BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

FILED
3-05-14
04:59 PM

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 U 39 E	R.12-06-013 (Phase 1)

JOINT MOTION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E), THE OFFICE OF RATEPAYER ADVOCATES, AND THE UTILITY REFORM NETWORK TO ADOPT SETTLEMENT

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Dated: March 5, 2014

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JOINT MOTION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E), THE OFFICE OF RATEPAYER ADVOCATES, AND THE UTILITY REFORM NETWORK TO ADOPT SETTLEMENT

I. INTRODUCTION

Pursuant to Rule 12.1 of the Commission's Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E), the Office of Ratepayer Advocates (ORA), and The Utility Reform Network (TURN) (jointly, Settling Parties) hereby file this Joint Motion to Adopt Settlement to approve PG&E's January 28, 2014, revised Phase 2 proposals in the above referenced residential rate reform proceeding to change residential electric rates as modified by the Settlement.[1/]

This Settlement is a direct result of encouragement by the Administrative Law Judge and the Office of the Assigned Commissioner to the active parties to seek a reasonable compromise and settlement in order to expedite a Commission decision on PG&E's proposals before the summer of 2014. The Settling Parties held differing views on numerous aspects of PG&E's Summer 2014 Residential Electric Rate Reform Proposals in Phase 2 of this proceeding. However, the Settling Parties have bargained earnestly and in good faith to seek a compromise and to develop this Settlement, which is the result of arms-length negotiations among the Settling Parties on the full range of disputed issues. These negotiations considered the interests of all of

1/ Counsel for the other parties to the settlement have authorized PG&E to file this Motion on their behalf.

the active parties on these issues, and the Settlement addresses each of these interests in a fair and balanced manner.

The Settlement makes three significant changes in PG&E's January 28, 2014, and revised Phase 2 rate proposals as a compromise of the Settling Parties' positions:

First, PG&E's proposed rates had assumed adoption of PG&E's 2012 Rate Design Window proposal[2/] that baseline quantities be calculated at fifty percent (50) percent of historical average usage levels by climate zone. In that proceeding, ORA and TURN had opposed PG&E's 50 percent baseline proposal, and instead supported retaining the current baseline quantity of fifty-five (55) percent. As a compromise in this proceeding, the Settling Parties have agreed to rates developed using baseline quantities set at the mid-point between those two positions – at fifty-two and one-half (52.5) percent. The effect of this compromise is to somewhat reduce the bill impacts of PG&E's rate design changes on low usage non-CARE residential customers in Tiers 1 and 2 of PG&E's residential rate structure, and to maintain bill impacts on CARE customers roughly comparable to those in PG&E's January 28 proposals.

Second, PG&E had proposed to modestly increase its Tier 1 and 2 rates while decreasing the Tier 3 and 4 rates, in order to take a first step toward narrowing the very large rate differentials that currently exist between Tier 1 and 2 rates on the one hand, and Tier 3 and 4 rates on the other. While supporting the direction of PG&E's proposal, ORA and TURN had opposed the principle of allocating all of PG&E revenue requirement increases solely to Tier 1 and 2 rates upon initial implementation of the summer rates. As a compromise, the Settling Parties have agreed that PG&E's Tier 3 and 4 non-CARE rates will also be subject to an increase under certain circumstances, and that if the Tier 4 rate would exceed $0.35000 per kWh under these circumstances, any revenue shortfall would be made up by increases in Tier 2, 3 and 4 rates on an equal cents per kWh basis. The effect of this compromise is to further reduce the bill impacts of PG&E's rate design changes on low usage non-CARE customers in Tiers 1 and 2

2/ PG&E's 2012 Rate Design Window Application (A.) 12-02-020.

compared to PG&E's January 28, 2014 proposals.

Third, PG&E had proposed to allocate each authorized post-summer 2014 revenue requirement increase during the settlement period to all non-CARE and CARE rates in each tier on an equal-cent-per-kWh basis, while allocating any such revenue requirement decrease solely to non-CARE Tier 3 and 4 rates in order to continue progress on reducing the tier differentials. ORA and TURN expressed concern regarding this asymmetry and that the timing of revenue requirement increases and decreases could result in volatility and unintended increases in Tier 1 and 2 rates. As a compromise, the Settling Parties have agreed that, for each rate change during the period after initial implementation of these summer rates and until a Phase I decision is reached, both increases and decreases will be shared across all non-CARE and CARE rate tiers on an equal cents per kWh basis, with the further limitation that in the event the rates would increase by more than 1.5 cents per kWh as a result of a rate change, the increases to the non-CARE Tier 1 rate, the CARE Tier 1 rate, and the CARE Tier 2 rate would be capped at 1.5 cents per kWh, and the revenue shortfall resulting from these caps would be collected on an equal-cents-per-kWh basis from sales in non-CARE Tiers 2, 3, and 4 and in CARE Tier 3. PG&E also will also seek to consolidate authorized revenue requirement increases and decreases during the settlement period, to the extent feasible and consistent with timely ratemaking. The effect of this compromise is to provide additional protections to Tier 1 and 2 CARE customers and Tier 1 non-CARE customers from unintended bill volatility due to timing of revenue requirement changes on PG&E's system.

