

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric
Company for Approval of its 2015 Rate
Design Window Proposals (U39E).

Application 14-11-014
(Filed November 25, 2014)

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DECISION ADOPTING SETTLEMENT

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APPENDIX A - Settlement Agreement

DECISION ADOPTING SETTLEMENT**Summary**

This decision addresses the application of Pacific Gas and Electric Company (PG&E) for approval of its 2015 Rate Design Window proposals. The settlement agreement filed on July 23, 2015 via Joint Motion by PG&E, the Office of Ratepayer Advocates, and the Solar Energy Industries Association is approved.

The revised rates that result from this decision shall become effective as soon as possible after January 1, 2016. Both Time of Use (TOU) TOU-A and E-TOU-B rate schedules shall be implemented on the same date.

This proceeding is closed.

1. Procedural History

On November 25, 2014, Pacific Gas & Electric Company (PG&E) filed Application (A.) 14-11-014, its *Application of Pacific Gas & Electric Company for Approval of its 2015 Rate Design Window Proposals* (Application).¹

On December 26, 2014 and December 31, 2014, respectively, the Office of Ratepayer Advocates (ORA) and the California Solar Energy Industries Association (SEIA) filed protests to PG&E's Application. PG&E responded to filed protests on January 8, 2015. A prehearing conference (PHC) was held on January 14, 2015, in order to establish the service list for the proceeding, discuss

¹ In Decision (D.) 07-07-004, the Commission adopted a modified Rate Case Plan, which includes a procedure for PG&E and other investor-owned utilities (IOUs) to request rate design changes in years other than those covered by the rate design portions of their General Rate Cases (GRCs). Specifically, the Rate Case Plan provides that PG&E may make a Rate Design Window (RDW) filing by November 25 prior to an attrition year.

the scope of the proceeding, and develop a procedural timetable for the management of the proceeding.

An Assigned Commissioner and Administrative Law Judge's Scoping Memo and Ruling (Scoping Memo) was issued on January 29, 2015. The Scoping Memo confirmed the preliminary categorization of the proceeding as ratesetting, and also confirmed the need for evidentiary hearings, defined the issues that would be considered in the proceeding, and established a schedule. The following issues are within the scope of this proceeding:

1. Should the Commission approve PG&E's application with the following components, either as proposed or with modifications?
 - a. Update of the summer season definition applicable to the proposed Schedule E-TOU (Time of Use) from six months, May through October, to four months, from June through September, shown in Table 1-1 in Chapter 1 Prepared Testimony (at 1-11).
 - b. Update of the peak and off-peak TOU period hours applicable to the proposed Schedule from E-TOU from 1:00 p.m. to 7:00 p.m. to 4:00 p.m. to 9:00 p.m.² on non-holiday weekdays with all other hours being off-peak.
 - c. Review of illustrative rates (with and without fixed charges) for the proposed E-TOU Optional Rate, shown in Table 1-2 Chapter 1 Prepared Testimony (at 1-9). Based on approved season definitions and TOU time periods (A and B above), the E-TOU illustrative rates for residential customers will be updated with actual numbers to reflect the revenue

² References to the "top of the hour" for any given hour may be referred to in this document in one of two ways: either with "00" for the minutes (e.g., "9:00 p.m."), or with no "00" and just a whole hour digit (e.g., 9 pm). Both mean the same thing in this document.

requirements and sales assumptions at the time of implementation.

- d. If the Commission decides to keep the E-6 and E-7 rate schedules open to customers for a significant period, authorization for PG&E to then implement the new TOU period for E-6 and E-7 rate schedules. (Note: The Commission is expected to make a decision regarding E-6 and E-7 rate schedules in Rulemaking (R.) 12-06-013³ this Spring 2015.)
2. Are the methods and assumptions that PG&E used to justify specific relief reasonable? If not, are other alternatives justified?
3. Is the use of forecasted 2020 generation costs to set TOU periods for 2015 appropriate?
4. Do PG&E's available studies adequately address customer preferences regarding moving the summer on-peak period into evening hours?
5. Is it reasonable to change the TOU period definitions only for the residential and not for the non-residential rate schedules in this proceeding?
6. If the Commission decides that the peak period should be shifted to later in the day, should existing solar customers (or customers who have made other specific investments in recognition of the current time periods) be allowed to remain on a rate schedule that maintains the existing peak period for a defined length of time?
7. Is PG&E's request reasonable pursuant to Public Utilities Code § 451 that requires each public utility to "furnish and maintain such adequate, efficient, just, and reasonable service,

³ See R.12-06-013, "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," issued June 28, 2012.

instrumentalities, equipment and facilities...as are necessary to promote the safety, health, and comfort and convenience of its patrons, employees, and the public?"

