Decision **PROPOSED DECISION OF ALJ ROSCOW (Mailed 5/27/2014)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of its 2012 Rate Design Window Proposals.	Application 12-02-020 (Filed February 29, 2012)

DECISION ON PACIFIC GAS AND ELECTRIC'S 2012 RATE DESIGN WINDOW APPLICATION

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1. Summary

This decision approves a number of uncontested rate design proposals made by Pacific Gas and Electric Company (PG&E) in its 2012 Rate Design Window application, and reviews the compliance items regarding prior Commission orders that PG&E included in its application.

This proceeding is closed.

2. Procedural History

On February 29, 2012, Pacific Gas and Electric Company (PG&E) filed Application (A.) 12-02-020, its "Application of Pacific Gas and Electric Company for Approval of its 2012 Rate Design Window Proposals" (Application). PG&E proposes a number of rate design changes and requests that the Commission find them to be reasonable. PG&E also describes its compliance with prior Commission orders that directed PG&E to include certain studies and analyses in this application.

Protests were filed on April 2, 2012, by the Solar Energy Industries Association and The Utility Reform Network (TURN), and on April 3, 2012, by the Division of Ratepayer Advocates (DRA)[1] and, jointly, the Greenlining Institute and the Center for Accessible Technology (Greenlining/CforAT). PG&E replied to the protests on April 13, 2012.

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[1] On September 26, 2013, DRA was renamed the Office of Ratepayer Advocates (ORA) pursuant to Senate Bill (SB) 96 (Stats. 2013, ch. 356).

On May 10, 2012, a prehearing conference (PHC) took place in San Francisco to establish the service list for the proceeding, discuss the scope of the proceeding, and develop a procedural timetable for the management of the proceeding. At the PHC, parties agreed that a workshop prior to the due date for intervenor testimony would be a useful forum for a more detailed discussion of PG&E's proposals and the compliance items included in its application. PG&E also agreed to TURN's request that PG&E analyze additional summer baseline scenarios, to be proposed by parties by June 8, 2012. The workshop took place on July 12, 2012.

DRA, TURN and (jointly) Greenlining/CforAT served their testimony on August 2, 2012. PG&E served rebuttal testimony on September 10, 2012. Evidentiary hearings were conducted on September 24, 25 and 27, 2012. Briefs were filed November 2, 2012 and reply briefs were filed November 16, 2012, at which time this proceeding was submitted.

Although they occurred outside this proceeding, further procedural developments bear mention at the outset of this decision because they influence our determinations on PG&E's application.

First, on June 21, 2012, the Commission issued Rulemaking (R.) 12-06-013, its "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." The Commission stated that the purpose of the Rulemaking was to examine current residential electric rate design, including the tier structure in effect for residential customers, the state of time variant and dynamic pricing, potential pathways from tiers to time variant and dynamic pricing, and preferable residential rate design to be implemented when statutory restrictions are lifted.

Second, while the Rulemaking was still pending, on October 7, 2013, the Governor signed into law Assembly Bill (AB) 327. AB 327 makes significant changes to the types of residential rate structures that are permitted under state law. AB 327 also contains limits designed to protect certain classes of vulnerable customers. In response to the enactment of AB 327, on October 25, 2013, the Assigned Commissioner in R.12-06-013 issued a ruling inviting PG&E, Southern California Edison Company (SCE) and San Diego Gas and Electric Company (SDG&E) to submit interim rate change applications no later than November 29, 2013, and opened a separate Phase 2 of the Rulemaking to review those applications.

On April 15, 2014, the Third Amended Scoping Memo and Ruling of Assigned Commissioner was issued in R.12-06-013, and, among other items, determined that changes regarding PG&E's baseline percentages should be included in R.12-06-013.[2] Therefore, PG&E's proposal in the instant proceeding to reduce its residential electric baseline quantities to 50%, the bottom of the range allowed by law, is moot. TURN's related proposal, to increase summer baseline quantities to 60% for three Central Valley climate zones is also deemed to be moot. Due to the complex interactions involved in adjusting baseline amounts, we will consider all baseline proposals in a single proceeding, R.12-06-013.

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[2] R.12-06-013, Third Amended Scoping Memo and Ruling of Assigned Commissioner, at 5.

With the removal of the contested issues from this proceeding, we now review PG&E's uncontested proposals, as well as PG&E's compliance showings with respect to items included in this Application pursuant to prior Commission orders.