Based on these compromises of their respective positions, the Settling Parties request that the Commission approve their proposed settlement expeditiously as reasonable, lawful and in the public interest.

II. PROCEDURAL HISTORY OF SETTLEMENT

In June, 2012, the Commission initiated Rulemaking (R.) 12-06-013 on its 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. In October, 2013, Assembly Bill (AB) 327 was signed into law, making significant changes to the types of retail residential electric rate structures that the Commission is permitted to authorize, and also containing limits designed to protect certain classes of vulnerable customers. On October 25, 2013, the Assigned Commissioner in R.12-06-013 issued a ruling inviting utilities to submit interim rate change proposals complying with AB 327. On November 22, 2013, PG&E submitted its rate change proposal in R.12-06-013.

On December 23, 2013, ORA filed a protest against PG&E's rate change proposal. ORA's protest identified several issues that needed to be addressed in this proceeding including bill impacts, rate structure, CARE discounts, and the treatment of revenue requirement increases until the next rate design proceeding.

On December 23, 2013, TURN filed a protest against PG&E's rate change proposal. TURN's protest expressed concerns with proposed increases to Tier 1 rates, proposed changes to the Family Electric Rate Assistance (FERA) program, the proposed reduction of baseline quantities to 50% of average usage, and suggested changes to the CARE discount.

On January 8, 2014, a prehearing conference was held in which the Office of the Assigned Commissioner and the Administrative Law Judge indicated that in order to fairly evaluate PG&E's and other utilities' rate change proposals in time to implement new residential rates in 2014, PG&E and the other utilities would need to revise and simplify their proposals.

On January 24, 2014, the Assigned Commissioner and Administrative Law Judge issued their Second Amended Scoping Memo, providing that the simplified rate change proposals to be submitted by PG&E and the other utilities "should maintain the existing four-tiered structure and should not entail any major adjustments to California Alternative Rates for Energy (CARE), Family Electric Rate Assistance Program (FERA) or medical baseline programs. Instead, changes should be limited to increases in the lower tiers commensurate with projected increases in the overall revenue requirement allocated to the residential class, plus no more than a few percentage points, if necessary, to keep the upper tiers within a range that will avoid the potential

for significant bill volatility and rate shock in the summer. If the resulting CARE effective discount would be greater than 35%, the utility should propose an adjustment that would put CARE rates on a glide path to 35%. The adjustment should avoid rate shock for CARE customers." (Second Amended Scoping Memo, R.12-06-013, January 24, 2014, pp. 2-3).

On January 28, 2014, PG&E served its Revised Prepared Testimony in response to the guidance provided at the January 8, 2014, prehearing conference and in the January 24, 2014, Second Amended Scoping Memo.

Between the November 22, 2013, filing of PG&E's rate change proposal, and the date of this Settlement, the Settling Parties have engaged in good faith and detailed settlement discussions and negotiations with the objective of reaching a consensus on a PG&E Summer, 2014 rate change proposal that the Settling Parties could support as fair and reasonable and that the Commission could approve as consistent with its guidance for implementation of rate changes by the summer of 2014.

On February 25, pursuant to the request of the Settling Parties and Southern California Edison Company, the Administrative Law Judges modified the schedule in this proceeding to defer intervenor testimony from February 28, 2014 to March 5, 2014 and to accommodate potential settlements that might be filed in this proceeding by March 5, 2014.

This Settlement is the result of the Settling Parties' discussions and negotiations.

III. SECTION-BY-SECTION SUMMARY OF PROPOSED SETTLEMENT

A. Section IV.A – Baseline Quantities

PG&E's baseline quantities will be based on fifty-two and one-half (52.5) percent of historical average usage levels by climate zone, unless and until the Commission revises PG&E's baseline quantities in a future proceeding. PG&E's 2012 Rate Design Window proceeding, A.12-02-020, does not constitute such a future proceeding, and upon CPUC approval of this Settlement, the Settling Parties agree to mutually request that the issue of baseline quantities be removed from A.12-02-020.