On March 10 and March 18, 2015, PG&E served an errata version of Chapters 1, 2, 3 and 5 of its original testimony to correct data that PG&E had recently determined had not been adjusted to account for Daylight Saving Time and to correct other minor errors. On May 1, 2015, ORA and SEIA each served their opening testimony. On May 26, 2015, PG&E and SEIA served rebuttal testimony.

On June 22 and 23, 2015, evidentiary hearings were held. At the end of hearings, the Administrative Law Judge (ALJ) received into evidence exhibits representing upwards of 500 pages of testimony, and confirmed the Scoping Memo briefing deadlines of July 21, 2015 for opening briefs and August 11, 2015 for reply briefs.

On July 3, 2015, the Commission issued a final decision (D.15-07-001) in Phase 1 of the Residential Rate Reform Order Instituting Rulemaking (RROIR, R.12-06-013), which resolved certain issues affecting this proceeding. (Refer to summary in Section 3 "Residential Rate Reform Decision (D.15-07-001).")

On July 6, 2015, SEIA made a motion for an extension of the established briefing deadlines to allow the active parties more time to continue their ongoing settlement discussions, so as to take into account the RROIR decision, and still attempt to complete a Settlement Agreement for submittal within 30 days after the last day of hearings (i.e., June 23, 2015), as provided for in Rule 12.1(a) of the Commission's Rules of Practice and Procedure. On July 6, 2015, the ALJ granted that motion, stating "[i]f parties are unable to submit a settlement by July 23, 2015 as contemplated, then opening briefs shall be due on August 4, 2015 and reply briefs on August 25, 2015."

On July 10, 2015, PG&E served the required seven-day Notice of Settlement Conference on all Parties to A.14-11-014. The noticed Settlement Conference was scheduled pursuant to Article 12 of the Commission's Rules of Practice and Procedure, and was held on July 20, 2015.⁴

On July 23, 2015, PG&E, SEIA and ORA (Settling Parties) filed a Joint Motion for Approval of Settlement Agreement (Settlement Agreement) consistent with the Commission's rules. According to the Joint Motion, informal settlement negotiations between PG&E and SEIA began in early June and expanded to include ORA shortly after the completion of hearings. The other parties to this proceeding were the California Independent System Operator, (CAISO), The Utility Reform Network (TURN), and the California Farm Bureau Federation (CFBF). Settling Parties further state that these parties received a copy of the Settlement Agreement. According to the Settlement Agreement, two of the three parties (CAISO and TURN), affirmatively indicated that they do not intend to file comments opposing it. CFBF indicated that it takes no position on the Settlement and will not file comments.⁵

On August 24, 2015, CAISO filed comments supporting the Settlement Agreement. On September 8, 2015, PG&E filed reply comments.

The Settlement Agreement is attached to this decision as Appendix A.

According to the Scoping Memo, the proceeding was to be submitted to the Commission upon the filing of reply briefs or August 11, 2015. However, in

⁴ All references to rules are to the Commission's Rules of Practice and Procedure, which are available on the Commission's website at <http://www.cpuc.ca.gov/PUC/documents/codelawspolicies.htm>

⁵ Settlement Agreement at 1.

this proceeding, in lieu of opening and reply briefs, a motion for adoption of the Settlement Agreement was initiated on July 23, 2015 and reply comments on the Settlement Agreement were received on September 8, 2015, upon which this proceeding was submitted to the Commission.

2. Standard of Review

The Commission has long favored the 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.

In addition, in a San Diego Gas & Electric rate case, the Commission amended the standard to adopt a policy on "all party" settlements.⁶ (Although the Settlement Agreement did not have unanimous sponsorship of all parties in this proceeding, this policy provides appropriate guidance.) As a "precondition" to approval of an all-party settlement, the Commission must be satisfied that:

1. The settlement agreement commands the sponsorship of all active parties to the proceeding;
2. The sponsoring parties are fairly reflective of the affected interests;
3. No term of the settlement contravenes statutory provisions or prior Commission decisions; and,
4. The settlement conveys to the Commission sufficient information to permit it to discharge its future obligations with respect to the parties and their interests.

⁶ D.92-12-019 (46 CPUC2d 538, 550-551).

