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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.

Application No. 13-04-012
(Filed: April 18, 2013)

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**MOTION OF SETTLEMENT PARTIES FOR ADOPTION OF RESIDENTIAL RATE DESIGN
SUPPLEMENTAL SETTLEMENT AGREEMENT**

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Dated: July 24, 2014

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I. INTRODUCTION

Pursuant to Rule 11.1 of the California Public Utilities Commission’s Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) submits this motion, on behalf of the Settling Parties, respectfully requesting Commission approval of the attached Residential Rate Design Supplemental Settlement Agreement, which resolves various residential rate design issues remaining in the above-captioned proceeding (referred to as the Residential Rates (RR) Settlement Agreement). The settled residential rate design issues are:

- a. Schedule ET and ES electric master-meter discounts,
- b. Natural gas baseline quantities,
- c. Electric Vehicle (EV) rate review in compliance with D.11-07-029, and
- d. Rate design to adjust generation rates such that they do not exceed the total rate for Schedules E-7, EL-7, E-8 and EL-8.

The RR Settling Parties are: PG&E, the Office of Ratepayer Advocates (ORA), The Utility Reform Network (TURN), the Western Manufactured Housing Communities Association (WMA), and Marin Clean Energy (MCE).

This motion shows why the RR Settlement Agreement meets the Commission’s standards of being reasonable in light of the whole record, consistent with law, and in the public interest. Therefore, it should be adopted without modification.

II. PROCEDURAL HISTORY

The procedural and settlement history of this proceeding is set forth in the Settlement on Marginal Cost and Revenue Allocation, filed on July 16, 2014 (MC/RA Settlement Agreement), and is incorporated herein by reference.

Testimony on residential rates issues was served by PG&E on April 18, 2013, and updated on August 16, 2013. Responsive testimony covering residential rates issues was served by ORA on November 15, 2013, and by MCE, TURN and WMA on December 13, 2013.

The assigned Administrative Law Judge (ALJ) for this proceeding, Douglas Long, noted the passage of AB 327, and issued a ruling by email on October 18, 2013, suspending most residential issues covered by testimony in this proceeding. Residential issues in the GRC Phase II were suspended to allow the CPUC to determine the scope of the Residential Rate Reform Rulemaking (A.12-06-013) (RROIR). Thereafter, the CPUC recategorized the RROIR as a ratesetting proceeding and requested the utilities to file RROIR testimony on an expedited basis. On November 6, 2013, ALJ Long clarified that proposals regarding the Master Meter Discount and Natural Gas Baseline Quantities would remain in this General Rate Case (GRC) Phase II proceeding. On November 22, 2013, PG&E modified its GRC Phase II residential testimony as appropriate, and submitted it as filed testimony in the RROIR.

On April 15, 2014, the Third Amended Scoping Memo and Ruling of Assigned Commissioner Peevey in the RROIR listed in a Rate Element Inventory (Attachment B) that two additional issues would also remain within the GRC Phase II if they could be settled: (1) EV rate review in compliance with D.11-07-029, and (2) rate design for optional tiered rates to adjust generation rates such that they do not exceed the total rate for Schedules E-7, EL-7, E-8, and EL-8.

III. SETTLEMENT TERMS¹

The RR Settlement Agreement, accompanying this motion, is supplemental to the MC/RA Settlement Agreement. The RR Settlement Agreement uses the revenue allocation agreed to in the MC/RA Settlement Agreement, and addresses rate design issues that were not resolved in that initial

¹ This section describes the fundamental components of the RR Settlement Agreement and necessarily simplifies some of the terms. To the extent that there is any conflict between the exact wording of the RR Settlement Agreement and this motion, the RR Settlement Agreement should govern.

settlement. The RR Settling Parties request that the complementary outcomes of this RR Settlement Agreement and the MC/RA Settlement Agreement be consolidated into the Commission's final decision on the issues resolved without litigation in this GRC Phase II proceeding.

A. Electric Master-Metered Customers (Schedules ET and ES)

The RR Settlement Agreement describes the agreed rate design changes for Electric Master Meter Mobilehome Park ("MMHP") electric rate Schedule ET and related Electric Master Meter Multifamily Service Schedule ES, and describes PG&E's compliance with an order to develop a methodology for collecting data regarding actual mobilehome park connection costs (D. 11-12-053, Ordering Paragraph 23).

The participating parties to the settlement of MMHP rate design issues – PG&E, TURN, ORA, and WMA (MMHP Settling Parties) – are a subset of the RR Settling Parties. PG&E's proposals for the electric Schedules ET and ES discount are set forth in PG&E Exhibit 4, Chapter 3, Tables 3-16 through 3-18 on pages 3-58 through 3-60; and explained at pages 3-50, line 24 through 3-61, line 4. TURN's testimony (set forth in Prepared Testimony of Jeffrey Nahigian, dated December 13, 2013, Chapter III), ORA's testimony (set forth in Testimony dated November 15, 2013, Chapter 5) and WMA's testimony (set forth in Prepared Testimony of Richard J. McCann, Ph.D., on behalf of WMA, dated December 13, 2013, pages 1-46) identified several proposed modifications to the master meter discount calculations proposed by PG&E which would affect both the discount for Schedule ET and Schedule ES. In general, WMA's testimony proposed higher discounts than ORA and PG&E had proposed, and conversely, TURN's testimony proposed lower discounts than proposed by ORA and PG&E. This settlement, therefore, represents a compromise of MMHP Settling Parties' positions relating to Schedules ES and ET in this proceeding because the discounts agreed upon and presented herein fall in the range of values proposed by PG&E and ORA.

1. Schedule ET – Discount for Mobilehome Park Master Meter Service

The MMHP Settling Parties agree that it is reasonable for the Commission to adopt a compromise for the rate Schedule ET Discount – relating to electric master-metered Mobilehome Park Service – with certain updates described below. The RR Settlement Agreement on Schedule ET issues is comprised of three sections: (1) agreement to a monthly Base Discount, which is then used to

calculate a Net ET Discount; (2) incorporation of a possible Fixed Customer Charge into the Schedule ET billing method;² and (3) continuation of Special Condition No. 9 without revision.

a. Schedule ET Monthly Discount

The MMHP Settling Parties agree it is reasonable for the Commission to adopt a Base ET Discount of **\$8.58** per dwelling space per month, which reflects a revised calculation of the Base Discount. The MMHP Settling Parties further agree that the monthly Base ET Discount will be adjusted by the Diversity Benefit Adjustment (DBA)³ and the Line Loss Adjustment (LLA)⁴ as follows to calculate a Net Discount:

$$\text{Monthly Net Discount} = \text{Base Discount} - \text{Diversity Benefit Adjustment} + \text{Line Loss Adjustment}$$

After adjustment for the DBA and LLA, the Monthly Net Discount will be translated into a daily rate per dwelling unit using the following formula, consistent with PG&E's practice:

$$\text{Daily Rate} = \text{Monthly Rate} \times \frac{12 \text{ months/year}}{365.25 \text{ days/year}}$$

i. DBA: All DBA calculations will utilize the methodology described in PG&E's testimony in this proceeding,⁵ and the DBA methodology the Commission adopted in its decision in PG&E's 2011 Phase II proceeding.⁶ The Schedule ET DBA shall be determined as a specific system-wide fixed dollar amount per dwelling unit per month. The DBA will be recalculated as warranted using the rates in effect at the time the ET Discount is implemented, and recalculated and updated going forward consistent with the Commission's decision and each "phase in" of residential rate changes contemplated in the RROIR.

² The Settling Parties do not agree on whether a residential Fixed Customer Charge (also referred to as a Monthly Service Fee) is reasonable. This issue will be litigated in R.12-06-013 (the RROIR).

³ The diversity benefit adjustment reduces the discount paid to the mobilehome park owner to account for the fact that while the mobilehome park owner receives a full baseline allowance for each space, some tenants use less than the baseline allowance, and some spaces may be vacant. (Exhibit PG&E-4, Ch.3, Vol.1, p. 3-53, lines 1-7, citing, D.04-11-011, mimeo, at p. 10.)

⁴ Line Loss is an adjustment to the base discount to compensate the master meter customer for usage at the master meter that is lost when distributed to the tenant spaces. (Exhibit PG&E-4, Ch.3, Vol.1, p. 3-55, fn.63.)

⁵ Exhibit PG&E-4, Ch.3, Vol.1, p. 3-54, line 15 to p. 3-55, line 2.