B. Section IV.B – Baseline Quantities for All-Electric Customers

For All-Electric customers in winter, baseline quantities will be based on sixty-two and one-half (62.5) percent of historical usage.

C. Section IV.C – Historical Usage Data

The specific baseline quantity values will be based upon the historical usage data by climate zone for the May 2008 through April 2012 period, as described in Appendix A to the Settlement.

D. Section IV.D – Residential Electric Rates

1. Section IV.D.1 –Term

PG&E's residential electric rates will be as agreed in the Settlement (in dollars per kWh) until and unless revised or modified by a CPUC decision on the merits of PG&E's proposed residential electric rates in Phase 1 of R.12-06-013.

2. Section IV.D.2 – Non-CARE Rates

PG&E's Non-CARE Tier 1 rate will be $0.14707, as proposed in PG&E's January 28 proposals.

So long as it does not result in the non-CARE tier 4 rate exceeding $0.35000, PG&E's Non-CARE Tier 2, 3 and 4 rates will be as follows: PG&E's Non-CARE Tier 2 rate will be $0.17028. PG&E's Non-CARE Tier 3 and 4 rates shall be set to collect the residual revenue requirement, such that the resulting difference between the Tier 3 and 4 rates is $0.06000.

However, if the non-CARE Tier 4 rate resulting under the rule described in the previous paragraph exceeds $0.35000 per kWh, then the rates will be adjusted as follows. Starting with non-CARE rates at $0.17028, $0.29000, and $0.35000 for Tiers 2, 3 and 4, respectively: Using these rates, plus the non-CARE Tier 1 rate of $0.14707, and the CARE rates in Section 3, below, the non-CARE Tier 2, 3 and 4 rates will be increased on an equal cents per kWh basis to eliminate the revenue shortfall.

3. Section IV.D.3 – CARE Rates

The CARE Tier 1 rate will be $0.09244, the CARE Tier 2 rate will be $0.10630, and the CARE Tier 3 rate will be $0.15081. Coupled with the compromise on baseline quantities, these CARE rates will result in reasonable and manageable bill impacts on CARE customers comparable to those in PG&E's January 28 proposals.

4. Section IV.D.4 – Rate Changes Between Summer 2014 and Decision on PG&E's Rate Proposal in Phase 1 of R.12-06-013

During the period between the effective date of CPUC approval of the Settlement for summer 2014 rates and a CPUC decision on the merits of PG&E's rate proposal on Phase 1 of R.12-06-013, the following shall apply to each rate change. For residential electric rate changes caused by an authorized increase in PG&E's residential electric revenue requirement, all non-CARE and CARE rates in every tier will increase on an equal-cent-per-kWh basis in order to collect the higher revenue requirement (except, as described earlier, the increases to non-CARE Tier 1, CARE Tier 1, and CARE Tier 2 rates will be capped at 1.5 cents per kWh, and the revenue shortfall resulting from these caps will be collected on an equal-cents-per-kWh basis from sales in non-CARE Tiers 2, 3, and 4 and in CARE Tier 3). For residential electric rate changes caused by an authorized decrease in PG&E's residential electric revenue requirement, all non-CARE and all CARE rates in every tier will decrease on an equal-cent-per-kWh basis in order to collect the lower revenue requirement.

In in order to manage rate volatility and achieve rate stability, PG&E will seek, to the extent feasible and consistent with timely ratemaking, to consolidate authorized revenue requirement increases with revenue requirement decreases. This includes the Powerex FERC refund settlement expected to be approved in 2014, the revenue requirement crediting of which PG&E shall seek to consolidate with the implementation of other 2014 expected authorized increases in residential electric revenue requirements such as PG&E's 2014 General Rate Case Phase 1 and Nuclear Decommissioning Trust revenue requirement changes.

E. Section II – General Conditions for Settlement Approval

The Settling Parties agree that the Settlement resolves all issues raised by the Settling Parties regarding PG&E's Summer 2014 Residential Electric Rate Reform proposals in Phase 2 of R.12-06-013, as well as the related issue of the percentage used to calculate baseline quantities currently pending in PG&E's 2012 Rate Design Window proceeding, A.12-02-020. The Settling Parties agree that this Settlement is reasonable in light of the testimony submitted, consistent with the law, and in the public interest. The Settling Parties agree to jointly request Commission approval of this Settlement Agreement and actively to support its prompt approval. The Settlement Agreement may be amended or changed only by a written agreement signed by the Settling Parties. In accordance with the Commission's settlement rules, the Settlement does not constitute and should not be used as a precedent regarding any principle or issue in this proceeding or in any future proceeding. Further, in the event that the Commission rejects or modifies this Settlement Agreement, the Settling Parties agree that all parties to this proceeding should have the right to submit testimony.