3. Residential Rate Reform Decision (D.15-07-001)

Following the close of evidentiary hearings in this proceeding, on June 4, 2015, the Commission issued a final decision in Phase 1 of the RROIR (D.15-07-001) on July 13, 2015.⁷ The decision addressed several issues relevant in this proceeding, which the Settling Parties claim that they have taken into account in the proposed Settlement Agreement:

- 1) Directed PG&E to offer an optional TOU rate with a baseline credit (called “E-TOU-A”);
- 2) Allowed PG&E to offer its proposed E-TOU rate, without a baseline credit, (renamed “E-TOU-B”), with some modifications, including removal of the proposed customer charge, and instead, requiring PG&E to offer the E-TOU-B rate with a \$10 minimum bill;
- 3) Addressed grandfathering of PG&E’s existing opt-in TOU rates by eliminating E-7 when E-TOU becomes available in 2016 and transferring E-7 customers to E-TOU-A (with Baseline Credit),⁸ as well as closing E-6 to new customers in 2016, while allowing at least a five-year grandfathering of existing E-6 customers with the transition glide path to be addressed in this proceeding [A.14-11-014] (*see* Section 4.7 “Grandfathering for Existing Solar Customers”);
- 4) Adopted a glide path for PG&E’s non-TOU rate to flatten its current four-tiered steep rates down to two tiers with a 1:1:25 tier differential by 2019;

⁷ *See* D.15-07-001 “Decision on Residential Rate Reform for Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company and Transition to Time-Of-Use Rates,” issued July 13, 2015.

⁸ To be effective January 1, 2016 or as soon thereafter as E-TOU A and B are available for customer enrollment (whichever is later); some other exceptions apply.

- 5) Required all three IOUs, including PG&E, to file a proposal for default residential TOU rates in January 1, 2018 RDW filings ordered in D.15-07-001.⁹

Settling Parties state that they drafted the Settlement Agreement to be consistent with the recent final decision in Phase 1 of the RROIR (D.15-07-001).

4. The July 23, 2015 Settlement Agreement

According to the Settling Parties, the Settlement Agreement “addresses, to the satisfaction of all active parties, all of the issues relating to TOU rate design pending in PG&E’s 2015 RDW proceeding that were not already decided in the Commission’s July 3, 2015 RROIR decision (D.15-07-001).”¹⁰ Further, the “Settling Parties agree that the rate design issues that are resolved in this proceeding are unopposed by any party.”¹¹

Settling Parties state that upon Commission approval of the Settlement Agreement, PG&E will file a Tier 1 Advice Letter adjusting its tariffs to reflect the terms of the Settlement Agreement. Both Schedules E-TOU-A and E-TOU-B shall be implemented on the same date, as early as possible in 2016.

In the following sections, we briefly summarize current CPUC policy or tariff, PG&E’s proposal, other parties’ litigation positions and Settlement outcome in the following sections.¹² While we highlight some of the high level

⁹ Settlement Agreement at 5-6.

¹⁰ Settlement Agreement at 7.

¹¹ Settlement Agreement at 7.

¹² In accordance with the August 25, 2015 e-mail ruling of the assigned ALJ, Settling Parties provided Appendix A on September 4, 2015. Appendix A provides, in tabular form, a comparison exhibit showing PG&E’s current tariff or policy on issues contested in this proceeding, together with PG&E’s RDW proposals, other parties’ positions, and the settlement outcomes.

terms of the Settlement Agreement here, the Settlement Agreement itself provides other necessary detail.

4.1. E-TOU Summer Season Definition and E- TOU Peak Period Definition

Current CPUC Policy or Tariff

The current summer season definition applicable to the proposed Schedule E-TOU is six months, May through October. The current E-6 rate applies from 1-7 p.m. for the summer peak period (weekdays) and from 5-8 p.m. for the winter peak period (weekdays).

PG&E and Other Parties' Positions

PG&E provided evidence supporting a summer peak period of 4 p.m. – 9 p.m. for its new E-TOU rate, with no partial peak periods, a four-month summer (June-September), and no tiers, starting in 2016. ORA provided evidence supporting a summer peak period of 4 p.m. – 9 p.m. for PG&E's new E-TOU rate, with no partial peaks, a four-month summer, and a baseline credit starting in 2016.

SEIA provided evidence supporting continued use of Schedule E-6's existing summer peak period of 1 p.m. – 7 p.m. for PG&E's new Schedule E-TOU, with no partial peak periods and continued use of Schedule E-6's six-month summer season (May-October) for E-TOU.