⁶ D.11-12-053, mimeo, p. 41.

ii. **LLA:** The LLA will be calculated consistent with PG&E’s proposed methodology described in its testimony, and it will be recalculated each time the DBA is adjusted.⁷

b. Contingency for a Potential Future Fixed Customer Charge or Monthly Service Fee

The MMHP Settling Parties agree that it is reasonable to adjust the Schedule ET billing method should the Commission adopt a Fixed Customer Charge or Monthly Service Fee for residential customers on rate Schedules E-1 and EL-1 prior to the effective date of the rate change implementing the Commission’s decision in PG&E’s next GRC Phase II proceeding.⁸ A Fixed Customer Charge or Monthly Service Fee, if adopted prior to implementation of a decision in PG&E’s next GRC Phase II proceeding, will be added to the Schedule ET master meter bill as follows:

*Schedule ET Master Meter Bill Fixed Customer Charge **equals:***

One central master meter Fixed Customer Charge **plus***
*(non-CARE Fixed Customer Charge **multiplied by** number of non-CARE tenant units) **plus***
*(CARE Fixed Customer Charge **multiplied by** number of CARE tenant units).*

**The one central master meter Fixed Customer Charge =*
The CARE Fixed Customer Charge if the park is on Schedule ETL, or
The non-CARE Fixed Customer Charge if the park is on Schedule ET.

c. No Change to Special Condition No 9.

The MMMP Settling Parties agree that no changes should be made to the current language of Special Condition 9 in rate Schedule ET.

2. Schedule ES – Discount for Multifamily Master Metered Service

The MMHP Settling Parties agree it is reasonable for the Commission to adopt a compromise for the Schedule ES Discount – which relates to electric multifamily service master metered customers – with certain updates described below. The agreement on Schedule ES issues is comprised of three sections: (1) agreement to a monthly Base Discount, which is then used to calculate a Net ES Discount;

⁷ PG&E-4, Ch.3, Vol.1, p. 3-55, lines 4-6 and fn.63.

⁸ The Settling Parties do not agree on whether a Fixed Customer Charge (also referred to as a Monthly Service Fee) is reasonable.

(2) incorporation of a possible future Fixed Customer Charge; and (3) continuation of Special Condition No. 9 without revision.

a. Schedule ES Monthly Discount

The MMHP Settling Parties agree to a Base Master Meter ES Discount of **\$4.67** per dwelling unit per month, which reflects a revised calculation of the Base Discount. To Calculate the Net ES Discount, the Base Discount will be adjusted to reflect the DBA:

$$\text{Monthly Net Discount} = \text{Monthly Base Discount} - \text{DBA}$$

The Monthly Net Discount shall be restated to a Daily Net Discount using the same Daily Rate Calculation formula relied upon for the rate Schedule ET Discount. (The LLA included for Schedule ET, however, does not apply to Schedule ES.)

The MMHP Settling Parties agree the Schedule ES DBA shall be revised simultaneously with each change in the DBA for Schedule ET. The Schedule ES DBA shall be determined as a specific system-wide fixed dollar amount per dwelling unit per month, and shall be equal to the rate Schedule ET Mobilehome Park Service DBA multiplied by a factor of 58 percent, as adopted in D.11-12-053 (*See Appendix E, Supplemental Settlement Agreement on Schedule ES and Natural Gas Baseline Quantity Residential Rate Design Issues, p. 6*).

b. Contingency for a Potential Future Fixed Customer Charge or Monthly Service Fee

The MMHP Settling Parties also agree that it is reasonable to adjust the Schedule ES billing method should the Commission adopt a Fixed Customer Charge for residential rate Schedules E-1 and EL-1 prior to the effective date of the rate change implementing the Commission's decision in its next GRC Phase II proceeding.² The formula for incorporating a Fixed Customer Charge into the Schedule ES billing method is the same as for the Schedule ET billing method described above.

c. No Change to Special Condition No 9.

The MMHP Settling Parties agree that no changes should be made to the current language of Special Condition 9 in Schedule ES.

² The Settling Parties do not agree on whether a Fixed Customer Charge (also referred to as a Monthly Service Fee) is reasonable.

3. Compliance with Commission Order for Investigation into Mobilehome Park Connection Costs

In Ordering Paragraph 23 of Decision 11-12-053, the Commission ordered PG&E to develop a methodology to collect data for actual mobilehome park connection costs prior to its 2014 GRC Phase II application. For the reasons set forth in the Settlement Agreement, the Settling Parties have concluded that no further action is necessary on this compliance item, and PG&E respectfully requests the Commission find that no further action is required.

B. Natural Gas Baseline Quantities

For natural gas baseline quantities,¹⁰ PG&E had proposed to continue using the currently-adopted methodology, per Decision 02-04-026, as explained in its testimony (set forth in PG&E Exhibit 4, Volume 1, Chapter 3, Table 3-15 at page 3-49, and explained on pages 3-41 through 3-48). The parties that participated in settlement negotiations regarding gas baseline quantities are PG&E, TURN, and ORA. These parties agree that PG&E's proposed natural gas baseline quantities (shown in Table 3-15 of Exhibit PG&E-4, Volume 1, page 3-49) are reasonable and should be adopted by the Commission because, in this proceeding they are updated for more recent data in accordance with D.02-04-026 and D.04-02-057 (as modified by D.07-09-004). Further, these parties agree that it is prudent to continue to set natural gas baseline quantities at the maximum of the legislative range which is 60 percent of average residential usage in the summer season and 70 percent of average residential usage in the winter season. Therefore, PG&E, TURN, and ORA agree that it is reasonable for the Commission to adopt PG&E's proposed natural gas baseline quantities.

C. Electric Vehicle (Schedule EV) Rate Review, in Compliance with D.11-07-029

The EV Settling Parties represent a subset of the RR Settling Parties and include ORA, TURN, and PG&E. The EV Settling Parties agree that it is reasonable for the Commission to adopt the illustrative rates for Schedule EV to comply with the review requirements specified in D.11-07-029. In Decision 11-07-029, Conclusion of Law 7 stated: "The Commission should revisit the suitability of the utilities' Electric Vehicle residential rate schedules in 2013-2014." Furthermore, Ordering Paragraph 3 of that same decision stated: "Pacific Gas and Electric Company shall file a plug-in hybrid and electric

¹⁰ Baseline quantities are the designated daily amount of gas that is necessary to supply a significant portion of the reasonable energy needs of the average residential customer. PG&E-4, Vol. 1, Ch. 3, p. 3-41, line 33 through p. 3-41, line 1.

vehicle rate design proposal in the rate design phase of its 2014 GRC.” Moreover, such a Commission review of Schedule EV in this proceeding is consistent with Resolution E-4508 (issued on August 23, 2012) in which the Commission stated that “it would be appropriate to grandfather existing customers on Schedule E-9A, but only until EV rates are revised in Phase 2 of PG&E’s 2014 GRC,” and “PG&E is authorized to grandfather existing customers on current E-9 rate schedules until a decision is issued in Phase 2 of PG&E’s 2014 General Rate Case (GRC) or until December 31, 2014, whichever is later.” The EV Settling Parties’ proposed settlement ensures compliance with all of these Commission directives.

PG&E’s proposals for rate Schedule EV were set forth in Exhibit PG&E-4, Volume 1, Chapter 3, at pages 3-39 through 3-41. No party provided testimony with regard to PG&E’s EV proposals because, at the time testimony was due, it was unclear whether EV rates would instead be considered in the RROIR proceeding. Subsequently, the CPUC made it clear that certain EV issues would not be considered in the RROIR, and that if the parties to PG&E’s GRC Phase II could reach a settlement, the issue could be resolved in the 2014 GRC Phase II. (*See* Third Amended Scoping Memo, Appendix B, Item 17.) The EV Settling Parties have analyzed and discussed the issue, and have agreed that Schedule EV rates designed based on the preexisting rate design satisfy the requirements of D.11-07-029 and retain the non-tiered TOU rate design option favored by the Commission for EV rate design.¹¹ Illustrative rates developed per the agreed preexisting rate design are provided as Appendix A to the attached RR Settlement Agreement. The Settling Parties agreed that this approach is reasonable because: (1) PG&E only recently implemented a new Schedule EV (in August 2013); (2) load research efforts to date are not yet robust enough to be used as a basis for changes to the existing rate design on this schedule (*see* Exhibit PG&E-4, p. 3-40); and (3) structural changes to the rate such as adding a customer charge, as PG&E had proposed in its original 2014 GRC Phase II testimony,¹² or introducing a baseline credit as ORA would propose, are more appropriately considered in the RROIR. The Commission should adopt this settlement on EV rates because it is reasonable, consistent with law (as well as in compliance with the requirements of D.11-07-029), and in the public interest.

¹¹ D.11-07-029, Conclusion of Law 5.

¹² Exhibit PG&E-4, p.3-41.