IV. THE PROPOSED SETTLEMENT IS REASONABLE AND IN THE PUBLIC INTEREST

As discussed above, the Settlement is a compromise among differing, opposing positions by the Settling Parties, and thus meets the Commission's general position in favor of settlements. Although the Settlement is not an "all-party" settlement, Rule 12.1 makes it clear that "Settlements need not be joined by all parties." After detailed discussions and earnest negotiations, this Settlement has already gained the support of two major groups that traditionally have represented the broadest interests of residential customers – ORA and TURN. The Settling Parties are hopeful that other parties will determine to join and support the Settlement before hearings. In addition, the Settlement meets and exceeds the criteria set by the January 24, 2014, Second Amended Scoping Memo for approval of Phase 2 rate changes proposals. The Settlement maintains the existing four-tiered rate structure and entails no major adjustments to CARE, FERA or medical baseline programs. The Settlement limits rate changes

to increases in lower tiers no more than a few percentage points above projected increases in revenue requirements, in order to keep upper tier rates within a range that will avoid the potential for significant bill volatility and rate shock in the summer. Finally, the Settlement provides a small adjustment to the effective CARE discount in order to begin to put CARE rates on a glide path to the 35% maximum discount required by AB 327, without rate shock to CARE customers.

The table below shows the illustrative summer 2014 Settlement rates under various assumptions about the ultimate revenue requirement increase, compared to January 1, 2014 actual rates and to SB 695-adjusted January 1, 2014 rates:

TABLE 1
PACIFIC GAS AND ELECTRIC COMPANY
PRESENT AND PROPOSED NON-CARE (SCHEDULE E-1) AND CARE (SCHEDULE EL-1) RATES

A	B	C	D	E	F	G	H	I
		October 2013 Rates	January 2014 Rates		Illustrative Summer 2014 Settlement Rates (52.5% BQs)			
Usage Level	Tier	Actual Rates (55% BQs)	Actual Rates (55% BQs)	SB 695-Adjusted Rates (55% BQs)	Assuming 0% of RRQ Increases Approved	Assuming 50% of RRQ Increases Approved	Assuming 76% of RRQ Increases Approved	Assuming 100% of RRQ Increases Approved
Non-CARE (Schedule E-1)								
Zero to 100% of Baseline	1	$0.13230	$0.13230	$0.13627	$0.14707	$0.14707	$0.14707	$0.14707
100% to 130% of Baseline	2	$0.15040	$0.15040	$0.15491	$0.17028	$0.17028	$0.17028	$0.17743
130% to 200% of Baseline	3	$0.31916	$0.32377	$0.31353	$0.25987	$0.27951	$0.29000	$0.29715
Over 200% of Baseline	4	$0.35916	$0.36377	$0.35353	$0.31987	$0.33951	$0.35000	$0.35715
CARE (Schedule EL-1)								
Zero to 100% of Baseline	1	$0.08316	$0.08316	$0.08565	$0.09244	$0.09244	$0.09244	$0.09244
100% to 130% of Baseline	2	$0.09563	$0.09563	$0.09850	$0.10630	$0.10630	$0.10630	$0.10630
Over 130% of Baseline	3	$0.13974	$0.13974	$0.13974	$0.15081	$0.15081	$0.15081	$0.15081

V. THE PROPOSED SETTLEMENT IS LAWFUL

In addition to representing a reasonable compromise of the Settling Parties' opposing positions, the Settlement also fully complies with the requirements of AB 327 and the Public Utilities Code. The reduction in the differential among residential electric rate tiers is within the requirements of AB 327 regarding maintaining at least two tiers and the requirement of the baseline statute regarding an appropriate gradual differential between rates for respective blocks of usage.[3/] In addition, the Settlement begins a gradual, reasonable reduction in the CARE discount in order to meet the requirement of AB 327 that the average effective CARE discount

3/ Public Utilities Code Sections 739(d)(1) and 739.9(c).

must be no more than the 35 percent and no less than 30 percent of the revenues that would have been produced for the same billed usage of non-CARE customers.[4/]

VI. CONCLUSION

For the reasons discussed above, the Settling Parties respectfully request that the Commission approve the Settlement as reasonable in light of the whole record, consistent with law, and in the public interest.