Though CAISO did not serve prepared testimony or propose specific E-TOU rate values or illustrative rates, it filed comments supporting the Settlement's proposed E-TOU seasons and TOU hours. CAISO observes, "As a whole, the time-of-use periods in the proposed rate schedules appropriately

reflect the needs of the grid to meet net peak loads.”¹³ It also maintains the new TOU periods will “positively affect the net load curve by reducing demand when net loads are the highest” and “mitigate the risk of exacerbating overgeneration.”¹⁴

Settlement Outcome

According to the Settlement Agreement, the definition of the summer season that shall be applicable to both optional proposed Schedules E-TOU-A (with Baseline Credit) and E-TOU-B (without Baseline Credit) shall be four months, from June through September, as shown in Table 1-1 in Chapter 1 of PG&E’s Prepared Testimony (Exhibit PG&E-4, at 1-11). (Both E-TOU-A and E-TOU-B shall have a California Alternative Rates for Energy (CARE) counterpart, termed EL-TOU-A (with Baseline Credit) and EL-TOU-B (without Baseline Credit). Both E-TOU rates offer variations on peak hours so as to provide customer choice:¹⁵

SCHEDULE E-TOU-A (With Baseline Credit) PEAK PERIOD HOURS:

A new optional TOU rate, referred to herein as Schedule E-TOU-A (with Baseline Credit), shall be made available to PG&E’s residential customers starting in 2016, as required by D. 15-07-001, and the peak period hours for Schedule E-TOU-A shall be 3 pm to 8 pm on non-holiday weekdays, all year, with all other hours being off-peak and no partial peak hours. Customers taking service under Schedule E-TOU-A shall move to a 4 pm - 9 pm peak period by a date certain of January 1, 2020.

B. SCHEDULE E-TOU-B (Without Baseline Credit) PEAK PERIOD HOURS: An additional, alternative, new optional TOU rate, referred to herein as Schedule E-TOU-B (without Baseline Credit) shall also be made

¹³ CAISO comments on Settlement Agreement at 2.

¹⁴ CAISO comments on Settlement Agreement at 2.

¹⁵ Settlement Agreement at 7.

available to PG&E's residential customers, starting in 2016, at the same time the E-TOU-A becomes effective. The peak period hours applicable to the proposed Schedule E TOU-B (without Baseline Credit) shall be 4 pm to 9 pm on non-holiday weekdays, all year, with all other hours being off-peak and no partial peak hours, as supported by Chapters 2 and 3 of PG&E's testimony, and Chapters 1 and 2 of ORA's testimony. As allowed under the Commission's RROIR decision in D.15-07-001, Schedule E-TOU-B shall not have a baseline credit.

Schedule E-TOU B shall be subject to an initial enrollment of 225,000 customers. Schedule E-TOU-A (with Baseline Credit) shall not be subject to any cap.

PG&E shall make every reasonable effort to implement E-TOU-A and E-TOU-B as soon as possible in 2016, but no later than June 1, 2016. "Equal cents" rate differentials by season and TOU period for E-TOU-A and E-TOU-B shall apply when these rates are implemented, until such time PG&E 2017 GRC Phase 2 revisions take effect.

4.2. E-TOU Illustrative Rates

Current CPUC Policy or Tariff

As the settling parties reiterated, E-TOU does not yet exist, only E-6 and E-7. Of those, E-7 has been closed since 2007 and will be eliminated in early 2016. E-6 is open to new enrollment, but only until the 2015 RDW E-TOU is available in 2016, then E-6 will be closed to new customers. (E-TOU was originally proposed and adopted in the RROIR, but with existing TOU peak hours and seasons, and a different revenue requirement basis than the 2015 RDW Schedule E-TOU.)

PG&E and Other Parties' Positions

PG&E and ORA were the only parties that provided testimony pertaining to illustrative rates so we highlight and contrast them here.