3. Uncontested Issues

3.1. PG&E's Proposal to Modify its Minimum Bill Methodology and Charges

In Chapter 2 of its prepared testimony, PG&E proposes modifications to the method for calculating its minimum bill charges. As explained by PG&E, the minimum bill charge is intended to recover a portion of the fixed distribution costs of providing electric service (e.g., metering reading, billing, etc.) that occur independent of a customer's monthly energy consumption in a given month, even if the customer consumes no electricity in that month. All of PG&E's residential rate schedules have a minimum bill charge with the exception of Schedules E-8 and EL-8, which instead have customer charges to recover a portion of fixed distribution costs.[3] PG&E's residential non-CARE customers with very low or no usage in any given month are currently charged a minimum bill of $4.50 a month, and its CARE customers' minimum bill charge is $3.60 per month.

[3] Exhibit PG&E 2 at 2-14.

PG&E is proposing a new method for calculating minimum bills for both bundled and Direct Access (DA) or Community Choice Aggregation (CCA) customers. The new method would be based on the minimum bill methodology used by SCE, which calculates a minimum bill charge only on the delivery portion of the customer's bill (where the delivery portion is defined as all rate components except for the generation rate). For bundled customers, an additional generation charge would be assessed in addition to the minimum delivery charge to calculate the total bill. For DA or CCA customers, their generation providers would bill those charges according to their own rates.

As noted, PG&E describes its proposed changes as patterned after SCE's minimum bill charge, and asserts that they will result in rates that are competitively neutral with respect to a very-low-usage customer's choice of bundled versus DA/CCA service: "by setting the minimum bill for delivery service at $3.50 for bundled and CCA customers, while making the generation portion a function of the generation supplier's rate (*i.e.*, PG&E for bundled service or the CCA for CCA service), this method is competitively neutral, providing no artificial incentive or disincentive for customers with very low monthly consumption to select bundled service compared to DA or CCA service."[4] In response to concerns raised by ORA and TURN, PG&E made certain technical corrections to its methodology in its Rebuttal testimony.[5]

[4] *Ibid*. at 2-16 – 2-17.

[5] Exhibit PG&E-4 at 1-2 – 1-4, and Attachment A to Chapter 1.

PG&E's proposed minimum bill methodology, as revised in its Rebuttal testimony, is unopposed by other parties, and PG&E provides a reasonable explanation of the proposed change. We approve it here. However, PG&E should defer implementation of this change until after we issue our Phase 1 decision in R.12-06-013. That proceeding is examining whether the Commission should adopt a fixed customer charge for residential customers, or pursuant to Section 739.9(h) of the Public Utilities Code, whether minimum bills are appropriate as a substitute for any fixed charges in residential rates. We will not require PG&E to make any changes to its billing system regarding its minimum bill methodology until this topic is addressed in R.12-06-013.

3.2. PG&E's Dynamic Pricing Proposals

In Chapter 3 of its prepared testimony, "Dynamic Pricing," PG&E proposes to make several adjustments to its Critical Peak Pricing (CPP) programs (PG&E also refers to these programs as Peak Day Pricing (PDP) programs).[6] Overall, PG&E proposes to align its PDP programs with the requirements of Decision 11-06-022 ("Decision Adopting Local Procurement Obligations for 2012 and Further Refining the Resource Adequacy (RA) Program"). In that decision, the Commission stated:

> We will require PG&E to propose changes to the current **large commercial and industrial and agricultural customers** PDP operational period of 2 p.m. – 6 p.m. to 1 p.m. – 6 p.m. in its 2012 Rate Design Window application. PDP for **other customer classes** that has not been implemented should comply with the new measurement hours in 2013.[7]

[6] Exhibit PG&E-1, Chapter 3.

[7] D.11-06-022 at 60, emphasis added.

Accordingly, in this proceeding PG&E proposes to make the necessary conforming changes to the operational period for its residential SmartRate and its non-residential PDP programs. Since this change will increase the number of hours each year during which the non-residential PDP event day prices will be in effect, PG&E also proposes corresponding revisions to existing non-residential PDP rates.

During hearings, PG&E's witness explained many of the proposed changes are intended to achieve compliance or consistency with the Commission's resource adequacy decisions, which tie program changes to operating seasons that, for PG&E, begin in May of each year. PG&E's witness explained that due to the then-expected timing of the resolution of this proceeding, PG&E proposed to implement these changes beginning in May, 2014.[8] Given the actual timing of the issuance of this decision, it is now most appropriate for these changes to be implemented by PG&E no later than May, 2015.