Respectfully Submitted,

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By: */s/ Christopher J. Warner*
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Dated: March 5, 2014

4/ Public Utilities Code Section 739.1(c).

SETTLEMENT AGREEMENT
AMONG
PACIFIC GAS AND ELECTRIC COMPANY,
OFFICE OF RATEPAYER ADVOCATES, AND
THE UTILITY REFORM NETWORK

I. INTRODUCTION

A. In accordance with Article 12 of the California Public Utilities Commission's (Commission or CPUC) Rules of Practice and Procedure, the parties to this Settlement Agreement, Pacific Gas and Electric Company (PG&E), the Office of Ratepayer Advocates (ORA), and The Utility Reform Network (TURN) (collectively, the Settling Parties), hereby enter into this Settlement Agreement (Settlement) as a compromise among their respective litigation positions to resolve all disputed issues raised by the parties in PG&E's Summer 2014 Residential Electric Rate Reform Proposal contained in its Revised Prepared Testimony dated January 28, 2014 in Phase 2 of Rulemaking (R.)12-06-013. The Settling Parties agree that this Settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

B. This Settlement is a direct result of encouragement by the Administrative Law Judge and the Office of the Assigned Commissioner to the active parties to seek a reasonable compromise and settlement in order to expedite a Commission decision on PG&E's proposals before the summer of 2014. The Settling Parties held differing views on numerous aspects of PG&E's Summer 2014 Residential Electric Rate Reform Proposals in Phase 2 of this proceeding. However, the Settling Parties have bargained earnestly and in good faith to seek a compromise and to develop this Settlement, which is the result of arms-length negotiations among the Settling Parties on the full range of disputed issues. These negotiations considered the interests of all of the active parties on these issues, and the Settlement addresses each of these interests in a fair and balanced manner.

C. The Settling Parties crafted this Settlement by agreeing to concessions and trade-offs among themselves. Thus the various elements and sections of the Settlement are intimately

interrelated, and should not be altered as the Settling Parties intend that the Settlement be treated as a comprehensive resolution which strives to balance and align the interests of each party. Accordingly, the Settling Parties respectfully request that the Commission promptly approve the Settlement without modification. Any material change to the Settlement shall render it null and void, unless all of the Settling Parties agree in writing to such changes.

II. GENERAL CONDITIONS

A. This Settlement Agreement resolves all issues raised by the Settling Parties regarding PG&E's Summer 2014 Residential Electric Rate Reform proposals in Phase 2 of R.12-06-013, as well as the related issue of the percentage used to calculate baseline quantities currently pending in PG&E's 2012 Rate Design Window proceeding, A.12-02-020, subject to the conditions set forth below.

B. This Settlement Agreement embodies the entire understanding and agreement of the Settling Parties resolving their differences on the matters presented in this Phase 2, R.12-06-013 proceeding. Unless otherwise provided in this Agreement, all proposals and recommendations by the parties, are withdrawn or considered subsumed without adoption by this Settlement. This Settlement Agreement supersedes prior oral or written agreements, principles, negotiations, statements, representations, or understandings among the Settling Parties with respect to those matters.

C. This Settlement Agreement represents a negotiated compromise among the Settling Parties' respective positions on the matters described, and the Settling Parties have assented to the terms of the Settlement only to arrive at the agreement embodied herein. Nothing contained in the Settlement should be considered an admission of, acceptance of, agreement to, or endorsement of any disputed fact, principle, or position previously presented by any of the Settling Parties on these matters in this proceeding.

D. This Settlement Agreement does not constitute and should not be used as a precedent regarding any principle or issue in this proceeding or in any future proceeding.

E. The Settling Parties agree that this Settlement Agreement is reasonable in light of the testimony submitted, consistent with the law, and in the public interest.

F. The Settling Parties agree that no provision of this Settlement Agreement shall be construed against any Settling Party because that Settling Party or its counsel or advocate drafted the provision.

G. The Settling Parties agree that this Settlement Agreement addresses all Summer 2014 Residential Rate Reform issues except those expressly excluded in this Settlement Agreement.

H. This Settlement Agreement may be amended or changed only by a written agreement signed by the Settling Parties.

I. The Settling Parties shall jointly request Commission approval of this Settlement Agreement and shall actively support its prompt approval. Active support shall include written and oral testimony if testimony is required,[1/] briefing if briefing is required, comments and reply comments on the proposed decision, advocacy to Commissioners and their advisors as needed, and other appropriate means as needed to obtain the requested approval.