**PG&E March 18, 2015 Errata E-TOU Proposal
[ORA May 1, 2015 TOU Proposal]**

Line No.	Residential Customers	Season (Months)	Peak Rate (Cents Per kWh)	Off-Peak Rate (Cents Per kWh)	Customer Charge (Dollar Per Month)
1	Non-CARE	Summer (June-September)	31.0 [ORA 27.5]	20.7 [ORA 17.2]	\$5.00 [ORA \$0]
2	Non-CARE	Winter (all other months)	17.5 [ORA 14.1]	15.6 [ORA 12.3]	\$5.00 [ORA \$0]
3	Non-CARE	Baseline Credit*	[ORA 11.4]	[ORA 11.4]	
4	CARE	Summer (June-September)	21.2 [ORA 20.5]	14.1 [ORA 13.5]	\$5.00 [ORA \$0]
5	CARE	Winter (all other months)	12.0 [ORA 11.4]	10.7 [ORA 10.2]	\$5.00 [ORA \$0]
6	Non-CARE	Baseline Credit*	[ORA 4.5]	[ORA 4.5]	

*Note: PG&E's Rebuttal Testimony (prior to final RROIR decision) -- showed E-TOU-A rates with Baseline Credit, and E-TOU-B rates without a Baseline Credit, where both E-TOU-A and E-TOU-B illustrative rates were presented both with and without a \$10 and \$5 non-CARE and CARE Fixed Monthly Customer Charge.

SEIA's May 1, 2015 testimony did not propose specific Schedule E-TOU rate values. TURN and CFBF did not file E-TOU testimony.

Settlement Outcome

Based on season definitions in the Settlement Agreement and TOU periods for residential opt-in rates known as Schedule E-TOU-A and Schedule E-TOU-B, these illustrative rates are based on October 1, 2014 revenue requirements, and shall be updated by PG&E with actual numbers to reflect then-current revenue requirements and sales assumptions, by Advice Letter at the time of implementation.

(In Attachment A, please note the non-contested Appendix B to the Settlement Agreement which shows the calculation of new Baseline Quantities consistent with the four-month season underlying Schedule E-TOU-A.)¹⁶

**ILLUSTRATIVE RATES FOR SCHEDULE E-TOU-A
OPTIONAL SCHEDULE E-TOU-A TOTAL RATES
3 P.M. - 8 P.M. PEAK HOURS, WITH A BASELINE CREDIT
AND A \$10 MINIMUM BILL¹⁷**

Line No.	Residential Customers	Season (Months)	Peak Rate (Cents Per kWh)	Off-Peak Rate (Cents Per kWh)	Minimum Bill (Dollar Per Month)
1	Non-CARE	Summer (June-September)	35.1	27.5	\$10.00
2	Non-CARE	Winter (all other months)	23.7	22.3	\$10.00
3	Non-CARE	Baseline Credit	8.2	8.2	
4	CARE	Summer (June-September)	21.8	17.1	\$5.00
5	CARE	Winter (all other months)	14.7	13.8	\$5.00
6	Non-CARE	Baseline Credit	4.4	4.4	

¹⁶ Settlement Agreement, Appendix B at B-1; See PG&E Rebuttal Testimony, Table 5-7.

¹⁷ See Settlement Agreement, Appendix A at A-1.

**ILLUSTRATIVE RATES FOR SCHEDULE E-TOU-B
OPTIONAL SCHEDULE E-TOU-B TOTAL RATES
4PM - 9 PM PEAK HOURS, WITHOUT A BASELINE CREDIT, WITH A \$10 MINIMUM BILL¹⁸**

Line No.	Residential Customers	Season (Months)	Peak Rate (Cents Per kWh)	Off-Peak Rate (Cents Per kWh)	Minimum Bill (Dollar Per Month)
1	Non-CARE	Summer (June-September)	32.7	22.4	\$10.00
2	Non-CARE	Winter (all other months)	19.3	17.5	\$10.00
4	CARE	Summer (June-September)	20.4	13.9	\$5.00
5	CARE	Winter (all other months)	12.1	10.9	\$5.00

4.3. Use of Forecasted 2020 Generation Costs

PG&E and Other Parties' Positions

PG&E's opening testimony showed 2020 forecast costs, consistent with the statutory Renewables Portfolio Standards deadline, and used deterministic modeling with recent cost data.¹⁹ Later, PG&E also demonstrated use of 2016 forecast costs in its rebuttal testimony, which also shows the same peak 4 p.m. - 9 p.m. periods.²⁰

ORA used both 2016 and 2020 forecast costs using stochastic modeling with recent cost data. Results showed 4 p.m. - 9 p.m. peak to be reasonable.²¹

¹⁸ See Settlement Agreement, Appendix C at C-1.

¹⁹ See Exhibit PGE-1 at 2-2 -- 2-3 and 3-1.

²⁰ See Exhibit PGE-6 at 2-2 and 2-15 -- 2-18.

²¹ See Exhibit ORA-1 at 2-1, etc.