3.2.1. Proposed Changes to Program Operations

In Exhibit PG&E-1, PG&E describes its proposed changes to operating periods and operating criteria for all of its CPP programs. These proposals are summarized in Table 1 below, which is reproduced from Exhibit PG&E-1. PG&E also requests authority to change tariff requirements related to the upcoming implementation of new time-of-use (TOU) rates for most Small and Medium Business (SMB) and small agricultural customers. PG&E describes its proposed changes as incremental rather than dramatic. PG&E states that simplifying, standardizing and stabilizing its rate plans, as much as possible, for all customer classes will enable PG&E to increase efficiencies in communications, maintenance and customer retention efforts. According to PG&E, this will also minimize the potential for customer confusion and turnover that can result from frequent changes to optional rate programs, and allow PG&E to focus on longer-term objectives of capturing, retaining and supporting engaged and aware customers who will be able to deliver load reductions when they are most needed.

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[8] RT at 245-246.

TABLE 1
PACIFIC GAS AND ELECTRIC COMPANY
CURRENT AND PROPOSED, UNOPPOSED OPERATING CRITERIA FOR RESIDENTIAL SMARTRATE AND NON-RESIDENTIAL PDP PROGRAMS

Line No.	Description	Current Residential SmartRate	Proposed Revisions for SmartRate	All Non-Residential PDP Tariffs
1	Operating Hours	2 p.m. - 7 p.m.	1 p.m. - 6 p.m. (proposed change)	1 p.m. - 6 p.m. (proposed change)
2	Operating Season	Summer nonholiday weekdays, May 1 to October 31	All year (but most events will occur on summer weekdays)	All year (but most events will occur on summer weekdays)
3	Design Basis	15 events per year	12 events per year	12 events per year
4	Event Limits	15 events per year	Between 9-15 days	Between 9-15 days
5	Event Trigger (at start of summer, weekdays only)	Forecast maximum temperature of 96°F	Forecast maximum temperature of 98°F	Forecast maximum temperature of 98°F
6	Temperature Adjustments	Two per month	Two per month	Two per month (proposed change)
7	Trigger for Events on Weekends or Holidays	N/A	Forecast maximum temperature of 105°F	Forecast maximum temperature of 105°F
8	Day-Ahead Notice to Be Issued by:	3 p.m.	2 p.m.	2 p.m.

Source: reproduced from Exhibit PG&E-1, at 3-4

We address each of PG&E's dynamic pricing proposals below.

First, Line 1 of Table 1 summarizes PG&E's proposal regarding revised operating hours for its dynamic pricing programs. PG&E proposes standardized PDP operating hours of 1:00 p.m. to 6:00 p.m. across all programs. For its residential SmartRate program, PG&E explains that, based on its understanding of D.11-06-022, all CPP programs must be revised to the new operational periods in order to qualify for RA credits. Currently, the SmartRate program event day operating hours are from 2:00 p.m. – 7:00 p.m. PG&E proposes to change the SmartRate event day operating period to align it with the same 1:00 p.m. – 6:00 p.m. period as it is proposing for its non-residential PDP programs. For these non-residential PDP tariffs, PG&E explains in Exhibit PG&E-1 that all of its peak-day pricing offerings for SMB customers and for most agricultural customers currently include choices between a "standard" 2:00 p.m. – 6:00 p.m. operating period and an optional 12:00 noon – 6:00 p.m. operating period. PG&E proposes to eliminate the option of choosing between periods, because very few customers have chosen the 6-hour event period option, and the single 5-hour operating period proposed in this proceeding in order to comply with D.11-06-022 (*i.e.*, 1:00 p.m. – 6:00 p.m.) would further reduce the differentiation between the standard and optional operating periods, which appears to make these multiple periods unnecessary. This proposal was uncontested by other parties, and PG&E provides a reasonable explanation of the proposed change. We approve it here.

Next, Line 2 of Table 1 summarizes PG&E's proposal regarding operating seasons. For the residential SmartRate program, PG&E proposes to change the current operating season (summer non-holiday weekdays between May 1 and October 31) to all year, with most events still likely to occur on summer weekdays. PG&E states that this change will conform the residential SmartRate program operating season to the current non-residential PDP operating season. This proposal was uncontested by other parties, and PG&E provides a reasonable explanation of the proposed change. We approve it here.