D. Revisions to Existing Rate Design for Optional Tiered Rates

The Residential Rate Design (RRD) Settling Parties are a subset of the RR Settling Parties and include ORA, MCE, and TURN. The RRD Settling Parties agree it is reasonable for the Commission to adopt the settlement regarding rate schedules for optional tiered rates for rate Schedules E-7, EL-7, E-8, and EL-8 to resolve certain issues raised by MCE and acknowledged by the other RRD Settling Parties to be legitimate concerns that should be addressed as soon as possible.

As noted in Section II above, in the Commission's RROIR proceeding (A.12-06-013), the Third Amended Scoping Memo and Assigned Commissioner's Ruling of April 15, 2014, expressly includes for continued consideration in PG&E's 2014 GRC Phase II the issue of whether, in the short term, there should be revisions to PG&E's existing rate design for optional tiered rates, including revising rates where the generation rate exceeds the total rate for Schedules E-7, EL-7, E-8, and EL-8.

PG&E presented proposals for rate Schedules E-7, EL-7, E-8, and EL-8 (set forth in Exhibit PG&E-4, Volume 1, Chapter 3, Table 3-1 at page 3-2; and explained at pages 3-28 through 3-37). No party provided testimony with regard to PG&E's E-7, EL-7, E-8, and EL-8 rate proposals because at the time intervenor testimony was due, it was unclear whether these rates would be considered in the RROIR proceeding. However, MCE did present testimony in this proceeding requesting that the floor of Zero for the Minimum Bill (i.e., the Zero Minimum Bill) be eliminated (MCE Testimony, December 13, 2013, p.7.) Subsequently, the CPUC made it clear that certain issues relating to rates for existing optional rate programs would not be considered in the RROIR, and that if the parties to PG&E's GRC Phase II could reach a settlement on such issues, they could be resolved in the 2014 GRC Phase II. (*See* Third Amended Scoping Memo, Attachment B, Item 21.)

The RRD Settling Parties have analyzed and discussed this issue, and in the course of doing so, MCE has agreed that revisions to Schedules E-7, EL-7, E-8, and EL-8 could resolve the issues that MCE raised regarding residential rate design. However, since generation rates could not be reduced below total rates in all cases, the parties agree that PG&E will continue to seek changes to minimize the occurrence of generation rates that exceed total rates as total rates (particularly in Tier 1 and Tier 2) are revised as a result of future proceedings. Therefore, the RRD Settling Parties have agreed that rates for Schedules E-7, EL-7, E-8, and EL-8 should be revised as soon as possible to eliminate or minimize the

occurrence of situations in which the generation rate could exceed the total rate. Further, the parties agree that PG&E may revise rates in the future as total rates are revised to minimize to occurrence of generation rates that exceed total rates. Illustrative rates that demonstrate how rates for Schedules E-7, EL-7, E-8, and EL-8 will be revised to meet this goal are provided as Appendix B to the attached RR Settlement Agreement.¹³

The RRD Settling Parties agree that the Commission should approve this settlement which includes the following: (1) retain the Zero Minimum Bill until it is reconsidered in the RR OIR; (2) rates designed consistent with the illustrative rates provided in the attached settlement are reasonable; and (3) that PG&E may adjust generation rates as a result of a decision in this proceeding as well as in the future to eliminate, to the extent possible, cases where generation rates exceed total rates. This settlement regarding rates for Schedules E-7, EL-7, E-8, and EL-8 is reasonable in light of the record as a whole, consistent with law, and in the public interest; therefore it should be adopted without amendment.

IV. THE COMMISSION SHOULD ADOPT THE RESIDENTIAL SUPPLEMENTAL SETTLEMENT AGREEMENT

A. Commission Policy Favors Settlements

The Commission has a long history of supporting settlement of disputes. However, pursuant to Rule 12.1(d) of the Commission's Rules of Practice and Procedure, the Commission will not approve a settlement, whether contested or uncontested, unless it is found to be reasonable in light of the whole record, consistent with law, and in the public interest.¹⁴ This RR Settlement Agreement is expected to be uncontested as all of the parties with interests in residential rate design issues in this proceeding have signed the Settlement.

As the Commission has reiterated over the years, the "Commission favors settlement because they generally support worthwhile goals, including reducing the expense of litigation, conserving scarce

¹³ As illustrated in the rate revisions provided in Appendix B, total rate constraints currently placed upon Schedules E-8 and EL-8 inhibit PG&E's ability to reduce generation rates to be less than the total rates for Tier 1 and Tier 2 winter usage under Schedule EL-8.

¹⁴ D. 13-03-031, mimeo, pp. 5 – 6 (approving settlement in SCE's 2102 GRC Phase II proceeding); D.05-03-022, mimeo, pp. 7-8, *citing* D.88-12-083 (30 CPUC 2d 189, 221-223) and D.91-05-029 (40 CPUC 2d. 301, 326).

Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results.”¹⁵ This strong public policy favoring settlements weighs in favor of the Commission resisting the temptation to alter the results of the negotiation process. As long as a settlement taken as a whole is reasonable in light of the record, consistent with the law, and in the public interest, it should be adopted.¹⁶

Each portion of this RR Settlement Agreement is dependent upon the other portions of that same agreement. As such, the RR Settling Parties request that this RR Settlement Agreement be adopted as a whole by the Commission, without modification.

B. The RR Settlement Agreement is Reasonable in Light of the Record, Consistent with Law, and in the Public Interest.

The Commission should adopt this RR Settlement Agreement as reasonable in light of the entire record, as it represents a reasonable resolution after careful review and discussion by all interested parties of the four rate design proposals discussed above, after incorporating appropriate revisions and updates. The RR Settling Parties fairly represent the interests of residential customers, and they reached settlement after sharing their positions based on shared data and analysis that each party carefully considered as part of arms-length negotiations on each of the issues in this settlement. The RR Settling Parties agree that this settlement resolves these issues in a reasonable manner.¹⁷

In addition, this RR Settlement Agreement is consistent with current law, as it complies with all applicable statutes and prior Commission decisions. These include Public Utilities Code Section 451, which requires that utility rates must be just and reasonable.

Finally, the RR Settlement Agreement is in the public interest because it saves the Commission and parties from the time, expense, and uncertainty associated with litigating these issues.¹⁸

¹⁵ D.10-12-035, 2010 Cal PUC LEXIS 467 at *87; and see D.05-03-022, mimeo, p. 8, citing D.92-12-019, 46 CPUC 2d 538, 553. See also D.10-12-051, 2010 Cal. PUC LEXIS 566 at *55 (Commission decisions “express the strong public policy favoring settlement of disputes if they are fair and reasonable”); D.10-11-035, 2010 Cal. PUC LEXIS 495 at *17 (the Commission’s longstanding policy favoring settlement...reduces litigation expenses, conserves scarce Commission resources...” and see D.10-11-011, 2010 Cal. PUC LEXIS 533 at *50 (“There is a strong public policy favoring the settlement of disputes to avoid costly and protracted litigation.”))

¹⁶ See, generally, D.05-03-022, mimeo, pp. 7-13.

¹⁷ D.13-11-003, mimeo, pp. 6-7; D. 13-07-029, mimeo, pp. 7-8; D.13-12-045, mimeo, pp. 10-11.

¹⁸ D.13-11-003, mimeo, p. 8; D.13-12-045, mimeo, p. 12.

V. CONCLUSION

For the reasons set forth above, the RR Settling Parties respectfully request that the Commission:

1. Find the attached RR Settlement Agreement to be reasonable in light of the whole record, consistent with law, and in the public interest;
2. Adopt the attached RR Settlement Agreement without modification; and
3. Authorize PG&E to implement changes in rates in accordance with the terms of the attached RR Settlement Agreement.

Dated: July 24, 2014

Respectfully submitted,

By: /s/ Gail L. Slocum
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On Behalf of the RR Settling Parties

**SUPPLEMENTAL RESIDENTIAL RATE DESIGN SETTLEMENT AGREEMENT
IN PG&E'S APPLICATION 13-04-012**

I. INTRODUCTION

In accordance with Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission (CPUC), the parties to this Settlement Agreement agree on a mutually acceptable outcome to various residential rate design issues remaining within the scope of Application (A.) 13-04-012, Application of Pacific Gas and Electric Company to Revise Its Electric Marginal Costs, Revenue Allocation, and Rate Design.¹ These issues include:

- (1) the electric master-meter discounts under Schedules ET and ES,
- (2) natural gas baseline quantities,
- (3) Electric Vehicle (EV) rate review in compliance with D.11-07-029, and
- (4) revisions to existing rate design to adjust, to the extent possible, generation rates

such that they do not exceed the total rate for Schedules E-7, EL-7, E-8 and EL-8.