SEIA used 2017 and 2020 costs.²² The CAISO also did its own independent analysis of grid needs, that found a 4 pm – 9 pm peak to be reasonable, using a 2021 forecast period.²³

Settlement Outcome

The Settlement does not specifically endorse any particular forecast period. However, it states that the length of CAISO's longer forecast period (2020) should not be a cause for concern due to extensive modeling and data analyses which were rigorously tested through extensive data requests and each subject to cross-examination.²⁴

The voluminous record in this proceeding already provides the Commission with two detailed analyses, one from the ORA and one from PG&E – each of which analyzed a 2016 as well as 2020 forecast horizon, with each finding that the highest cost hours occur between 4 p.m. and 9 p.m., even as early as 2016.

4.4. Demonstration of Customer Preferences for Proposed Peak Periods

PG&E and Other Parties' Positions

According to PG&E, it performed customer research with results that showed that 45% of customers preferred a cluster of peak period definitions that cover longer periods similar to 4-9 p.m. In contrast, 32% preferred a three-hour peak period, and 22% expressed no preference. According to a study, a lower

²² See Exhibit SEIA-1, at 11, etc.

²³ PG&E Reply to Comments of the CAISO at 1, citing a report on CAISO's independent analysis which was included in the record in this proceeding as part of PG&E-7 (PG&E Workpapers).

²⁴ PG&E Reply to Comments of the CAISO at 2.

price was the differentiating factor that determined preference, which made a longer peak desirable to customers.²⁵ No other party conducted customer research to either support or refute PG&E's research results.

Settlement Outcome

PG&E's study supported that the peak periods of 4 p.m.-9 p.m. and 3-8 p.m. are likely to be preferred by customers.

4.5. Grandfathering for Existing Solar Customers

PG&E and Other Parties' Positions

PG&E opposed grandfathering either Schedules E-7 (plus EL-7 for CARE customers) or E-6 (and EL-6 for CARE customers). ORA supported five-year grandfathering for all existing residential opt-in TOU rates (Schedules E-7, EL-7, E-6 and EL-6). SEIA supported 20-year grandfathering for Schedule E-7 (and EL-7) as well as E-6 (and EL-6).²⁶ CAISO affirmed a gradual transitioning of existing Schedule E-6 and E-7 customers to new rate schedules. "This will avoid customer rate shock and confusion while gradually aligning incentives with grid needs."²⁷

Settlement Outcome

According to the RROIR decision, E-7 is closed to new customers in early 2016. As to E-6:

Existing customers transition to [a] new peak period, with an initial 5-year period (2016-2020) of no changes to seasons or TOU periods, then a 2-year transition

²⁵ Exhibit PGE-6 at 4-1 -- 4-2, and September 25, 2014 Hiner Study at 32 and conjoint analysis (A5).

²⁶ Settlement Agreement at 5.

²⁷ CAISO comments on Settlement Agreement at 2.

period, (2021-2022), finally (2023) moving to then-existing default rate.

Overview of E-6 Summer Weekday/Non-Holiday TOU Period Glide Path²⁸

2016-2020	2021*	2022*
1 st Partial Peak-Frozen at current 10 am – 1 pm	Noon – 3 pm	2 pm – 4 pm
Peak-Frozen at current: 1 pm – 7 pm	3 pm – 8 pm	4 pm – 9 pm
2 nd Partial Peak-Frozen at current: 7 pm – 9 pm	8 pm – 10 pm	9 pm – 10 pm
Weekend Partial Peak – Frozen at current: 5 pm – 8 pm (<i>weekends</i>)	*5 – 8 pm <i>Weekend</i> partial peak remains frozen for 2021 and 2022	

This schedule moves Schedule E-6 TOU periods progressively closer to alignment with the higher cost evening hours. Settling Parties agreed that winter season partial peak TOU period for existing Schedule E-6 customers shall remain 5 p.m. – 8 p.m. on weekday/non-holidays, and there shall continue to be no weekend partial peak period.

PG&E will offer TOU pilots during 2016 – 2018, and a default residential TOU may be available as early as 2019.

4.6. Pub. Util. Code Section 451 Compliance

No party identified any safety issues so they were not addressed by the Settlement Agreement.

5. Discussion

Settling Parties contend that the Settlement Agreement meets the criteria for a settlement pursuant to Rule 12.1(d), requesting that the Settlement

²⁸ See Settlement Agreement at 13-14 for additional detail and explanation.