Next, Line 3 of Table 1 summarizes PG&E's proposal regarding the "design basis" for its dynamic pricing rates, while Line 4 of Table 1 summarizes PG&E's proposal regarding "event limits." In Exhibit PG&E-1, PG&E explains that to align residential SmartRate and non-residential PDP program operations, PG&E proposes to employ the same design basis for residential SmartRate as adopted in D.10-02-032 for the non-residential PDP tariffs. Non-residential PDP rates are designed assuming there will be an average of 12 PDP events each year. However, the actual number of events is allowed to range between a minimum of nine and a maximum of 15 each year, to provide PG&E additional operating flexibility during hot summers when load reductions might be most needed. PG&E proposes to revise its residential SmartRate to incorporate the same design assumption and operating limits.[9] This proposal was uncontested by other parties, and PG&E provides a reasonable explanation of the proposed change. We approve it here.

Next, Lines 5, 6 and 7 of Table 1 summarize PG&E's proposals regarding event triggers, temperature adjustments, and temperature-related triggers for its residential SmartRate and non-residential PDP program operations. In Exhibit PG&E-1, PG&E explains that for both residential SmartRate and non-residential PDP program operations, PG&E is currently allowed to adjust the temperature

[9] This change is also reflected in PG&E's revised rates, as described below.

trigger to achieve the prescribed number of operations over the year (for SmartRate), or to manage the number of operations within an authorized range (for the non-residential PDP tariffs). However, each of the current programs were established with slightly different operating limits, and the rules for these temperature adjustments were established at different times. PG&E proposes to standardize both sets of tariffs now using the rules established for the residential SmartRate program, which allow for two adjustments per month (up or down) during the summer operating season. Each of PG&E's current non-residential PDP tariffs include the provision that, "If needed, PG&E will adjust the non-holiday weekday trigger up or down 2°F over the course of the summer … Such adjustments would be made no more than once per month and would be posted on PG&E's PDP website." PG&E proposes to continue adjusting the triggers in 2°F increments, but has found that the bi-monthly adjustments allowed for under residential SmartRate will allow for better management of the numbers of CPP events. In both 2010 and 2011, the first two summers of non-residential PDP operations, PG&E experienced unusually mild summer weather conditions. While PG&E was able to operate the PDP program nine times in both summers according to the current operating rules, operations could have been better and more clearly managed with additional flexibility in adjusting the temperature trigger. To that end, PG&E proposes to standardize this tariff provision on the adjustment method that has been used for residential SmartRate since 2008, which allows for adjustments on the 1st and 15th of each month. Finally, PG&E proposes to add a new temperature threshold of 105 degrees Fahrenheit to the residential SmartRate program for weekends and holidays, which currently only exists for the non-residential PDP program.

These proposals were uncontested by other parties, and PG&E provides a reasonable explanation of the proposed changes. We approve them here.

Finally, line 8 of Table 1 summarizes PG&E's proposal regarding issuance of "Day-Ahead Notices" for its dynamic pricing programs. In its Opening Brief, PG&E explains that its proposal to change the residential SmartRate program's day-ahead notice time from 3:00 p.m. to 2:00 p.m., to align with the non-residential PDP program's existing day-ahead notice time of 2:00 p.m., will minimize customer confusion and increase operational efficiencies. This proposal was uncontested by other parties, and PG&E provides a reasonable explanation of the proposed change. We adopt it here.

Regarding implementation of the changes we adopt today, with respect to the standardization of PDP operating hours to 1:00 p.m. to 6:00 p.m. across all programs, implementation of this change should be deferred until after we issue our decision in PG&E's 2015 Rate Design Window case, or whatever other future proceeding in which the Commission orders the issue of PG&E's TOU period definitions to be examined. We adopt this approach because AB 327 directs the Commission to strive to establish TOU time periods that are appropriate for at least the following five years[10]. This will occur in a future proceeding, so we will not require PG&E to implement these new event hours in summer 2015 since they may only be in place a short time. Instead, we will defer implementation until the future proceeding where the Commission considers TOU periods that could be in place for at least 5 years.

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[10] See Public Utilities Code Section 745(c)(3)

Time-of-Use Issues

As noted above, PG&E also requests authority to change tariff requirements related to the upcoming implementation of new TOU rates for most SMB and small agricultural customers. First, for SMB customers, PG&E proposes to close non-TOU Schedules A-1, A-1L, A-10P, A-10PL, A-10S and A-10SL to all new SMB customers establishing service where a SmartMeter™ is already in place, effective on or after January 1, 2013. Second, for small agricultural customers, effective on or after March 1, 2013, PG&E proposes to close non-TOU Schedules AG-1A, AG-1AL and AG-1B to new small agricultural customers establishing service where a SmartMeter™ is already in place.