All other residential rate design issues were suspended and are expected to be resolved in Phase 1 of the CPUC's Residential Rate Reform OIR (RROIR), Application A.12-06-013.

This Residential Rate Settlement Agreement (RR Settlement Agreement) is a direct result of Administrative Law Judge (ALJ) Long's and Assigned Commissioner Peevey's encouragement to the active parties to meet and seek settlement, if possible. The RR Settling Parties (defined in Section II) have evaluated the impacts of the various proposals on residential rate design discussed during arms-length settlement negotiations. These negotiations considered the interests of all active parties on these residential rate design issues, and this RR Settlement Agreement addresses each of these issues in a fair and balanced manner. The RR Settling Parties desire to resolve all of those issues, and have reached agreement as indicated in the attached RR

¹ Two of these issues (described in Sections V.A and V.B) were declared within scope in November 2012 Rulings by Administrative Law Judge Long in this proceeding, and two other issues were referred into this proceeding in the Thirds Amended Scoping Memo issued on April 15, 2013 in the CPUC's Residential Rate Reform Order Instituting Rulemaking (RROIR) proceeding, A.12-06-013, as described in Sections V.C and V.D below.

Settlement Agreement, which they all agree represents a fair and reasonable resolution. The various elements and sections of this RR Settlement Agreement should not be altered, as the RR Settling Parties intend that the RR Settlement Agreement be treated as a package solution. Accordingly, the RR Settling Parties respectfully request that the Commission approve each and every aspect of the RR Settlement Agreement without modification. Any material change to this RR Settlement Agreement shall render it null and void, unless all of the RR Settling Parties agree in writing to such changes.

This RR Settlement Agreement is supplemental to the Marginal Cost and Revenue Allocation Settlement Agreement in A. 13-04-012 filed with the CPUC on July 16, 2014 (MC/RA Settlement Agreement), in that it uses the revenue allocation agreed to in the MC/RA Settlement Agreement and addresses the remaining residential rate design issues that were not resolved in the MC/RA Settlement Agreement. The RR Settlement Agreement's outcomes are complementary with those of the MC/RA Settlement Agreement. The RR Settling Parties request that the complementary outcomes of this rate design settlement agreement and the MC/RA Settlement Agreement be consolidated in the Commission's final decision on the issues resolved without litigation in this proceeding.

II. RR SETTLING PARTIES

The RR Settling Parties are as follows:

- Office of Ratepayer Advocates (ORA)
- Marin Clean Energy (MCE)
- Pacific Gas and Electric Company (PG&E)
- The Utility Reform Network (TURN), and
- Western Manufactured Housing Communities Association (WMA).

III. RR SETTLEMENT AGREEMENT CONDITIONS

This RR Settlement Agreement resolves various residential rate design issues raised by the RR Settling Parties in A.13-04-012, subject to the conditions set forth below:

1. This RR Settlement Agreement embodies the entire understanding and agreement of the RR Settling Parties with respect to the matters described, and it supersedes prior oral or written agreements, principles, negotiations, statements, representations, or understandings among the RR Settling Parties with respect to those matters. This RR Settlement Agreement builds on the underlying marginal cost and revenue allocation in the MC/RA Settlement Agreement and incorporates that agreement by reference.
2. This RR Settlement Agreement represents a negotiated compromise among the RR Settling Parties' respective litigation positions on the matters described, and the RR Settling Parties have assented to the terms of this RR Settlement Agreement only to arrive at the agreement embodied herein. Nothing contained in this RR Settlement Agreement 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 RR Settling Parties on these matters in this proceeding.
3. This RR 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.
4. The RR Settling Parties agree that this RR Settlement Agreement is reasonable in light of the testimony submitted, consistent with law, and in the public interest.
5. The RR Settling Parties agree that the language in all provisions of this RR Settlement Agreement shall be construed according to its fair meaning and not for

or against any RR Settling Party because that RR Settling Party or its counsel or advocate drafted the provision.

6. This RR Settlement Agreement may be amended or changed only by a written agreement signed by the RR Settling Parties.
7. The RR Settling Parties shall jointly request Commission approval of this RR Settlement Agreement and shall actively support its prompt approval. Active support shall include written and oral testimony if testimony is required, briefing if briefing is required, comments and reply comments on the proposed decision,² advocacy to Commissioners and their advisors as needed, and other appropriate means as needed to obtain the requested approval.
8. The RR Settling Parties intend that the terms of the RR Settlement Agreement are to be interpreted and treated as a unified, integrated agreement incorporating the MC/RA Settlement Agreement, which forms the foundation for the rate design agreed to herein. In the event the Commission rejects or modifies any portion of this RR Settlement Agreement or the underlying MC/RA Settlement Agreement, the RR Settling Parties reserve their rights under CPUC Rule 12.4, and the RR Settlement Agreement should not be admitted into evidence in this or any other proceeding.

IV. PROCEDURAL AND SETTLEMENT HISTORY

The overall procedural and settlement history of A.13-04-012 is set forth in Sections IV and V of the MC/RA Settlement Agreement, to which this RR Settlement Agreement is supplemental, and which is incorporated herein by reference.

² Any oral or written testimony or briefing that might be required by the CPUC, or comments on a Proposed Decision, may be prepared and submitted jointly by parties whose interests are similar.

V. RR SETTLEMENT TERMS

A. Schedules ET and ES Master Meter Discount Issues

The RR Settling Parties that participated in litigation and settlement negotiations regarding master meter discount issues are PG&E, WMA, TURN, and ORA (MMHP Settling Parties). PG&E's proposals for the electric Schedules ET and ES discount are set forth in PG&E Exhibit 4, Chapter 3, Table 3-16 through 3-18 on pages 3-58 through 3-60; and explained at pages 3-50 line 24 through 3-61, line 4. TURN's testimony (set forth in Prepared Testimony of Jeffrey Nahigian, dated December 13, 2013, Chapter III), ORA's testimony (set forth in Testimony dated November 15, 2013, Chapter 5) and WMA's testimony (set forth in Prepared Testimony of Richard J. McCann, Ph.D., on behalf of WMA, dated December 13, 2013, pages 1-46) identified several proposed modifications to the master meter discount calculations proposed by PG&E which would affect both the discount for Schedule ET and Schedule ES. In general, WMA's testimony proposed higher discounts than ORA and PG&E had proposed, and, conversely, TURN's testimony proposed lower discounts than proposed by ORA and PG&E. This settlement, therefore, represents a compromise of MMHP Settling Parties' positions relating to Schedules ES and ET in this proceeding because the discounts agreed upon and presented herein fall in the range of values proposed by PG&E and ORA.

The MMHP Settling Parties agree that it is reasonable for the Commission to adopt a compromise reflecting a revised calculation of the master meter discounts for Schedule ET, which relates to electric master-metered mobilehome parks, and Schedule ES, which relates to electric multi-family service master meters.³

The MMHP Settling Parties agree as follows:

³ The rate Schedule ET and ES Discount proposals are set forth in PG&E Exh-4, Ch. 3, Vol. 1, Table 3-16, and explained at p. 3-50, line 24 through p. 3-58, line 16.

1. Electric Schedule ET -- Mobilehome Park Service – Net Monthly Discount

The MMHP Settling Parties Settling Parties agree that it is reasonable for the Commission to adopt a Net Monthly Discount calculated using the following formula:

$$\text{Monthly Net Discount} = \text{Monthly Base Discount} - \text{Diversity Benefit Adjustment (DBA)} + \text{Line Loss Adjustment (LLA)}$$

The components of the Monthly Net Discount shall be calculated consistent with the methods, formula, and agreements as follows:

a. Base Discount

The RR Settling Parties agree it is reasonable to for the Commission to adopt a Schedule ET Base Discount equal to **\$8.58** per dwelling unit per month.

b. Diversity Benefit Adjustment (DBA)

The MMHP Settling Parties Settling Parties agree it is reasonable to adopt a DBA that shall be determined as a specific system-wide fixed dollar amount per dwelling unit per month based on the 2011 to 2012 DBA dataset rerun upon GRC Phase II implementation at then-current rates and baseline quantities using PG&E’s methodology consistent with PG&E’s proposal in its served testimony in A.13-04-012 and the DBA methodology adopted in D.11-12-053. The DBA shall be recalculated for each substantial residential rate design change that is a result of either the initial decision in Phase 1 of the Residential Order Instituting Rulemaking (R.12-06-013), or subsequent rate changes that are consistent with the ‘phase in’ of various residential rate changes contemplated by the Commission’s decision in Phase 1 of R.12-06-013. PG&E does not anticipate changes to occur more than once per year.