Agreement be adopted as a whole by the Commission because it is reasonable in light of the whole record, consistent with law, and in the public interest.

We address each required criterion with respect to the Settlement below.

5.1. Is the Settlement Agreement Reasonable in Light of the Record?

The record of this proceeding includes PG&E's application and the protests and responses thereto; the testimony filed by PG&E and intervenors; and the Joint Motion and the Settlement Agreement itself. Settling Parties assert that, taken together, these documents provide the information necessary for the Commission to find the Settlement Agreement reasonable in light of the record. In the Joint Motion, Settling Parties describe how the Settlement Agreement represents a reasonable compromise of the Settling Parties' positions.

PG&E points out that the general framework for this type of residential opt-in TOU settlement is based on a similar settlement in Southern California Edison's (SCE) 2013 RDW proceeding (A.13-12-015). In D.14-02-048 "Decision Adopting Settlement," issued December 22, 2014, the Commission approved two new residential TOU rate options with updated TOU periods, and addressed grandfathering transition glide paths for existing optional residential rates. All active parties in that proceeding supported the settlement and it was approved without modification. In this case, the parties in this particular settlement used the SCE framework as much as possible and only modified it to reflect the record evidence in this proceeding, as well as the more recent RROIR. Accordingly, there is strong Commission precedent that supports adoption of this similarly structured Settlement.

The 2015 RDW proposed Settlement Agreement is supported by three active parties (PG&E, ORA, SEIA) who submitted testimony and conducted

cross-examination during evidentiary hearings on these issues and not opposed by other parties (namely, CAISO, TURN, and CFBF). CAISO later filed explanatory comments supporting the Motion for Adoption of the Settlement. Further, the proposed Settlement Agreement generally balances the interests at stake, including those of residential TOU customers, residential customers at large, and residential customers who have installed or may in the future install solar facilities on their residences. No party opposed the proposed Settlement Agreement.

We find that based on the evidentiary record of this proceeding, including prepared testimony, and cross-examination of witnesses at hearings, this uncontested Settlement Agreement reasonably resolves the identified issues.

5.2. Is the Settlement Agreement Consistent With the Law?

The Settling Parties believe that the terms of the Settlement Agreement comply with all applicable statutes and prior Commission decisions, and reasonable interpretations thereof, including “Public Utilities Code Section 451, which requires that utility rates must be just and reasonable, and the Commission’s recent decision in the RROIR proceeding (D.15-07-001), and its decision adopting a similarly structured settlement presented by all active parties to SCE’s 2013 RDW which the Commission adopted in D.14-12-048.”²⁹

PG&E notes that Assembly Bill 327 (Section 745(c)(3)) (AB327) directed the Commission to strive to adopt time periods appropriate for *at least the following five years*.³⁰ The Settlement Agreement provisions did not strictly adhere to TOU

²⁹ Settlement Agreement at 17.

³⁰ PG&E Reply Comments to California System Operator at 2, footnote 2.

periods remaining available to customers for a minimum of five years after enrollment, subject to change through subsequent RDW and GRCs, because under Schedule E-TOU A (with Baseline Credit), customers taking service shall move to a 4 p.m.-9 p.m. peak period by a date certain of January 1, 2020. However, we consider that parties negotiated a reasonable compromise of their respective litigation positions. Therefore, we do not take issue with this minor variance here.

As described by the Settling Parties, the process for conducting settlement discussions was in accordance with Article 12 of the Commission's Rules of Practice and Procedure. The settlement conveys to the Commission sufficient information to permit it to discharge its future obligations with respect to the parties and their interests largely because there is no evidence to the contrary.

5.3. Is the Settlement Agreement in the Public Interest?

In the Joint Motion, Settling Parties assert that the three-party Settlement Agreement is supported by parties that fairly represent the affected interests at stake in this proceeding and that the signatories to the Settlement Agreement represent the interests of residential and solar customers, affected by the Settlement Agreement. Settling Parties also argue that the fact that the Settlement Agreement is unopposed also supports its adoption as written. Settling Parties again state that the proposed Settlement Agreement is a reasonable compromise of the Settling Parties' respective positions and that it fairly resolves issues and provides more certainty to residential regarding their present and future costs, which is in the public interest.