PG&E states that it makes these proposals because, after the dates specified above, all customers in these rate classes with proper interval metering and at least 12 months of interval usage will begin transitioning to mandatory TOU rates. Therefore, to simplify this transition and communicate most effectively with customers newly establishing service, PG&E proposes that customers establishing service with PG&E at a premise where SmartMeter™ interval metering equipment already exists be placed on a suitable TOU rate at the time they establish service.

PG&E states that several thousand new SMB and small agricultural customer accounts are typically established each year on PG&E's system, so its proposed approach would be preferable to having these new customers starting service with PG&E on a non-TOU rate, only to be switched to TOU service 12 months later. PG&E asserts that closing the existing non-TOU rates to new customers will help manage effective communications with these customers, and should reduce any confusion or frustration that such customers might experience with mandatory rate changes that would otherwise be required shortly after they have established service.

These proposals were uncontested by other parties, and PG&E provides a reasonable explanation of the proposed changes. We approve them here.

3.3. PG&E's Proposed Rate Design Changes

PG&E proposes only minor rate design changes for residential SmartRate and its non-residential PDP tariffs, in order to reflect the changes in program operations addressed above and summarized in Table 1.

First, for residential SmartRate, PG&E proposes to revise rates for SmartRate to preserve revenue neutrality under the new operating criteria: because PG&E proposes to reduce the design basis for residential SmartRate from 15 events per year to 12 (while maintaining the current 5-hour event duration for residential SmartRate operations), corresponding adjustments to the SmartRate rate design will be needed. To preserve the revenue-neutrality of the underlying rate design, PG&E proposes to maintain residential SmartRate price adders at the same level at which they are currently set ($0.60 per kilowatt-hour (kWh) during SmartRate event periods), while reducing the offsetting residential SmartRate credits by a factor of 20 percent (from $0.02992 to $0.02396 per kWh for all other usage during the period between June 1 and September 30 each summer) to reflect the reduced number of residential SmartRate event days.

This proposal was uncontested by other parties, and PG&E provides a reasonable explanation of the proposed change. We adopt it here.

Second, for non-residential PDP, PG&E proposes to implement revised rates to preserve revenue neutrality: because PG&E proposes to maintain the current allowable numbers of non-residential PDP event days each summer while increasing the length of the standard operating period from four hours to five hours, corresponding changes to the rate design for each non-residential PDP tariff are needed. To preserve revenue-neutrality of the underlying rate design for each non-residential PDP tariff, PG&E proposes to reduce the applicable PDP event period adders by a common factor of 20 percent, while preserving the current offsetting PDP rate credits at their current levels. For example, the applicable PDP event price adders under Schedules E-19 and E-20 would be reduced from $1.20 to $0.96 per kWh (preserving the customer's total exposure to PDP charges at $4.80 per kilowatt (kW) per 5-hour PDP event), with similar reductions applicable to the non-residential PDP versions of Schedules A-1 and A-10, and to the Agricultural PDP schedules.

This proposal was uncontested by other parties, and PG&E provides a reasonable explanation of the proposed change. We adopt it here.

3.4. Compliance with Prior Commission Decisions

As part of its Application, PG&E describes its compliance efforts with respect to D.10-02-032, the Commission's decision that first adopted default and optional critical peak pricing and time-of-use rates for PG&E, and D.11-11-008, the Commission's decision addressing several Petitions for Modification of D.10-02-032.

3.4.1. Decision 10-02-032

Ordering Paragraph (OP) 26 of D.10-02-032 directed PG&E to address three issues in this 2012 RDW application:

1. Provide an assessment of the performance of the 2010 and 2011 summer season non-residential PDP programs, in terms of customer participation and achieved demand response, with proposed adjustments, if any, to improve program performance.

2. Provide proposed adjustments to non-residential PDP charges and credits, to reflect marginal costs adopted in the 2011 General Rate Case (GRC) Phase 2.
3. Provide proposed new time of use and time of use/PDP rates for medium commercial and industrial (C&I) customers, intermediate in time-differentiation between the proposed A1-TOU and A6-TOU rate designs.