J. The Settling Parties intend the Settlement Agreement to be interpreted and treated as a unified, integrated agreement. In the event the Commission rejects or modifies this Settlement Agreement, the Settling Parties reserve their rights under Rule 12.4 of the CPUC's Rules of Practice and Procedure, and the Settlement should not be admitted into evidence in this or any other proceeding. Further, in the event that the Commission rejects or modifies this Settlement Agreement, the Settling Parties agree that all parties to this proceeding should have the right to submit testimony.

[1/] Any oral and written testimony that the CPUC might require may be prepared jointly among parties with similar interests.

III. PROCEDURAL HISTORY

A. In June, 2012, the Commission initiated Rulemaking (R.) 12-06-013 on its 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.

B. In October, 2013, Assembly Bill (AB) 327 was signed into law, making significant changes to the restrictions on retail residential electric rate structures that the Commission is permitted to authorize, and also containing limits designed to protect certain classes of vulnerable customers.

C. On October 25, 2013, the Assigned Commissioner in R.12-06-013 issued a ruling inviting utilities to submit interim rate change proposals complying with AB 327.

D. On November 22, 2013, PG&E submitted its rate change proposal in R.12-06-013.

E. On December 23, 2013, ORA filed a protest against PG&E's rate change proposal. ORA's protest identified several issues that needed to be addressed in this proceeding including bill impacts, rate structure, CARE discounts, and the treatment of revenue requirement increases until the next rate design proceeding.

F. On December 23, 2013, TURN filed a protest against PG&E's rate change proposal. TURN's protest expressed concerns with proposed increases to Tier 1 rates, proposed changes to the Family Electric Rate Assistance (FERA) program, the proposed reduction of baseline quantities to 50% of average usage, and suggested changes to the CARE discount.

G. On January 8, 2014, a prehearing conference was held in which the Office of the Assigned Commissioner and the Administrative Law Judge indicated that in order to fairly evaluate PG&E's and other utilities' rate change proposals in time to implement new residential rates in 2014, PG&E and the other utilities would need to revise and simplify their proposals.

H. On January 24, 2014, the Assigned Commissioner and Administrative Law Judge issued their Second Amended Scoping Memo, providing that the simplified rate change proposals to be submitted by PG&E and the other utilities "should maintain the existing four-

tiered structure and should not entail any major adjustments to California Alternative Rates for Energy (CARE), Family Electric Rate Assistance Program (FERA) or medical baseline programs. Instead, changes should be limited to increases in the lower tiers commensurate with projected increases in the overall revenue requirement allocated to the residential class, plus no more than a few percentage points, if necessary, to keep the upper tiers within a range that will avoid the potential for significant bill volatility and rate shock in the summer. If the resulting CARE effective discount would be greater than 35%, the utility should propose an adjustment that would put CARE rates on a glide path to 35%. The adjustment should avoid rate shock for CARE customers." (Second Amended Scoping Memo, R.12-06-013, January 24, 2014, pp. 2-3).

I. On January 28, 2014, PG&E served its Revised Prepared Testimony in response to the guidance provided at the January 8, 2014, prehearing conference and in the January 24, 2014, Second Amended Scoping Memo.

J. Between the November 22, 2013, filing of PG&E's rate change proposal, and the date of this Settlement, the Settling Parties have engaged in good faith and detailed settlement discussions and negotiations with the objective of reaching a consensus on a PG&E Summer, 2014 rate change proposal that the Settling Parties could support as fair and reasonable and that the Commission could approve as consistent with its guidance for implementation of rate changes by the summer of 2014.

K. On February 25, pursuant to the request of the Settling Parties and Southern California Edison Company, the Administrative Law Judges modified the schedule in this proceeding to defer intervenor testimony from February 28, 2014 to March 5, 2014 and to accommodate potential settlements that might be filed in this proceeding by March 5, 2014.

L. This Settlement is the result of the Settling Parties' discussions and negotiations.

IV. SPECIFIC TERMS

A. Baseline Quantities

PG&E's baseline quantities will be based on fifty-two and one-half (52.5) percent of historical average usage levels, unless and until the Commission revises PG&E's baseline quantities in a future proceeding.[2/]

B. All Electric Customers

For All-Electric customers in winter, baseline quantities will be based on sixty-two and one-half (62.5) percent of historical usage.

C. Historical Usage Data

The specific baseline quantity values will be based upon the historical usage data by climate zone for the May 2008 through April 2012 period, as described in Appendix A to this Settlement.