The MMHP Settling Parties Settling Parties understand that all subsequent recalculations of the DBA shall utilize the methodology from PG&E’s proposal in its served testimony in A.13-04-012 and the DBA methodology adopted in D.11-12-053.

In the event a residential Fixed Customer Charge (or Monthly Service Fee) is implemented in the future, the MMHP Settling Parties agree that it will be integrated into the Schedule ET master meter bill in the manner shown below, or by an equivalent method.⁴

c. Line Loss Adjustment (LLA)

The MMHP Settling Parties agree it is reasonable for the LLA to be determined as a specific system-wide fixed dollar amount per dwelling unit per month based on the 2011 to 2012 DBA dataset rerun upon GRC Phase II implementation at then-current rates and baseline quantities using PG&E's methodology consistent with PG&E's proposal in its served testimony in A.13-04-012. The LLA shall be recalculated each time the DBA is recalculated prior to the effective date of the rate change implementing the Commission's decision in PG&E's next GRC Phase II proceeding. All subsequent recalculations of the LLA shall utilize the methodology from PG&E's proposal in its served testimony in A.13-04-012.

d. Daily Rate Calculation

The MMHP Settling Parties agree it is reasonable to restate the Monthly Net Discount to a Daily Rate (\$ per dwelling unit per day, shown to the fifth decimal place) that shall be calculated using the following formula, consistent with PG&E practice:

$$\text{Daily Rate} = \text{Monthly Rate} \times \frac{12 \text{ months/year}}{365.25 \text{ days/year}}$$

e. Contingency for a Potential Future Fixed Customer Charge or Monthly Service Fee

The MMHP Settling Parties agree it is reasonable to adjust the Schedule ET billing method, should the Commission adopt a Fixed Customer Charge or Monthly Service Fee for residential customers on rate Schedules E-1 and EL-1 prior to the effective date of the rate

⁴ The Settling Parties do not agree on whether a residential Fixed Customer Charge (also referred to as a Monthly Service Fee) is reasonable. This issue will be litigated in R.12-06-013 (the RROIR).

change implementing the Commission’s decision in PG&E’s next GRC Phase II proceeding.⁵ If a Fixed Customer Charge or Monthly Service Fee should be adopted in this period, then it shall be factored into the Schedule ET master meter bill in the manner shown below:

*Schedule ET Master Meter Bill Fixed Customer Charge **equals:***

One central master meter Fixed Customer Charge **plus***
*(non-CARE Fixed Customer Charge **multiplied by** number of non-CARE tenant units) **plus***
*(CARE Fixed Customer Charge **multiplied by** number of CARE tenant units).*

**The one central master meter Fixed Customer Charge =*
The CARE Fixed Customer Charge if the park is on Schedule ETL, or
The non-CARE Fixed Customer Charge if the park is on Schedule ET.

f. Special Condition Number 9

The MMHP Settling Parties agree that no changes will be made to the current language of Special Condition number 9 in rate Schedule ET.

2. Electric Schedule ES – Multifamily Service – Net Monthly Discount

The MMHP Settling Parties agree that it is reasonable for the Commission to adopt a Net Monthly Discount for rate Schedule ES calculated using the following formula:

$$\text{Monthly Net Discount} = \text{Monthly Base Discount} - \text{DBA}$$

The resulting Monthly Net Discount shall be restated to a Daily Net Discount using the same Daily Rate Calculation formula provided above for Electric Schedule ET Mobilehome Park Service. The components of the Monthly Net Discount shall be calculated consistent with the methods, formula, and agreements described as follows:

a. Base Discount

The MMHP Settling Parties agree it is reasonable for the Commission to adopt a Schedule ES Base Discount equal to **\$4.67** per dwelling unit per month.

⁵ The Settling Parties do not agree on whether a Fixed Customer Charge (also referred to as a Monthly Service Fee) is reasonable.

b. Diversity Benefit Adjustment (DBA)

The MMHP Settling Parties agree it is reasonable to adopt a DBA for Schedule ES that is in relation to and revised consistent with Schedule ET. The Schedule ES DBA shall be determined as a specific system-wide fixed dollar amount per dwelling unit per month and shall be equal to the Electric Schedule ET Mobilehome Park Service DBA multiplied by a factor of 58 percent, as adopted in D.11-12-053. (See D.11-12-053, Appendix E, Supplemental Settlement Agreement on Schedule ES and Natural Gas Baseline Quantity Residential Rate Design Issues, mimeo, p. 6.)

c. Line Loss Adjustment (LLA)

The MMHP Settling Parties agree that the LLA does not apply to rate Schedule ES.

d. Contingency for a Potential Future Fixed Customer Charge or Monthly Service Fee

The MMHP Settling Parties agree it is reasonable to adjust the Schedule ES billing method, should the Commission adopt a Fixed Customer Charge or Monthly Service Fee for residential customers on rate Schedules E-1 and EL-1 prior to the effective date of the rate change implementing the Commission’s decision in PG&E’s next GRC Phase II proceeding.⁶ If a Fixed Customer Charge or Monthly Service Fee should be adopted in this period, then the charge will be factored into the Schedule ES master meter bill in the manner shown below:

*Schedule ES Master Meter Bill Fixed Customer Charge **equals:***

One central master meter Fixed Customer Charge **plus***
*(non-CARE Fixed Customer Charge **multiplied by** number of non-CARE tenant*
*units) **plus***
*(CARE Fixed Customer Charge **multiplied by** number of CARE tenant units).*

**The one central master meter Fixed Customer Charge =*
The CARE Fixed Customer Charge if the park is on Schedule ETL, or
The non-CARE Fixed Customer Charge if the park is on Schedule ES.

⁶ The Settling Parties do not agree on whether a Fixed Customer Charge (also referred to as a Monthly Service Fee) is reasonable.

3. Compliance with Commission Order in Decision 11-12-053

In Decision 11-12-053 (Ordering Paragraph 23), the Commission ordered PG&E to develop a methodology to collect data for actual MHP connection costs prior to its 2014 GRC Phase II application. Each of the MMHP Settling Parties agrees to accept PG&E's statement of compliance with the Commission's order as reasonable, and that no further action on this compliance item is necessary on this compliance item.

Ordering Paragraph (OP) 23 of D. 11-12-053 stated:

Prior to its filing the next General Rate Case Phase 2 application, Pacific Gas and Electric Company shall confer with The Utility Reform Network...and Western Manufactured Housing Communities Association to develop a methodology to collect data on actual costs to serve mobile home park customers as a basis to better determine the costs that the utility would have incurred in providing comparable services directly to the users of the service. Pacific Gas and Electric Company shall present the results of its data collection in its next General Rate Case Phase 2 Application. The collection of such information on the cost of service to Mobile Home Park tenants may be insufficient if there are a low number of data points, so such data should be used as appropriate in either a survey method or a marginal cost method, consistent with Decision 04-11-033.

As discussed in PG&E's testimony in this 2014 GRC Phase II on Revenue Allocation and Rate Design (Chapter 3, Residential Rate Design, Section I, Electric Master Meter Discounts, Part 4, Data Investigation), PG&E, TURN and WMA held a conference call, on December 20, 2012, to determine the appropriate methodology for data collection with regard to the costs to serve mobilehome parks. TURN and WMA maintained that an appropriate data source would be the actual costs to install and maintain a directly served mobilehome park over time. Therefore, TURN and WMA were interested in directly served mobilehome park data for parks that were constructed in the same timeframe as master metered parks, for which WMA indicated few were built after 1981, and asked PG&E to investigate whether such recorded information was available.

To provide a starting point to identify suitable parks in this investigation, WMA provided a listing of directly served parks that included addresses and years of construction where

identified construction dates were all earlier than 1990. Because the last master metered mobilehome parks were connected to PG&E's system generally prior to 1990 (with most connected prior to the 1980s), PG&E informed TURN and WMA that detailed cost records of the nature requested in all probability no longer existed. PG&E agreed to investigate whether records could be located for some of the directly served parks that were installed most recently in the timeframe of the last constructed master metered parks.

Starting with the eleven directly-served mobilehome parks that were constructed in PG&E's service territory between 1982 and 1989, PG&E contacted field personnel to attempt to locate archived records for these sample parks. Any such records would be decentralized in local offices. No detailed cost records had been identified at the time of filing, but PG&E indicated in its opening testimony in this proceeding that it would continue its search and would supplement its showing if PG&E were to subsequently locate relevant historical cost records. To date, PG&E has not been able to locate the records that would have been helpful in this analysis.

The MMHP Settling Parties agree that the Commission should find PG&E to have satisfied its compliance obligations, and that no further action is required.