PG&E addresses each of these items in turn in Exhibit PG&E-1.[11]

First, regarding the required assessment of 2010 and 2011 non-residential PDP program operations, PG&E states that this material is provided in Section E of Exhibit PG&E-1, and that the results of that assessment have informed the proposed program changes that PG&E proposed in this Application. PG&E states that "to avoid duplication of effort and costs, provide the CPUC with the best possible data, and be consistent with other proceedings, PG&E's showing in compliance with OP 26 relies on the results presented in annual load impact evaluation reports that PG&E prepared in compliance with D.08-04-050, the Commission's decision adopting protocols for estimating demand response load impacts. According to PG&E, these reports are used for incorporating dynamic rates into resource adequacy and long term planning, and are "the most rigorous and reliable evaluations of load impact performance available." No other party contested PG&E's compliance showing on these items.

Second, regarding the Commission's direction to provide proposed adjustments to non-residential PDP charges and credits, to reflect marginal costs adopted in the 2011 GRC Phase 2, PG&E states that it "considered revising the charges and credits associated with revised marginal costs in its 2011 GRC

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[11] Exhibit PG&E-1 at 3-8.

Phase 2 proceeding," but concluded that further changes were not warranted during the current GRC cycle for two reasons. First, the cost bases for its rate design showings in the 2011 GRC were not materially different from those underlying the rates adopted in D.10-02-032. Second, PG&E believes it important to preserve program stability as the new TOU and PDP rates are implemented. PG&E asserts that "this approach was agreed to by all parties as dynamic pricing issues were resolved through settlement agreements in the 2011 GRC Phase 2 proceeding." No other party contested PG&E's reasoning on this compliance item.

Third, regarding the direction in D.10-02-032 to PG&E to "provide proposed new time of use and time of use/PDP rates for medium commercial and industrial (C&I) customers, intermediate in time-differentiation between the proposed A1-TOU and A6-TOU rate designs" PG&E responds that "PG&E does not propose to increase the time-differentiation reflected in its current small and medium commercial TOU rates here, given that the original timeline adopted in D.10-02-032 for TOU and PDP rate implementation for these customers was significantly extended by the Commission when it issued D.11-11-008." DRA questioned whether this statement by PG&E amounted to non-compliance with D.10-02-032, but states in testimony that "given the delays in implementing time-variant rates as mentioned by PG&E, DRA, in its Protest, did not object to postponing PG&E's compliance with the third bullet of OP 26 until PG&E's 2014 GRC Phase 2. However, DRA now requests that the Commission require that PG&E make a proposal for a more time differentiated medium commercial rate in its 2014 GRC Phase 2 proceeding."[12] During hearings, PG&E's witness affirmed PG&E's intention to make such a proposal.[13] Therefore, we expect this issue to be reviewed and resolved in PG&E's 2014 GRC Phase 2.[14]

3.4.2. Decision 11-11-008

Ordering Paragraph 3 of D.11-11-008 require that PG&E report on the history and current state of its TOU and dynamic pricing rate offerings for residential customers in this 2012 RDW application. PG&E provided the required report in Appendix A of Exhibit PG&E-1. No other party contested PG&E's compliance with this requirement.

3.5. Studies Performed by PG&E in Compliance with Commission Decisions

3.5.1. Four-Month Modified Summer Season for Central Valley Residential Customers

PG&E summarizes this issue in its opening brief:[15]

> As required in D.11-05-047, PG&E submitted with its RDW application a study to investigate the possibility of shortening its residential summer definition from six to four months and correspondingly lengthening its winter definition from six to eight months. TURN made this suggestion in PG&E's last GRC Phase 2 in hopes it might possibly mitigate some of the summer month high bill problems faced by PG&E's customers, especially those in the Central Valley who can experience sustained periods of high temperatures. Unfortunately, the results of the study did not show significant relief of high summer bills for upper tier energy users in the Central Valley, finding that their bills would

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[12] Exhibit DRA-1 at 10.

[13] Pease, RT at 259-260.

[14] A.13-04-012.

[15] PG&E Opening Brief at 23-24.

> dramatically increase in May and October even though they would be modestly lower in the four summer months. (Ex. PG&E-2, Attachment A, at 2A-1 and 2A-16.) Therefore, neither PG&E, TURN, nor any other party recommended that the CPUC make this change to seasonal definitions.

We accept the outcome described by PG&E as compliance with our direction in D.11-05-047.

