

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED
5-18-15
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.

Rulemaking 12-06-013
(Filed June 21, 2012)

**REPLY COMMENTS
OF THE OFFICE OF RATEPAYER ADVOCATES**

GREGORY HEIDEN
Attorney for the Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 355-5539
Fax: (415) 703-2262

E-MAIL: GREGORY.HEIDEN@CPUC.CA.GOV

May 18, 2015

Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure, the Office of Ratepayer Advocates (“ORA”) hereby submits its reply comments on the Proposed Decision (“PD”) in the above-captioned matter. These comments address the opening comments of TURN on default TOU rates, the new customer charge proposals by the IOUs, and PG&E’s clarifying questions on caps for tier 1 rates.

I. TURN’S ARGUMENT THAT THERE IS NOT A SUFFICIENT RECORD TO ENDORSE DEFAULT TOU SHOULD BE REJECTED

TURN argues that the Commission cannot “commit to default time of use rates in the absence of any specific rate proposal ...” due to a lack of evidence on the superiority of time of use rates and also due to legal restrictions contained in Public Utilities Code Section 745 (d).¹ As discussed below, the record contains overwhelming evidence supporting time of use rates, and the PD proposal does not violate the law.

TURN claims that the benefits of TOU rates are speculative and that “there is insufficient evidence to support the conclusion that default TOU rates are necessarily “superior” to a well-constructed tiered rate.”² There is ample evidence on the benefits of a default TOU rate structure when measuring ability to meet the “ideal” rate design principals developed in this proceeding. The PD determined that a default TOU program aligns with the ten rate design principals, including that TOU rates are based on cost of providing service and that the time of use concept is understandable.³ Additional benefits include: 1) deferral or avoidance generation and system upgrades and reduce environmental impacts and 2) giving customers the ability to manage their bills by reducing or shifting load.⁴

¹ TURN Opening Comments, pp. 16-22.

² Id., p. 16.

³ PD, pp. 25-26; 80-83.

⁴ Ex. ORA-101, pp.1-5 through 1-15.

The Commission has found that dynamic pricing has many benefits and has adopted TOU pricing for Commercial and Industrial customers.⁵ TOU rates in other jurisdictions have achieved these benefits.⁶ While the degree of these benefits may vary depending on the rate design and customer response, TURN's proposal that the Commission needs to litigate whether or not a TOU rate has many benefits should be rejected. The next few years will provide the opportunity to best design the rates.⁷

TURN argues that the Commission cannot now order the IOUs to make default TOU rate filings in 2018 without first making the statutory findings specified in Section 745. The PD is clear that the required analysis will come before the actual default TOU rollout will occur in the next few years.⁸ The PD correctly points out that the Commission only has to complete the SB 1090 analysis before the utilities "employ TOU rates."⁹ The PD does not adopt actual TOU tariffs, and does not propose to do so until 2018, after the analysis required by statute is done in phase 3 of this proceeding. Notably, an earlier version of the statute which was subsequently taken out, required, "the CPUC report its findings [on TOU rate impacts] to the Legislature 12 months prior to requiring or authorizing TOU rates."¹⁰

TURN's criticism of the PD for endorsing a TOU structure without authorizing exact TOU rates, i.e. "any specific rate proposal",¹¹ is not practical, and, more importantly, would not allow for an accurate rate impact analysis. As was made clear by TURN, ORA and others in criticizing the IOUs proposed tier flattening proposals, revenue requirements can have significant bill impacts. If this proceeding was to set actual default TOU rates at this time, the bill impact analysis for 2019 would basically amount to guesswork, and thus it makes no sense to design these TOU rates three years in advance.

⁵ PD, pp. 80-82.

⁶ PD, pp. 85-86, discussing evidence on peak load reductions from SMUD, APS, California Statewide Pricing Pilot, Ontario Energy Board.

⁷ Further, as to TURN's argument about the potential preference for tiered rates, default TOU rates will be optional. P.U. Code Section 745(c)(6): "residential customers have the option to not receive service pursuant to a time-of-use rate schedule and incur no additional charges as a result ..."

⁸ PD, pp. 152-154.

⁹ PD, p. 153.

¹⁰ Senate Bill 1090 analysis, Senate Energy, Utilities and Communications Committee, April 1, 2014

¹¹ TURN Opening Comments, p. 16.

II. FIXED CHARGES

In Comments, the three IOUs have all modified their rate design proposals to include a smaller customer charge that would transition to \$2.50 and \$5 per month for CARE and non-CARE customers respectively by 2018. These proposals were not evaluated or reviewed during the proceeding, and it's inappropriate to make a new rate proposal in post-PD comments that has no support in the evidentiary record. Nevertheless, for the same reasons that the PD rejects the IOUs proposed \$5 and \$10 customer charge proposals, the Commission should reject the new proposals which eventually ramps up to the statutory maximum.