B. Natural Gas Baseline Quantities

The parties that participated in settlement negotiations regarding natural gas baseline quantities are ORA, PG&E and TURN. These parties agree that it is reasonable for the Commission to adopt PG&E's proposed natural gas baseline quantities.⁷ PG&E proposed to update the natural gas baseline quantities based on the currently effective method, as adopted in Decision 02-04-026, and as explained in PG&E's testimony. (*See* Exhibit PG&E-4, Volume 1, Chapter 3, pp. 3-41 through 3-49 and Table 3-15, p. 49.) These parties agree that PG&E's proposed natural gas baseline quantities (shown in Table 3-15) are reasonable and should be

⁷ Baseline quantities are the designated daily amount of gas that is necessary to supply a significant portion of the reasonable energy needs of the average residential customer. (Exhibit PG&E-4, Vol. 1, Ch. 3, p. 3-41, line 33 through 3-41, line 1.)

adopted by the Commission because, in this proceeding they are updated for more recent data in accordance with D.02-04-026 and D.04-02-057 (as modified by D.07-09-004). Further, the parties agree that it is prudent to continue to set natural gas baseline quantities at the maximum of the legislative range which is 60 percent of average residential usage in the summer season and 70 percent of average residential usage in the winter season. ORA, TURN and PG&E also agree that the natural gas baseline quantities as presented in Table 3-15 should be targeted for implementation on April 1, 2015, or the first practicable gas seasonal crossover date after the effective date of this decision, and that they would be implemented with a revenue neutral rate adjustment consistent with current practice.

C. Electric Vehicle (EV) Rate Review in Compliance with D.11-07-029

The EV Settling Parties represent a subset of the RR Settling Parties and include ORA, TURN and PG&E. The EV Settling Parties agree that it is reasonable for the Commission to adopt the illustrative rates for Schedule EV set forth in Appendix A to this RR Settlement Agreement, to comply with the review requirements specified in D.11-07-029.

In D.11-07-029, Conclusion of Law 7, stated, “The Commission should revisit the suitability of the utilities’ Electric Vehicle residential rate schedules in 2013-2014.” Furthermore, Ordering Paragraph 3 of that same decision stated that, “Pacific Gas and Electric Company shall file a plug-in hybrid and electric vehicle rate design proposal in the rate design phase of its 2014 GRC.” Moreover, such a Commission review of Schedule EV in this proceeding is consistent with Resolution E-4508 (issued on August 23, 2012) in which the Commission stated that “it would be appropriate to grandfather existing customers on Schedule E-9A, but only until EV rates are revised in Phase 2 of PG&E’s 2014 GRC,” and “PG&E is authorized to grandfather existing customers on current E-9 rate schedules until a decision is issued in Phase 2 of PG&E’s 2014 General Rate Case (GRC) or until December 31, 2014,

whichever is later.” The EV Settling Parties’ agree that their proposed settlement ensures compliance with all of these Commission directives.

PG&E’s proposals for rate Schedule EV were set forth in Exhibit PG&E-4, Volume 1, Chapter 3, at pages 3-39 through 3-41. No party provided testimony with regard to PG&E’s EV proposals because, at the time testimony was due, it was unclear whether EV rates would instead be considered in the RROIR proceeding. Subsequently, the CPUC made it clear that certain EV issues would not be considered in the RROIR, and that if the parties to PG&E’s GRC Phase II could reach a settlement, the issue could be resolved in the 2014 GRC Phase II. (*See* Third Amended Scoping Memo, Appendix B, Item 17.) The EV Settling Parties have analyzed and discussed the issue, and have agreed that Schedule EV rates designed based on the preexisting rate design satisfy the requirements of D.11-07-029 and retain the non-tiered TOU rate design option favored by the Commission for EV rate design.⁸

This approach is reasonable because: (1) PG&E only recently implemented a new Schedule EV (in August 2013), (2) load research efforts to date are not yet robust enough to be used as a basis for changes to the existing rate design on this schedule (*see* Exhibit PG&E-4, page 3-40), and (3) structural changes to the rate such as adding a customer charge as PG&E had proposed in its GRC Phase II testimony,⁹ or introducing a baseline credit as ORA would propose, are more appropriately considered in the RR OIR. Illustrative rates for Schedule EV, based on the preexisting rate design and the MC/RA Settlement Agreement, are set forth in Appendix A to this RR Settlement Agreement. The RR Settling Parties agree that the actual rates for Schedule EV that are ultimately implemented as a result of this proceeding will differ from the illustrative rates provided herein depending on changes to the factors used to set the rates including changes in revenue requirements and/or sales forecasts that occur by the time rates resulting from a decision in this proceeding are implemented.

⁸ D.11-07-029, Conclusion of Law 5.

⁹ Exhibit PG&E-4, p.3-41.

D. Revisions to Rate Design for Existing Optional Tiered Rates

The Residential Rate Design (RRD) Settling Parties are a subset of the RR Settling Parties and include ORA, MCE and TURN. The RRD Settling Parties agree it is reasonable for the Commission to adopt the settlement regarding rate schedules for optional tiered rates for rate Schedules E-7, EL-7, E-8, and EL-8 to resolve certain issues raised by MCE and acknowledged by the other RRD Settling Parties to be legitimate concerns that should be addressed as soon as possible. As noted above, in the RROIR (A.12-06-013), the Third Amended Scoping Memo and Assigned Commissioner's Ruling of April 15, 2014, expressly included for continued consideration in the GRC Phase II the issue of whether, in the short term, there should be revisions to PG&E's existing rate design for optional tiered rates, including revising rates where the generation rate exceeds the total rate for Schedules E-7, EL-7, E-8 and EL-8.

PG&E presented proposals for rate Schedules E-7, EL-7, E-8, and EL-8 (set forth in Exhibit PG&E-4, Volume 1, Chapter 3, Table 3-1 at page 3-2; and explained at pages 3-28 through 3-37). No party provided testimony with regard to PG&E's E-7, EL-7, E-8, and EL-8 rate proposals because at the time intervenor testimony was due, it was unclear whether these rates would be considered in the RROIR proceeding. However, MCE did present testimony in this proceeding that the floor of Zero for the Minimum Bill (i.e., the Zero Minimum Bill) should be eliminated (MCE Testimony, December 13, 2013, p.7.) Subsequently, the CPUC made it clear that certain issues relating to rates for existing optional rate programs would not be considered in the RROIR, and that if the parties to PG&E's GRC Phase II could reach a settlement on such issues, they could be resolved in the 2014 GRC Phase II. (*See* Third Amended Scoping Memo, Appendix B, Item 21.)

The RRD Settling Parties have analyzed and discussed this issue, and in the course of doing so, MCE has agreed that revisions to Schedules E-7, EL-7, E-8 and EL-8 could resolve the issues that MCE raised regarding residential rate design. Accordingly, PG&E has developed illustrative rates shown in Appendix B that are based on the revenue allocation results for

distribution, generation and public purpose programs from the MC/RA Settlement Agreement. The illustrative rates provided in Appendix B adjust rates, to the greatest extent possible, to ensure that the generation rate does not exceed the total rate without changing the cost allocation by schedule. MCE has agreed that the revisions to Schedules E-7, EL-7, E-8 and EL-8 set forth Appendix B to this RR Settlement resolve most of its concerns.¹⁰ However, since generation rates could not be reduced below total rates in all cases, the parties agree that PG&E will continue to seek changes to minimize the occurrence of generation rates that exceed total rates as total rates (particularly in Tier 1 and Tier 2) are revised as a result of future proceedings as long as these adjustments do not alter the generation revenue allocated to the schedule.

Therefore, the RRD Settling Parties have agreed that rates for Schedules E-7, EL-7, E-8 and EL-8 should be revised as soon as possible to eliminate or minimize the occurrence of situations in which the generation rate could exceed the total rate, provided however, that the these generation rate adjustments are consistent with the generation revenue allocated to each schedule as required by the MC/RA Settlement Agreement. Further, the parties agree that PG&E may revise rates in the future as total rates are revised to minimize to occurrence of generation rates that exceed total rates, provided that these adjustments do not alter the generation revenue allocated to each schedule. The RRD Settling Parties agree, however, that the rates provided in Appendix B, based upon the marginal cost and revenue allocation settlement in this proceeding, are illustrative. The actual rates implemented as a result of this proceeding will be different than the illustrative rates provided herein, depending on changes to the factors used to set the rates including changes in revenue requirements and/or sales forecasts that occur by the time rates resulting from a decision in this proceeding are implemented.

¹⁰ As illustrated in the rate revisions provided in Appendix B, total rate constraints currently placed upon Schedules E-8 and EL-8 inhibit PG&E's ability to reduce generation rates to be less than the total rates for Tier 1 and Tier 2 winter usage under Schedule EL-8.