3.5.2. Consideration of 5-Month Modified Summer Season for Central Valley Residential Customers

In part because the study of the four-month modified summer season for Central Valley residential customers described above did not yield promising results, TURN proposed that PG&E be directed to submit another study, in its next GRC Phase 2 proceeding, of the effect of moving only October from the summer to the winter period, for a five-month summer season.[16] PG&E agreed with TURN that this idea showed promise. According to PG&E, in hotter areas (including the Central Valley, but also portions of other climate zones), October generally has milder weather than the other summer months. Consequently, moving October to the winter period would be expected to raise the average summer usage and thus lead to higher summer baseline amounts – which would in turn reduce summer bills. (PG&E, Quadrini, TR. 219, lines 2-27; *see* also TURN, Marcus, TR. at 334 – 338.) PG&E states its intention to conduct this five-month summer study and report the results with its 2014 GRC Phase 2 filing. Therefore, we expect this study to be reviewed in that proceeding.

[16] Exhibit TURN-9, at 1 and 3.

4. Comments on Proposed Decision

The proposed decision of the Administrative Law Judge (ALJ) in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on June 16, 2014 by PG&E; reply comments were filed on June 23, 2014 by TURN.

PG&E requests that the Commission adopt the PD, with two minor modifications, both of which arose due to developments that occurred after the application was filed. First, PG&E recommends that its proposed minimum bill methodology should be implemented after the Commission's decision in Phase 1 of the R.12-06-013, which will consider minimum bill issues. Second, PG&E recommends that the Commission defer implementation of the revised PDP and SmartRate event hours until after a decision in PG&E's 2015 Rate Design Window proceeding, where PG&E states that it will present the results of its study of the proper hours for such programs.

In reply comments, TURN supports the delays requested by PG&E because the specifics of these proposals will be significantly affected by rate design parameters being litigated in the proceedings referenced by PG&E. According to TURN, requiring PG&E to implement these changes prior to the resolution of those proceedings would subject PG&E's customers to conflicting messages, could engender customer confusion and would prove counterproductive given material factual and policy developments since the instant application was originally litigated.

PG&E and TURN present reasonable arguments in support of delaying the implementation of the proposed minimum bill methodology and the revised

PDP and SmartRate event hours adopted in this decision. The proposed decision has been modified accordingly.

5. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Stephen C. Roscow is the assigned ALJ in this proceeding.

Findings of Fact

1. PG&E's proposal to simplify its minimum bill methodology to make it consistent with how the minimum bill charge is calculated by SCE, as well as to make it competitively neutral with respect to DA and CCA service, is unopposed.

2. The question of whether the Commission should adopt a fixed customer charge or whether it is possible for a minimum bill to achieve the same or better results is pending in R.12-06-013.

3. Decision 11-06-022 granted PG&E's request for exemption for 2012 RA and required PG&E to propose changes to the current large commercial and industrial and agricultural customers PDP operational period of 2:00 p.m. – 6:00 p.m. to 1:00 p.m. - to 6:00 p.m. in its 2012 Rate Design Window application and specified that PDP for other customer classes that has not been implemented should comply with the new measurement hours in 2013.

4. PG&E's proposal to make changes to the operational periods for residential SmartRate and non-residential PDP programs is unopposed.

5. Assembly Bill 327 became law on October 7, 2013 and includes a mandate to the Commission to strive to establish TOU time periods that are appropriate for at least the following five years.

6. PG&E's proposal to eliminate the extended 12:00 noon – 6:00 p.m. pricing period for non-residential peak day pricing rates is unopposed.

7. PG&E's proposal to change the current operating season of its residential SmartRate program (summer non-holiday weekdays between May 1 and October 31) to all year is unopposed.

8. PG&E's proposal to employ the same design basis for residential SmartRate as adopted in D.10-02-032 for the non-residential PDP tariffs is unopposed.

9. PG&E's proposals regarding event triggers, temperature adjustments, and temperature-related triggers for its residential SmartRate and non-residential PDP program operations are unopposed.

10. PG&E's proposal to change the residential SmartRate program's day-ahead notice time from 3:00 p.m. to 2:00 p.m. is unopposed.

11. PG&E's proposal to close non-TOU Schedules A-1, A-1L, A-10P, A-10PL, A-10S and A-10SL to all new small and medium business customers establishing service where a SmartMeter™ is already in place, effective on or after January 1, 2013, is unopposed.

12. PG&E's proposal to close non-TOU Schedules AG-1A, AG-1AL and AG-1B to new small agricultural customers establishing service where a SmartMeter™ is already in place is unopposed.

13. PG&E's proposal to revise rates for residential SmartRate to preserve revenue neutrality under the new operating criteria adopted in this decision is unopposed.

14. PG&E's proposal to implement revised rates for non-residential PDP in order to preserve revenue neutrality is unopposed.

