The proposed revenue neutral rate design for Schedules E-8 in 2014 and for E-7 in 2015;
- Optional TOU Rates – the addition of a customer charge to all optional (or voluntary) rates and elimination of a minimum charge on optional rates; and
- Optional TOU Rates – Collapsing Tiers 1 and 2 and Tiers 3 and 4 to create a two-tier rate design, and to reduce the Tier differential over time.

DRA is concerned with PG&E's proposed changes to its Small Commercial Customer Rate Design:

- Maintaining 75kW as the boundary between the small (A-1) and medium (A-10) commercial customers over the next 3 years;
- Reducing the size cut-off for small non-demand TOU customers (A-6) from 500kW to 75kW. Customers with demand greater than 75 kW will no longer be eligible for small commercial (A-1 and A-6) rates;
- Increasing the A-1 and A-6 basic service fees (that is, customer charge); and

- Increasing TOU differentials in schedules A1-TOU and A10-TOU.

The Utility Reform Network (TURN) identified the following issues in its timely protest:

- Lowering residential electric baseline quantities to the minimum permitted by law;
- Increasing the Tier 3 CARE rate to 16 cents/kwh for the first 12 months, 18 cents/kwh for the following 12 months and 20 cents/kwh for the subsequent 12 months;
- Eliminating the non-CARE Tier 4 rate level, leaving only a Tier 3 price for all usage in excess of 130 percent of baseline;
- Creating a \$6 per month fixed customer charge for TOU schedules E-6 and E-7 and \$3.60 per month for schedules EL-6 and EL-7; and
- Changes to or the elimination of the Family Energy Rate Assistance program.

The Marin Energy Authority identified the following issues in its timely protest and proposed that the Commission should:

- Examine the competitive impacts of the Conservation Incentive Adjustment;
- Examine the competitive impacts of PG&E's Zero Minimum Bill proposal including any possible effect of CARE-eligible unbundled customers not receiving a proper CARE discount; and
- Examine the application of the Power Charge Indifference Adjustment to departing load customers.

The Greenlining Institute and the Center for Accessible Technology identified the following issues in a timely joint protest:

- A reduction of electric baseline quantities;
- Changing Tier 3 of CARE rates;
- Consolidating Tiers 3 and 4 for residential rates;
- Consolidating the lowest two Tiers of optional TOU rates; and

- Instituting a customer charge for CARE and non-CARE customers.

All of the above specific issues identified in the protests, as well as the more general scope identified above, are within the scope of this proceeding at the outset. At any time the assigned Judge or Commissioner may amend this scoping memo to change this list, add to, or delete items from this list should it prove reasonable to do so.

There will be one phase to this proceeding. The schedule adopted below provides enough for parties to address all items proposed by the applicant.

## 6. Schedule

I adopt the following schedule:

<b>PG&amp;E 2014 Marginal Cost and Rate Design Schedule</b>	
PG&E Updates	Friday, August 2, 2013
DRA Testimony	Friday, November 15, 2013
Other Intervenor Testimony	Friday, December 13, 2013
Concurrent Rebuttal Testimony	Friday February 7, 2014
Settlement Discussions	Any Time Before Evidentiary Hearings
Evidentiary Hearings Commission Courtroom State Office Building 505 Van Ness Avenue San Francisco, CA 94102	Monday, February 24, 2014 Through Friday, March 7, 2014
Concurrent Opening Briefs	Friday, April 4, 2014
Concurrent Reply Briefs	Friday, April 18, 2014
Request for Final Oral Argument and Submission	Friday, May 2, 2014

Based on the schedule above, we expect this proceeding to be concluded within eighteen months of the date of mailing this scoping memo pursuant to Pub. Util. Code § 1701.5.

## **7. Briefs**

Parties must use a common outline for briefs. The outline is to be developed jointly by the parties. The parties may bring any unresolved disputes regarding the outline to the attention of the Judge before the end of evidentiary hearings.

Parties are strongly encouraged to avoid the use of acronyms in testimony, briefs, and other filings. Clear plain language will enhance the accessibility of the complex issues and arguments we face in this proceeding to all audiences including the general public, the media, and others interested in this proceeding. Obvious and common acronyms may be used.<sup>2</sup>

## **8. Settlement Requirements**

Any settlements between parties, whether regarding all or some of the issues, must comply with Article 12 of the Rules and shall be served in writing. Such settlements must include a complete explanation of the settlement and complete explanation of why it is reasonable in light of the whole record, consistent with the law and in the public interest. The proposing parties bear the burden of proof as to why the settlement should be adopted by the Commission.

A neutral judge can be requested to facilitate and mediate settlement discussions. Parties indicated at the prehearing conference that they expect to engage in settlement negotiations primarily between the time of service of intervenor testimony and rebuttal testimony.

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<sup>2</sup> e.g., PG&E (for Pacific Gas and Electric Company) kWh (kilowatt hour), TURN (for The Utility Reform Network), DRA (for Division of Ratepayer Advocates), etc.

## **9. Final Oral Argument**

Pursuant to Rule 13.13(b), a party in a ratesetting proceeding, where there has been a hearing, has the right to make a final oral argument before the Commission if the final oral argument is requested within the time and manner specified in the scoping memo or later ruling. This request must be made by written motion. By this scoping memo requests for final oral argument are due May 2, 2014.

## **10. Discovery**

Parties should begin discovery now if they have not already started. Discovery should be conducted pursuant to the Commission's longstanding guidelines. However, to expedite resolution of disputes we specifically direct the parties that PG&E must expeditiously: inform any party when there will be a delay in responding; convey any questions for clarification; raise any dispute on relevance, confidentiality, or any other basis where a response may be withheld; and disclose any other challenge or dispute concerning the Discovery request. Rather than delay the proceeding for motions to compel, etc., any party may inform the assigned Judge and all parties on the service list, of the dispute after a good-faith effort to resolve it, and a timely conference call will be scheduled to discuss and mediate the dispute. These conferences may be on short notice and need not be reported. If necessary, the Judge may require a motion and reply to resolve the matter.

The intervenors are required to also serve their data requests on the other parties. Parties should coordinate discovery requests to avoid duplication. All requests for the responses to the data requests made by another party should be made to PG&E. PG&E will provide copies subject to reasonable privilege or confidentiality limitations.

## **11. Presiding Officer**

Pursuant to Rule 13.2, Judge Douglas M. Long is designated as the presiding officer.

**IT IS RULED** that:

1. This proceeding is categorized as ratesetting. This ruling is appealable within 10 days under Rule 7.6 of the Commission's Rules of Practice and Procedure.

2. The Commission's preliminary determination that hearings are necessary is affirmed.

3. Any party may serve rebuttal to any other party's direct testimony and rebuttal by all parties will be limited and may not introduce new information not previously disclosed to parties, as described in Section 4.

4. The issues to be considered are those described in Section 5.

5. The schedule is as described in Section 6.

6. Rules 8.2, 8.3 and 8.5 governing *ex parte* communications apply to this proceeding.

7. Any proposed settlements must comply with Article 12 of the Commission's Rules of Practice and Procedure.

8. Final oral argument is permissible as described in Section 9.

9. Expedited discovery procedures are described in Section 10.

10. Parties are strongly encouraged to avoid the use of acronyms in testimony, briefs, and other filings.

11. Administrative Law Judge Douglas M. Long is designated as the presiding officer.

Dated July 12, 2013, at San Francisco, California.

/s/ MICHAEL R. PEEVEY

Michael R. Peevey  
Assigned Commissioner