



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

**FILED**  
10-17-16  
04:59 PM

Application of Southern California Edison  
Company (U 338-E) for Approval of its 2016  
Rate Design Window Proposals.

Application No. 16-09-003  
(Filed September 1, 2016)

**SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) REPLY TO PROTESTS  
OF ITS 2016 RATE DESIGN WINDOW APPLICATION**

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Dated: **October 17, 2016**

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**I.**

**INTRODUCTION**

Pursuant to California Public Utilities Commission (Commission or CPUC) Rule of Practice and Procedure 2.6(e), Southern California Edison Company (SCE) respectfully files this Reply to the Protests of its Application filed by the Office of Ratepayer Advocates (ORA), California Farm Bureau Federation (Farm Bureau), City of Lancaster (Lancaster), California Solar Energy Industries Association (CALSEIA), and the Solar Energy Industries Association (SEIA).

**II.**

**REPLY TO ORA PROTEST**

ORA’s Protest correctly notes that SCE does not intend to relitigate marginal costs or change revenue allocations established in SCE’s 2015 GRC Phase 2 in this Rate Design Window (RDW) proceeding. Instead, as ORA identifies, the point of this RDW is determine relative

hourly dispersion of costs in order to determine new Time-Of-Use (TOU) periods. ORA is concerned, however, that parties to this proceeding will not be able to avoid marginal cost methodology disputes, and therefore proposes the option of “accelerating” litigation of new marginal costs from SCE’s 2018 GRC Phase 2 proceeding (which has not yet commenced) to this RDW proceeding. ORA requests that a workshop be held prior to the issuance of a Scoping Memo here to examine this option.

SCE believes a pre-Scoping Memo workshop on this issue would be useful. SCE still believes, however, that the most appropriate venue for determining new marginal cost values is its upcoming 2018 GRC Phase 2. In this proceeding, on the other hand, SCE believes the parties and Commission can and should determine new TOU periods based on a range of assumed marginal costs. SCE is confident that through the discovery process and use of SCE’s marginal cost aggregation model,<sup>1</sup> parties will reach consensus that using a broad range of reasonable marginal cost assumptions will lead to similar TOU period-related results.

ORA’s two proposed schedules (based on a “ cursory” marginal cost review and a “full” marginal cost review), are reasonable.

### **III.**

#### **REPLY TO FARM BUREAU PROTEST**

Farm Bureau’s Protest deems infeasible SCE’s proposal to default non-residential customers to new TOU periods beginning in 2018, claiming that SCE has not provided an “assessment as to how customers will be able to adapt to the changed periods or what type of rate options should be developed to facilitate a transition” to the new TOU periods.<sup>2</sup> SCE’s testimony supporting its application demonstrated in detail that it is reasonable to move to new TOU periods for non-residential customers approximately two years from now. As far as

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<sup>1</sup> SCE’s marginal cost aggregation model is publicly available at <http://www3.sce.com/law/cpucproceedings.nsf/vwSearchProceedings?SearchView&Query=A.16-09-XXX&SearchMax=1000&Key1=1&Key2=25>

<sup>2</sup> Farm Bureau Protest at p. 2.

educating non-residential customers about the new TOU periods to ensure a smooth transition, SCE's testimony also set forth its proposed Marketing, Education & Outreach plans. SCE understands that this change is significant to many customers and has already begun several customer communication outreach efforts that include information regarding SCE's planned TOU rate changes.

#### IV.

#### **REPLY TO LANCASTER PROTEST**

Lancaster's Protest focuses on SCE's proposal to eliminate the Power Charge Indifference Adjustment (PCIA) exemption for departing load California Alternative Rates for Energy (CARE) and Medical Baseline (MB) customers. Lancaster protests on procedural grounds, claiming that it would be more appropriate to consider SCE's proposal in another proceeding, such as another IOU's GRC Phase 2 proceeding, and that Rate Design Windows are not meant to address such issues. That claim has no merit. In fact, the Commission has specifically directed SCE to propose these changes in a rate-setting proceeding, including in a Rate Design Window, in its October 6, 2015 disposition of SCE's advice letter 3214-E. This proceeding is a Rate Design Window. SCE agrees, however, that the Commission should ensure uniformity on this issue across the IOUs.

SCE strongly disagrees with the non-procedural arguments Lancaster makes in its Protest regarding why it believes SCE's proposal is unjustified and unfair, and looks forward to addressing the issues on the merits over the course of this proceeding.

#### V.

#### **REPLY TO CALSEIA PROTEST**

Although SCE does not agree with the substantive position of CALSEIA that new TOU periods should be "phased-in" or have a "milder" alternative for certain customers, SCE agrees that the issues CALSEIA's Protest raises are appropriately within the scope of this proceeding,

with the following caveat: Considering whether to eliminate the 400 MW cap of SCE's Option R tariff should not be added to this case. As CALSEIA noted, the settlement agreement reached in SCE's 2013 Rate Design Window (as adopted by the Commission in D.14-12-048), makes clear that the appropriate procedural venue for the consideration of this issue is SCE's 2018 GRC Phase 2.

## VI.

### **REPLY TO SEIA PROTEST**

Although SCE does not agree with the substantive position of SEIA that new TOU periods should be "grandfathered" for certain customers, SCE agrees that the issues SEIA's Protest raises are appropriately within the scope of this proceeding, with the following caveat: Transmission costs should not be included in the TOU period marginal cost analysis. As SCE explained in its direct testimony in Exhibit SCE-01 at pages 43-44, inclusion of "marginal" transmission costs is not appropriate when designing CPUC-jurisdictional TOU periods. Consistent with cost allocation mandates and guidance from the Federal Energy Regulatory Commission (FERC), SCE allocates transmission costs on a load-based basis, not the marginal cost-based basis used for CPUC-jurisdictional costs. This FERC-related allocation methodology is appropriate because transmission costs are not driven by load-growth-related capacity, but instead by the transmission system's requirement to function as a "network" promoting the dynamic flow of power.

## VII.

### **CONCLUSION**

SCE looks forward to discussing these scoping and scheduling matters further at the prehearing conference.

Respectfully submitted,

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