In particular, the RRD Settling Parties acknowledge and agree that PG&E may revise rates in the future as total rates are revised to minimize the occurrence of generation rates that exceed total rates, but to the extent generation rates increase at a greater rate than PG&E is able to increase total rates, this situation may persist.

The RRD Settling Parties agree that the Commission should approve and find reasonable this RR Settlement Agreement, which includes the following: (1) retain the Zero Minimum Bill until it is reconsidered in the RROIR, (2) adopt rates designed consistent with the illustrative rates provided in Appendix B, and (3) authorize PG&E to allow it to adjust generation rates (as a result of a decision in this proceeding and in the future) to eliminate, to the extent possible, instances where generation rates exceed total rates.

V. TIMING OF RATE CHANGES

The provisions regarding the timing of the rate changes adopted the MC/RA Settlement in this GRC Phase II proceeding, as well as the provisions regarding rate changes between General Rate Cases agreed to in the MC/RA Settlement (Part VIII, Subsection 2 and 3) shall apply to this RR Settlement Agreement, unless specifically noted above or otherwise determined by the Commission.

VI. SETTLEMENT EXECUTION

This document may be executed in separate counterparts by different Settling Parties hereto and all so executed will be binding and have the same effect as if all the Settling Parties had signed one and the same document. Each such counterparts will be deemed to be an original, but all of which together shall constitute one and the same instrument, notwithstanding that the signatures of all the Settling Parties do not appear on the same page of this Settlement Agreement. This RR Settlement Agreement shall become effective among the RR Settling Parties on the date the last Settling Party executes the RR Settlement Agreement, as indicated below. In witness whereof and intending to be legally bound by the Terms and Conditions of

this Settlement Agreement as stated above, the RR Settling Parties duly execute this RR Settlement Agreement on behalf of the RR Settling Parties they represent, as follows:

The undersigned represent that they are authorized to sign on behalf of the Party represented, for purposes of this RR Settlement Agreement in Phase II of PG&E's 2014 GRC:

Marin Clean Energy

By: _____ /s/ _____

Title: _____ Legal Director _____

Date: _____ 07-21-14 _____

The undersigned represent that they are authorized to sign on behalf of the Party represented, for purposes of this RR Settlement Agreement in Phase II of PG&E's 2014 GRC:

Office of Ratepayer Advocates

By: _____ /s/ _____

Title: _____ Director _____

Date: _____ 7/23/14 _____

The undersigned represent that they are authorized to sign on behalf of the Party represented, for purposes of this RR Settlement Agreement in Phase II of PG&E's 2014 GRC:

The Utility Reform Network

By: _____ /s/ _____

Title: _____ Staff Attorney _____

Date: _____ July 24, 2014 _____

The undersigned represent that they are authorized to sign on behalf of the Party represented, for purposes of this RR Settlement Agreement in Phase II of PG&E's 2014 GRC:

Pacific Gas and Electric Company

By: _____ /s/ _____

Title: _____ Attorney for PG&E _____

Date: _____ 7/24/14 _____

The undersigned represent that they are authorized to sign on behalf of the Party represented, for purposes of this RR Settlement Agreement in Phase II of PG&E's 2014 GRC:

Western Manufactured Housing Communities Association

By: _____ /s/ _____

Title: _____ Counsel for WMA _____

Date: _____ July 24, 2014 _____

Appendix A – Illustrative Residential Rates Under Settlement Terms

Pacific Gas and Electric Company
 2014 General Rate Case - Phase II
 Exhibit (PG&E-1), Appendix C (April 18, 2013)
 Present and Proposed Rates

PG&E GRC Phase II Residential Rate Design Settlement

APPENDIX A: ILLUSTRATIVE SCHEDULE EV RATES

PRESENT RATES (5/1/13)

PROPOSED RATES -MC/RA Settlement Allocation

EVA (Electric Vehicles)

	Distr	Gen	PPP	CIA	Other	Total	Distr	Gen	PPP	CIA	Other	Total
ENERGY CHARGE (\$/kWh)												
Summer												
Peak	.14619	.18815	.01452	.00000	.02729	.37615	.13893	.19885	.01482	.00000	.02729	.37989
Part-Peak	.07309	.09068	.01452	.00000	.02729	.20558	.06947	.09583	.01482	.00000	.02729	.20741
Off-Peak	.01053	.04557	.01452	.00000	.02729	.09790	.01000	.04816	.01482	.00000	.02729	.10027
Winter												
Peak	.15704	.07031	.01452	.00000	.02729	.26916	.14792	.07431	.01482	.00000	.02729	.26434
Part-Peak	.07852	.04392	.01452	.00000	.02729	.16425	.07396	.04642	.01482	.00000	.02729	.16249
Off-Peak	.01131	.04719	.01452	.00000	.02729	.10031	.01065	.04987	.01482	.00000	.02729	.10263
MINIMUM CHARGE												
(\$/meter/day)	.12499	*	.00748		.00026	.14784	.12499	*	.00748		.00026	.14784
(\$/kWh)					.02694						.02694	

EVB (Electric Vehicles)

	Distr	Gen	PPP	CIA	Other	Total	Distr	Gen	PPP	CIA	Other	Total
ENERGY CHARGE (\$/kWh)												
Summer												
Peak	.14083	.18815	.01452	.00000	.02729	.37080	.13350	.19885	.01482	.00000	.02729	.37446
Part-Peak	.07042	.09068	.01452	.00000	.02729	.20290	.06675	.09583	.01482	.00000	.02729	.20469
Off-Peak	.01014	.04557	.01452	.00000	.02729	.09752	.00961	.04816	.01482	.00000	.02729	.09988
Winter												
Peak	.15129	.07031	.01452	.00000	.02729	.26341	.14213	.07431	.01482	.00000	.02729	.25855
Part-Peak	.07564	.04392	.01452	.00000	.02729	.16138	.07107	.04642	.01482	.00000	.02729	.15960
Off-Peak	.01089	.04719	.01452	.00000	.02729	.09989	.01023	.04987	.01482	.00000	.02729	.10222
METER CHARGE (\$/meter/day)												
	.04928					.04928	.04928					.04928

Appendix B – Illustrative Rates for E-7, EL-7, E-8 and EL-8

PG&E GRC Phase II Residential Rate Design Settlement

APPENDIX B: ILLUSTRATIVE SCHEDULE E-7 & E-8 RATES

PRESENT RATES (5/1/13)

PROPOSED RATES -MC/RA Settlement Allocation

E-7

ENERGY CHARGE (\$/kWh)	Distr	Gen	PPP	CIA	Other	Total	Distr	Gen	PPP	CIA	Other	Total
SUMMER												
Peak												
Baseline Usage	.13391	.40516	.01442	(.25827)	.02729	.32251	.14132	.23858	.01472	(.09940)	.02729	.32251
101% - 130% of Baseline	.13391	.40516	.01442	(.23956)	.02729	.34122	.14132	.23858	.01472	(.08069)	.02729	.34122
131% - 200% of Baseline	.13391	.40516	.01442	(.07882)	.02729	.50196	.14132	.23858	.01472	.08413	.02729	.50605
201% - 300% of Baseline	.13391	.40516	.01442	(.03882)	.02729	.54196	.14132	.23858	.01472	.12413	.02729	.54605
Over 300% of Baseline	.13391	.40516	.01442	(.03882)	.02729	.54196	.14132	.23858	.01472	.12413	.02729	.54605
Off-Peak												
Baseline Usage	.05356	.06848	.01442	(.08216)	.02729	.08159	.05653	.06049	.01472	(.07744)	.02729	.08159
101% - 130% of Baseline	.05356	.06848	.01442	(.06346)	.02729	.10029	.05653	.06049	.01472	(.05874)	.02729	.10029
131% - 200% of Baseline	.05356	.06848	.01442	.09728	.02729	.26103	.05653	.06049	.01472	.10608	.02729	.26512
201% - 300% of Baseline	.05356	.06848	.01442	.13728	.02729	.30103	.05653	.06049	.01472	.14608	.02729	.30512
Over 300% of Baseline	.05356	.06848	.01442	.13728	.02729	.30103	.05653	.06049	.01472	.14608	.02729	.30512
WINTER												
Peak												
Baseline Usage	.05981	.25566	.01442	(.24292)	.02729	.11426	.06327	.08581	.01472	(.07684)	.02729	.11426
101% - 130% of Baseline	.05981	.25566	.01442	(.22422)	.02729	.13296	.06327	.08581	.01472	(.05814)	.02729	.13296
131% - 200% of Baseline	.05981	.25566	.01442	(.06348)	.02729	.29370	.06327	.08581	.01472	.10669	.02729	.29779
201% - 300% of Baseline	.05981	.25566	.01442	(.02348)	.02729	.33370	.06327	.08581	.01472	.14669	.02729	.33779
Over 300% of Baseline	.05981	.25566	.01442	(.02348)	.02729	.33370	.06327	.08581	.01472	.14669	.02729	.33779
Off-Peak												
Baseline Usage	.03987	.04533	.01442	(.04181)	.02729	.08510	.04218	.06007	.01472	(.05916)	.02729	.08510
101% - 130% of Baseline	.03987	.04533	.01442	(.02311)	.02729	.10380	.04218	.06007	.01472	(.04046)	.02729	.10380
131% - 200% of Baseline	.03987	.04533	.01442	.13763	.02729	.26454	.04218	.06007	.01472	.12436	.02729	.26863
201% - 300% of Baseline	.03987	.04533	.01442	.17763	.02729	.30454	.04218	.06007	.01472	.16436	.02729	.30863
Over 300% of Baseline	.03987	.04533	.01442	.17763	.02729	.30454	.04218	.06007	.01472	.16436	.02729	.30863
MINIMUM CHARGE												
(\$/meter/day)	.13227	*	.00744		.00026	.14784	.13438	*	.00730		.00026	.14784
(\$/kWh)					.02694						.02694	