D. Residential Electric Rates

1. Term

PG&E's residential electric rates shall be as shown in this section (in dollars per kWh) until and unless revised or modified by a CPUC decision on the merits of PG&E's proposed residential electric rates in Phase 1 of R.12-06-013.

2. Non-CARE Rates

(a) PG&E's **Non-CARE Tier 1** rate shall be **$0.14707**.

(b) So long as it does not result in the non-CARE tier 4 rate exceeding $0.35000, PG&E's Non-CARE Tier 2, 3 and 4 rates shall be calculated as follows:

(i) PG&E's **Non-CARE Tier 2** rate shall be **$0.17028**.

2/ PG&E's 2012 Rate Design Window proceeding, A.12-02-020, does not constitute such a future proceeding, and upon CPUC approval of this Settlement, the Settling Parties agree to mutually request that the issue of baseline quantities be removed from A.12-02-020.

(ii) PG&E's **Non-CARE Tier 3 and 4** rates shall be **set to collect the residual revenue requirement**, such that the resulting difference between the Tier 3 and 4 rates is $0.06000.

(iii) However, **if the Non-CARE Tier 4 rate** resulting under subsections (b)(i) and (b)(ii) **exceeds $0.35000 per kWh**, the incremental revenue requirement should be spread to non-CARE tier 2,3,and 4 rates on an equal cents per kWh basis in the following manner:

(1) Start with the following rates:

--Non-CARE Tier 1: $0.14707

--Non-CARE Tier 2: $0.17028

--Non-CARE Tier 3: $0.29000

--Non-CARE Tier 4: $0.35000

(2) Using these rates, and the CARE rates in Section 3 below, calculate the revenue shortfall relative to the authorized revenue requirement.

(3) Increase the non-CARE Tier 2, 3 and 4 rates on an equal cents per kWh basis to eliminate the revenue shortfall.

3. CARE Rates

(a) The **CARE Tier 1 rate** shall be **$0.09244**.

(b) The **CARE Tier 2** rate shall be **$0.10630**.

(c) The **CARE Tier 3** rate shall be **$0.15081**.

4. Rate Changes Between Summer 2014 and Decision on PG&E's Rate Proposal in Phase 1 of R.12-06-013

During the period between the effective date of CPUC approval of this Settlement and a CPUC decision on the merits of PG&E's rate proposal on Phase 1 of R.12-06-013, the following shall apply to each rate change:

(a) For residential electric rate changes caused by an authorized increase in PG&E's residential electric revenue requirement, all

non-CARE and CARE rates in every tier shall be increased on an equal-cent-per-kWh basis in order to collect the higher revenue requirement

(b) However, if the equal-cent-per-kWh rate increase resulting under subsection 4(a) **exceeds $0.01500 per kWh**, then the increases for the non-CARE tier 1 rate, the CARE tier 1 rate, and the CARE tier 2 rate shall be capped at $0.01500 per kWh, and the revenue shortfall resulting from these caps shall be collected on an equal-cents-per-kWh basis from sales in non-CARE tiers 2, 3, and 4 and in CARE tier 3.

(c) For residential electric rate changes caused by an authorized decrease in PG&E's residential revenue requirement, all non-CARE and CARE rates in every tier shall be decreased on an equal-cent-per-kWh basis in order to collect the lower revenue requirement.

(d) In implementing subsection 4(a) and (b), PG&E shall seek, to the extent feasible and consistent with timely ratemaking, to consolidate authorized revenue requirement increases with revenue requirement decreases in order to manage rate volatility and achieve rate stability. This includes the Powerex FERC refund settlement expected to be approved in 2014, the revenue requirement crediting of which PG&E shall seek to consolidate with the implementation of other 2014 expected authorized increases in residential electric revenue requirements such as PG&E's 2014 General Rate Case Phase 1 and Nuclear Decommissioning Trust revenue requirement changes.

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V. EXECUTION

This document may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. In witness whereof, intending to be legally bound, the Settling Parties hereto have duly executed this Settlement on behalf of the parties they represent.

The undersigned represent that they are authorized to sign on behalf of the Party represented, for the purposes of this 2014 Residential Electric Rate Reform Settlement Agreement in Phase 2 of R.12-06-013.