Conclusions of Law

1. PG&E's minimum bill proposed methodology, as revised in its rebuttal testimony, should be approved.

2. Due to the passage of time since D.11-06-022, it is now most appropriate for the changes to PG&E's residential SmartRate and non-residential PDP program that are approved in this decision to be implemented by PG&E no later than May, 2015.

3. PG&E's proposal to make changes to the operational periods for residential SmartRate and non-residential PDP programs should be approved.

4. The Commission will implement the mandate in AB 327, to strive to establish TOU time periods that are appropriate for at least the following five years, in a future proceeding, so PG&E should not be required to implement standardized event hours in summer 2015.

5. PG&E's proposal to eliminate the extended 12:00 noon – 6:00 p.m. pricing period for non-residential peak day pricing rates should be approved.

6. PG&E's proposal to change the current operating season of its residential SmartRate program (summer non-holiday weekdays between May 1 and October 31) to all year should be approved.

7. PG&E's proposal to employ the same design basis for residential SmartRate as adopted in D.10-02-032 for the non-residential PDP tariffs should be approved.

8. PG&E's proposals regarding event triggers, temperature adjustments, and temperature-related triggers for its residential SmartRate and non-residential PDP program operations should be approved.

9. PG&E's proposal to change the residential SmartRate program's day-ahead notice time from 3:00 p.m. to 2:00 p.m. should be approved.

10. PG&E's proposal to close non-TOU Schedules A-1, A-1L, A-10P, A-10PL, A-10S and A-10SL to all new small and medium business customers establishing

service where a SmartMeter™ is already in place, effective on or after January 1, 2013, should be approved.

11. PG&E's proposal to close non-TOU Schedules AG-1A, AG-1AL and AG-1B to new small agricultural customers establishing service where a SmartMeter™ is already in place should be approved.

12. PG&E's proposal to revise rates for residential SmartRate to preserve revenue neutrality under the new operating criteria adopted in this decision should be approved.

13. PG&E's proposal to implement revised rates for non-residential PDP in order to preserve revenue neutrality should be approved.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company's proposed revised minimum bill methodology, as revised in its rebuttal testimony, is approved. PG&E shall defer implementation of this change until after a decision is issued in R.12-06-013.

2. Pacific Gas and Electric Company shall implement the changes to its residential SmartRate and non-residential Peak Day Pricing program that are approved in today's decision no later than May, 2015, with the exception that implementation of the new 1:00 pm to 6:00 pm event hours shall be deferred until after a decision in PG&E's 2015 Rate Design Window case, or whatever future proceeding in which the Commission orders the issue of PG&E's time-of-use period definitions to be examined.

3. Pacific Gas and Electric Company's proposal to make changes to the operational periods for residential SmartRate and non-residential Peak Day Pricing programs is approved.

4. Pacific Gas and Electric Company's proposal to eliminate the extended 12:00 noon – 6:00 p.m. pricing period for non-residential peak day pricing rates is approved.

5. Pacific Gas and Electric Company's proposal to change the current operating season of its residential SmartRate program (summer non-holiday weekdays between May 1 and October 31) to all year is approved.

6. Pacific Gas and Electric Company's proposal to employ the same design basis for residential SmartRate as adopted in Decision 10-02-032 for the non-residential Peak Day Pricing tariffs is approved.

7. Pacific Gas and Electric Company's proposals regarding event triggers, temperature adjustments, and temperature-related triggers for its residential SmartRate and non-residential Peak Day Pricing program operations are approved.

8. Pacific Gas and Electric Company's proposal to change the residential SmartRate program's day-ahead notice time from 3:00 p.m. to 2:00 p.m. is approved.

9. Pacific Gas and Electric Company's proposal to close non-time-of-use Schedules A-1, A-1L, A-10P, A-10PL, A-10S and A-10SL to all new small and medium business customers establishing service where a SmartMeter™ is already in place, effective on or after January 1, 2013, is approved.

10. Pacific Gas and Electric Company's proposal to close non-time-of-use Schedules AG-1A, AG-1AL and AG-1B to new small agricultural customers establishing service where a SmartMeter™ is already in place is approved.

11. Pacific Gas and Electric Company's proposal to revise rates for residential SmartRate to preserve revenue neutrality under the new operating criteria adopted in this decision is approved.

12. Pacific Gas and Electric Company's proposal to implement revised rates for non-residential Peak Day Pricing in order to preserve revenue neutrality is approved.

13. Application 12-02-020 is closed.

This order is effective today.

Dated ____________________________, at San Francisco, California.