PG&E GRC Phase II Residential Rate Design Settlement

APPENDIX B: ILLUSTRATIVE SCHEDULE E-7 & E-8 RATES

EL-7	Distr	Gen	PPP	CIA	Other	Total	Distr	Gen	PPP	CIA	Other	Total
ENERGY CHARGE (\$/kWh)												
SUMMER												
Peak												
Baseline Usage	.06591	.40516	.01442	(.23972)	.02236	.26813	.07885	.23858	.01472	(.08638)	.02236	.26813
101% - 130% of Baseline	.06591	.40516	.01442	(.22413)	.02236	.28372	.07885	.23858	.01472	(.07079)	.02236	.28372
131% - 200% of Baseline	.06591	.40516	.01442	(.09065)	.02236	.41720	.07885	.23858	.01472	.06269	.02236	.41720
201% - 300% of Baseline	.06591	.40516	.01442	(.09065)	.02236	.41720	.07885	.23858	.01472	.06269	.02236	.41720
Over 300% of Baseline	.06591	.40516	.01442	(.09065)	.02236	.41720	.07885	.23858	.01472	.06269	.02236	.41720
Off-Peak												
Baseline Usage	(.01443)	.06848	.01442	(.02978)	.02236	.06105	(.00594)	.06049	.01472	(.03059)	.02236	.06105
101% - 130% of Baseline	(.01443)	.06848	.01442	(.01419)	.02236	.07664	(.00594)	.06049	.01472	(.01500)	.02236	.07664
131% - 200% of Baseline	(.01443)	.06848	.01442	.01575	.02236	.10658	(.00594)	.06049	.01472	.01494	.02236	.10658
201% - 300% of Baseline	(.01443)	.06848	.01442	.01575	.02236	.10658	(.00594)	.06049	.01472	.01494	.02236	.10658
Over 300% of Baseline	(.01443)	.06848	.01442	.01575	.02236	.10658	(.00594)	.06049	.01472	.01494	.02236	.10658
WINTER												
Peak												
Baseline Usage	(.00818)	.25566	.01442	(.19513)	.02236	.08913	.00080	.08581	.01472	(.03457)	.02236	.08913
101% - 130% of Baseline	(.00818)	.25566	.01442	(.17954)	.02236	.10472	.00080	.08581	.01472	(.01898)	.02236	.10472
131% - 200% of Baseline	(.00818)	.25566	.01442	(.13556)	.02236	.14870	.00080	.08581	.01472	.02500	.02236	.14870
201% - 300% of Baseline	(.00818)	.25566	.01442	(.13556)	.02236	.14870	.00080	.08581	.01472	.02500	.02236	.14870
Over 300% of Baseline	(.00818)	.25566	.01442	(.13556)	.02236	.14870	.00080	.08581	.01472	.02500	.02236	.14870
Off-Peak												
Baseline Usage	(.02812)	.04533	.01442	.01008	.02236	.06407	(.02029)	.06007	.01472	(.01280)	.02236	.06407
101% - 130% of Baseline	(.02812)	.04533	.01442	.02567	.02236	.07966	(.02029)	.06007	.01472	.00279	.02236	.07966
131% - 200% of Baseline	(.02812)	.04533	.01442	.05712	.02236	.11111	(.02029)	.06007	.01472	.03424	.02236	.11111
201% - 300% of Baseline	(.02812)	.04533	.01442	.05712	.02236	.11111	(.02029)	.06007	.01472	.03424	.02236	.11111
Over 300% of Baseline	(.02812)	.04533	.01442	.05712	.02236	.11111	(.02029)	.06007	.01472	.03424	.02236	.11111
MINIMUM CHARGE												
(\$/meter/day)	.13227	*	.00744		.00026	.14784	.13438	*	.00730		.00026	.14784
(\$/kWh)					.02201						.02201	

PG&E GRC Phase II Residential Rate Design Settlement

APPENDIX B: ILLUSTRATIVE SCHEDULE E-7 & E-8 RATES

E-8	Distr	Gen	PPP	CIA	Other	Total	Distr	Gen	PPP	CIA	Other	Total
ENERGY CHARGE (\$/kWh)												
Summer												
Baseline Usage	.03856	.17016	.01543	(.11476)	.02729	.13668	.05053	.08558	.01573	(.04245)	.02729	.13668
101% - 130% of Baseline	.03856	.17016	.01543	(.11476)	.02729	.13668	.05053	.08558	.01573	(.04245)	.02729	.13668
131% - 200% of Baseline	.03856	.17016	.01543	.04598	.02729	.29742	.05053	.08558	.01573	.12237	.02729	.30151
201% - 300% of Baseline	.03856	.17016	.01543	.08598	.02729	.33742	.05053	.08558	.01573	.16237	.02729	.34151
Over 300% of Baseline	.03856	.17016	.01543	.08598	.02729	.33742	.05053	.08558	.01573	.16237	.02729	.34151
Winter												
Baseline Usage	.02571	.10871	.01543	(.08962)	.02729	.08752	.03368	.07871	.01573	(.06790)	.02729	.08752
101% - 130% of Baseline	.02571	.10871	.01543	(.08962)	.02729	.08752	.03368	.07871	.01573	(.06790)	.02729	.08752
131% - 200% of Baseline	.02571	.10871	.01543	.07112	.02729	.24826	.03368	.07871	.01573	.09693	.02729	.25235
201% - 300% of Baseline	.02571	.10871	.01543	.11112	.02729	.28826	.03368	.07871	.01573	.13693	.02729	.29235
Over 300% of Baseline	.02571	.10871	.01543	.11112	.02729	.28826	.03368	.07871	.01573	.13693	.02729	.29235
BASIC SERVICE FEE (\$/meter/c)	.41160					.41160	.41166					.41166
EL-8												
ENERGY CHARGE (\$/kWh)												
Summer												
Baseline Usage	(.04744)	.17016	.00699	(.06583)	.02236	.08624	(.03020)	.08558	.00699	.00151	.02236	.08624
101% - 130% of Baseline	(.04744)	.17016	.00699	(.06583)	.02236	.08624	(.03020)	.08558	.00699	.00151	.02236	.08624
131% - 200% of Baseline	(.04744)	.17016	.00699	(.00771)	.02236	.14436	(.03020)	.08558	.00699	.05963	.02236	.14436
201% - 300% of Baseline	(.04744)	.17016	.00699	(.00771)	.02236	.14436	(.03020)	.08558	.00699	.05963	.02236	.14436
Over 300% of Baseline	(.04744)	.17016	.00699	(.00771)	.02236	.14436	(.03020)	.08558	.00699	.05963	.02236	.14436
Winter												
Baseline Usage	(.06029)	.10871	.00699	(.02543)	.02236	.05234	(.04705)	.07871	.00699	(.00868)	.02236	.05234
101% - 130% of Baseline	(.06029)	.10871	.00699	(.02543)	.02236	.05234	(.04705)	.07871	.00699	(.00868)	.02236	.05234
131% - 200% of Baseline	(.06029)	.10871	.00699	.01574	.02236	.09351	(.04705)	.07871	.00699	.03249	.02236	.09351
201% - 300% of Baseline	(.06029)	.10871	.00699	.01574	.02236	.09351	(.04705)	.07871	.00699	.03249	.02236	.09351
Over 300% of Baseline	(.06029)	.10871	.00699	.01574	.02236	.09351	(.04705)	.07871	.00699	.03249	.02236	.09351
BASIC SERVICE FEE (\$/meter/c)	.32927					.32927	.32920					.32920