In rejecting the IOUs proposed fixed charges, the PD found that customers do not like customer charges and that SDG&E customers previously, overwhelmingly rejected them. The PD also found that adding a customer charge to a rate design would complicate rates during the transition. Finally, the PD found that there was insufficient evidence to support calculation of the proposed customer charges in the record. These findings are not dependent on the size of the customer charge so the same reasoning applies to the IOUs smaller customer charge proposals.

SCE notes that bill impacts of customer charges are mitigated by the fact that the 2015-2016 revenue requirements change is expected to be zero and by a proposal to move the baseline allowance to 60% to reduce bill impacts. It also discusses interactions with the California Climate Credit.¹² All these factors have not had the benefit of litigation nor have bill impact studies to support them been entered into the record, or examined.

The utilities justify the immediate implementation of fixed charges by saying that to implement monthly fixed charges concurrently with TOU rates would be confusing to customers since the latter is a “paradigm shift.”¹³ The utilities ignore that the bill impacts of phasing in monthly fixed charges affect the same lower-usage customers as do those associated with collapsing tiers. Whereas, the transition to TOU rates differentially impacts customers based on the extent to which their own peak load is coincident with the class peak load. Moreover, the size of the bill impacts from tier collapsing is larger than those associated with transitioning to TOU rates.

¹² SCE Opening Comments, p. 6.

¹³ SCE Opening Comments, p. 6.

PG&E minimizes the problems with educating customers about fixed charges by rejecting the customers' strenuous objections to a fixed charge in the Public Participation Hearings ("PPHs") because they are "hearsay" and "unsworn."¹⁴ Clearly, the Commission cannot hold PPHs and then trivialize the record in those hearings. If customers are so confused that 84% of them think they already have fixed charges, as PG&E states, educating them will be difficult. PG&E goes on to cite to SMUD's successful transition to higher fixed charges. The evidence in the record about customer satisfaction with SMUD has no information specific to fixed charges.¹⁵ SDG&E states that it has "developed a robust customer communication plan around rate reform and has been actively engaging customers."¹⁶ ORA does not know why SDG&E would do this before receiving approval for a fixed charge. SDG&E should be prohibiting from using ratepayer money on customer outreach about a highly controversial rate proposal that has not been endorsed by the Commission."

SCE also presents information about how the record contains information about the size of the fixed charge, even if based on the NCO method.¹⁷ However, its arguments ignore ORA's contention that, if a fixed charge were established, it should omit the hookup costs. SCE also interprets the PD's endorsement of a \$10 minimum bill as an implicit endorsement of a \$10 fixed charge. This statement ignores ORA's testimony that fixed charges and minimum bills are based on different concepts.¹⁸

III. RULES FOR RATE CHANGES DUE TO REVENUE CHANGES

PG&E's Comments on the PD argue that tier 1 caps are unnecessary, but request clarification of capping rules if this capping is adopted.¹⁹ ORA agrees with the PD that caps are necessary and that they help ensure that baseline rates are affordable. ORA agrees that more clarification on the capping rules and what information the IOUs should provide would help the

¹⁴ PG&E Opening Comments, p. 8.

¹⁵ ORA Opening Brief, p. 36. Further, the IOUs ignore the fact that SMUD endorses default TOU.

¹⁶ SDG&E Opening Comments, pp. 5-6.

¹⁷ SCE Opening Comments, p. 4.

¹⁸ ORA Ex. 101, p. 2-21

¹⁹ PG&E Opening Comments at 24.

Commission effectively monitor the caps, and ORA provided suggestions on the rules and needed information in its Opening Comments.²⁰

If the Commission does adopt PG&E's proposal to modify 2015 residential rates starting August 1, 2015,²¹ the caps should be set based on RAR increases for a twelve month period (in this instance August 2014 to August 2015) plus 5 percent. The Commission should order the IOUs to provide extra information on all the rate changes made in the transitional period. This would provide more comprehensive information for monitoring both the Tier 1 caps and the overall rate reform progress.

PG&E incorrectly asserted that RAR is not a concept commonly used to design rates. The Commission has used RAR term through the RROIR Phase 2.²² Both SCE and SDG&E also have used RAR concept in reaching settlement agreement with other parties. ORA notes that it is important to apply the cap based on the residential average rate, and not on the residential revenue.²³

Respectfully submitted,

/s/ GREGORY HEIDEN

Gregory Heiden

Attorney for the Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 355-5539
Fax: (415) 703-2262
E-mail: gregory.heiden@cpuc.ca.gov

May 18, 2015

²⁰ The IOUs should be required to show non-CARE rates, CARE rates, the residential average rate ("RAR") change in percent terms, and the system average rate ("SAR") change in percent terms. The RAR and SAR changes should be measured from the previous May to the present May, or for a year's period from when rates in this decision are implemented. (ORA OC, p.11)

²¹ PG&E Opening Comments, pp. 23-24.

²² See discussions regarding SCE and SDG&E settlement and RAR in D.14-06-029, at pp. 29-36.

²³ ORA Opening Comments, p. 11.