PACIFIC GAS AND ELECTRIC COMPANY

By: *__/s/ Christopher J. Warner_____*
CHRISTOPHER J. WARNER
Title: Attorney_____
Date: March 5, 2014

THE OFFICE OF RATEPAYER ADVOCATES

By: *__/s/ Joseph P. Como_____*
JOSEPH P. COMO
Title: Acting Director_____
Date: March 5, 2014

THE UTILITY REFORM NETWORK

By: *__/s/ Matthew Freedman_____*
MATTHEW FREEDMAN
Title: Attorney___ _____
Date: March 5, 2014

APPENDIX A
To
Settlement Agreement Among
Pacific Gas and Electric Company, Office of Ratepayer Advocates, and The Utility Reform Network

PACIFIC GAS & ELECTRIC COMPANY
2014 RESIDENTIAL TARGET BASELINE QUANTITIES BASED ON 2008-2012 USAGE (1)

	SUMMER (2)			WINTER (2)			SUMMER (2)			WINTER (2)		
TERRITORY	55% Daily	**52.5% Daily**	50% Daily	55% Daily	**52.5% Daily**	50% Daily	55% Daily	**52.5% Daily**	50% Daily	55% Daily	**52.5% Daily**	50% Daily
	E-1, E-6, E-7, E-A7, E-8, E-9, ES, ESR, ET (3) (and CARE)						**EM (4)** (and CARE)					
	ALL-ELECTRIC QUANTITIES (kWh)						ALL-ELECTRIC QUANTITIES (kWh)					
P	17.6	**16.4**	15.5	29.7	**29.6**	28.3	9.7	**9.1**	8.6	16.0	**15.4**	14.7
Q	8.9	**8.3**	7.8	30.7	**29.6**	28.3	5.8	**5.4**	5.2	16.2	**15.4**	14.7
R	20.2	**18.8**	17.8	31.4	**29.8**	28.5	9.8	**9.2**	8.7	16.3	**15.4**	14.5
S	17.6	**16.4**	15.5	28.7	**27.1**	25.8	9.7	**9.1**	8.6	16.2	**15.3**	14.4
T	8.9	**8.3**	7.8	16.0	**14.9**	13.9	5.8	**5.4**	5.2	10.5	**9.8**	9.3
V	14.7	**13.6**	12.8	29.2	**26.6**	25.3	11.2	**8.0**	7.6	15.8	**14.5**	14.1
W	22.4	**20.8**	19.6	22.0	**20.6**	19.3	11.0	**10.3**	10.0	13.8	**12.9**	12.1
X	10.1	**9.3**	8.7	18.0	**16.7**	15.6	7.9	**7.5**	7.1	14.7	**14.0**	13.2
Y	14.0	**13.0**	12.3	28.4	**27.1**	25.6	8.5	**8.1**	7.7	19.5	**18.0**	16.7
Z	8.4	**7.7**	7.2	20.1	**18.7**	17.5	5.1	**4.8**	4.5	13.9	**12.5**	11.5
	BASIC QUANTITIES (kWh)						BASIC QUANTITIES (kWh)					
P	14.8	**13.8**	13.1	13.1	**12.3**	11.7	6.3	**5.9**	5.6	5.9	**5.6**	5.3
Q	7.5	**7.0**	6.7	12.9	**12.3**	11.7	4.2	**3.9**	3.8	6.0	**5.6**	5.3
R	16.6	**15.6**	14.7	11.7	**11.0**	10.5	7.1	**6.6**	6.3	5.5	**5.3**	5.0
S	14.8	**13.8**	13.1	11.8	**11.2**	10.6	6.3	**5.9**	5.6	5.5	**5.1**	4.9
T	7.5	**7.0**	6.7	9.0	**8.5**	8.0	4.2	**3.9**	3.8	5.1	**4.8**	4.6
V	9.3	**8.7**	8.3	11.2	**10.6**	10.0	4.6	**4.3**	4.1	5.6	**5.2**	5.0
W	18.0	**16.8**	15.9	10.8	**10.1**	9.6	7.9	**7.4**	7.0	5.9	**5.5**	5.3
X	10.8	**10.1**	9.6	11.5	**10.9**	10.3	5.8	**5.4**	5.2	6.6	**6.2**	5.9
Y	11.3	**10.6**	10.0	13.3	**12.6**	11.9	9.7	**9.0**	8.2	9.0	**8.3**	7.8
Z	6.6	**6.2**	5.8	9.6	**9.0**	8.4	5.7	**5.3**	4.8	6.6	**5.9**	5.6

(1) Data is from May 2008 through April 2012.
(2) The Summer season is May through October. The Winter season is November through April.
(3) These baseline allowances cover 98 percent of electric households in PG&E's service territory.
(4) These baseline allowances cover 2 percent of electric households in PG&E's service territory.