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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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)

OPENING COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES ON THE ALTERNATE PROPOSED DECISION OF COMMISSIONER FLORIO

Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, the Office of Ratepayer Advocates ("ORA") hereby submits its opening comments on the Alternate Proposed Decision of Commissioner Florio ("Alternate Proposed Decision" or "APD") in the above-captioned matter. ORA supports the Alternate Proposed Decision and prefers it to the Proposed Decision. ORA describes a couple of areas that may require additional clarification below.

I. THE ALTERNATE SHOULD CLARIFY HOW THE TIER CAPS WILL WORK FOR THE FIRST TWO YEARS.

The APD provides for the following cap on revenue requirement increases: "allow tiers to move on an equal percent basis, except that Tier 1 increases are capped at RAR plus 3% relative to May 1 rates for the first two years, and at RAR plus 5 % thereafter."[1] The concept of having the tier caps for the first two years is not clear as presently written. The APD provides that the first two years are capped at RAR + 3% compared to May 1 rates. The first year could refer to a rate change on May 2015, with

[1] APD, pp. 246 (PG&E), 254 (SCE), 262 (SDG&E).

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May 2016 being the next one. Or it could mean two 12-month periods, with the first one starting on May 2015. As ORA stated in its Comments on the PD, the rate increase currently in effect in 2015, compared to this time in 2014, should be taken into account. Adding 3% on top of the big increases already in place would not be reasonable.

II. THE ALTERNATE PROPOSED DECISION SHOULD CLARIFY THAT THE RULES FOR REVENUE CHANGES MUST BE FOLLOWED EVEN WHERE THE RESULTING TIER DIFFERENTIAL IS DIFFERENT FROM THE SUGGESTED GLIDEPATH.

The Alternate Proposed Decision contains caps on Tier 1 rate increases and other revenue requirement treatments that will help alleviate bill impacts from tier narrowing. ORA agrees with these "rules for revenue changes" for PG&E:

- Revenue Requirement Increases: allow tiers to move on an equal percent basis, except that Tier 1 increases are capped at RAR plus 3% relative to May 1 rates for the first two years, and at RAR plus 5% thereafter.

- Revenue Requirement Decreases: any revenue requirement decreases be treated the same across all tiers.

- The glidepath should be no steeper than necessary to reach a 33% differential by 2018. The glidepath shall continue until the later of (i) January 1, 2018 or (ii) the year the 33% differential tier ratio is achieved.[2]

The APD also provides an "approved glidepath for Tier Consolidation." The APD states that "each IOU is directed to use these suggested differentials as a guideline for its glidepath."[3] ORA believes that there may be circumstances where the rules for revenue changes do not always result in the same "suggested tier differentials" described in the approved glidepath. Although the APD clearly states that the glidepath is only a guideline, there should be an additional clarification that, when there is a conflict

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[2] APD, p.246.

[3] Id., emphasis added.

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between the "rules for revenue changes" and the "suggested glidepath," the rules for revenue changes are controlling and must be complied with.

Respectfully submitted,

/s/ GREGORY HEIDEN

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