From a broad policy perspective, the Settlement Agreement supports the Commission's RROIR Decision (D.15-07-001), including the RROIR's call for this

proceeding to adopt a gradual transition plan or “glide path” for grandfathered E-6 customers who have made or are making payments on solar facilities they installed on their residences while on Schedule E-6 as currently configured. In consideration of the substantial investments that customers have made in solar, this Settlement Agreement provides a seven-year glide path that gradually transitions E-6 customers to a more cost-based rate with updated period hours and seasons. The Settlement Agreement also implements two new, more cost-based, opt-in TOU offerings consistent with the RROIR decision. These TOU offerings facilitate customer choice in that one provides a 4 p.m. to 9 p.m. summer peak, and the other provides a 3 p.m. to 8 p.m. initial summer peak, moving to a 4 p.m. to a 9 p.m. peak by January 1, 2020. According to the Settling Parties, “[t]his compromise reflects and resolves the parties’ differences about how much the high-cost peak hours on the CAISO system are shifting to later in the day, and how soon those shifts were forecasted by each party to occur.”³¹

Based on our review of the Comparison Exhibit provided in Appendix A to the Settlement Agreement, we find that the Settlement Agreement is a reasonable compromise of Settling Parties’ respective litigation positions. We further find that the Settlement Agreement is in the public interest because it avoids the cost of further litigation, and conserves scarce resources of parties and the Commission.

We concur that an expedited Commission decision will increase the likelihood that E-TOU-A and E-TOU-B could be ready to be offered to customers earlier than the second quarter of 2016, as discussed at the PHC and considered

³¹ Settlement Agreement at 18.

in the Scoping Memo in this proceeding. We acknowledge that an expedited decision also allows PG&E to take necessary steps to reprogram its billing systems, and begin work on customer outreach materials for E-TOU-A and E-TOU-B. This strategy supports changing the TOU period definition for residential customers in this decision and considering non-residential rate schedules TOU period updates in PG&E's 2017 GRC Phase 2.³² Adopting the proposed Settlement Agreement now as the Commission did with the 2013 SCE RDW, would enable PG&E to offer rates to its customers in time for them to reduce load during the summers of 2016 and 2017.

As PG&E notes, no party to this proceeding, including the CAISO, proposed any type of "super-off peak feature." So we do not adopt such a feature at this time for residential customers.³³

6. Conclusion

On the basis of our findings that the proposed Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest, we grant the July 23, 2015 Joint Motion to adopt the Settlement Agreement.

7. Comments on Proposed Decision

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code

³³ PG&E Reply Comments to California System Operator at 3. "CAISO's independent analysis suggest a potential future benefit to the grid of a super off-peak period in the 11 am - 4 pm afternoon period, especially in the Spring when CAISO's 2021 forecast shows solar and wind generation, combined with relatively gross loads, result in very low (and in some hours even negative) generation costs."

and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

8. Assignment of Proceeding

Michel Florio is the assigned Commissioner and Colette E. Kersten is the assigned ALJ in this proceeding.

Findings of Fact

1. The July 23, 2015 Settlement Agreement is an uncontested settlement.
2. The July 23, 2015 Settlement Agreement was entered into by parties representing all impacted customer groups.
3. The July 23, 2015 Settlement Agreement was reached after demonstrable give and take between the settling parties.

Conclusions of Law

1. The July 23, 2015 Settlement Agreement is reasonable in light of the record, consistent with law, and in the public interest.
2. The July 23, 2015 Settlement Agreement should be approved.
3. This order should be effective immediately so that PG&E may prepare the necessary advice letter, parties may review and comment on the Advice Letter, and rates may be timely adjusted in compliance with the Settlement Agreement as early as possible after January 1, 2016.
4. Both Schedules E-TOU-A and E-TOU-B shall be implemented on the same date, as early as possible in 2016.

O R D E R

IT IS ORDERED that:

1. The motion dated July 23, 2015 requesting approval of the Settlement Agreement between Pacific Gas and Electric Company, the Office of Ratepayer Advocates, and the Solar Energy Industries Association, is granted. The Settlement Agreement in Appendix A of this decision, is adopted.

2. Within 45 days of the date this order is mailed, Pacific Gas and Electric shall file a Tier 1 Advice Letter (AL) in compliance with General Order 96-B and to implement the Settlement Agreement in Appendix A. The AL shall include revised tariff sheets to implement the revenue allocations and rate designs adopted in this order. The tariff sheets shall become effective no earlier than January 1, 2016, subject to Energy Division determining that they are in compliance with this order. No additional customer notice for this advice letter filing needs be provided pursuant to General Rule 4.2 of General Order 96-B.

3. Application 14-11-014 is closed.

This order is effective today.

Dated _____, at San Francisco, California.