

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company to Revise its Electric Marginal Costs, Revenue Allocation and Rate Design. (U39M)

Application 16-06-013

DECISION ADOPTING TWO SETTLEMENTS RELATED TO PACIFIC GAS AND ELECTRIC COMPANY'S ELECTRIC MARGINAL COSTS, REVENUE ALLOCATION, AND RATE DESIGN**Summary**

This decision adopts the following two separate uncontested settlements as proposed by the settling parties:

1. E-CREDIT Rate Design Settlement Agreement, filed October 9, 2017 by Pacific Gas and Electric Company (PG&E), the Direct Access Customer Coalition, the Energy Users Forum, and The Utility Reform Network.
2. Direct Access and Community Choice Aggregation Fees Supplemental Settlement Agreement, filed October 9, 2017 by PG&E, the Direct Access Customer Coalition, the Energy Users Forum, Marin Clean Energy, and Sonoma Clean Power.

This decision directs PG&E to file one or more Tier 1 Advice Letter(s) within 30 days of the effective of this decision to implement the specific terms of the Settlement Agreements approved in this decision. The revised rates will become effective no earlier than January 1, 2018 and will allow PG&E to collect the revenue requirement determined in Phase 1 of its General Rate Case.

This proceeding remains open.

1. Background

On June 30, 2016, Pacific Gas and Electric Company (PG&E) filed Application (A.) 16-06-013 to establish marginal costs, allocate revenues, and design rates for service provided to its customers. This cost allocation and rate design proceeding is commonly referred to as Phase 2 of a utility's General Rate Case (GRC). In its Application PG&E proposed to update its Schedule E-CREDIT for Direct Access (DA) customers and fees for incremental costs related to providing service to DA and Community Choice Aggregation (CCA) customers.

A prehearing conference was held on September 12, 2016. The scoping memo issued on October 19, 2016 set forth the scope of issues and the proceeding schedule.

PG&E served testimony on DA/CCA fee rate design issues on June 30, 2016 and updated its testimony on December 2, 2016. The Energy Users Forum (EUF) and the Direct Access Customer Coalition (DACC) served testimony on the same issues on March 15, 2017.

On March 17, 2017, pursuant to Rule 12.1(b) of the Commission's Rules of Practice and Procedure (Rules), PG&E served a notice of a settlement conference related to revenue allocation and other issues. As set forth in the notice, an initial settlement conference was held on March 24, 2017. After the settlement conference, on behalf of the parties, PG&E filed and served a motion to suspend schedule for rebuttal testimony in order to allow more time for settlement discussions. Administrative Law Judge Cooke issued an e-mail ruling on March 31, 2017, granting PG&E's request and directing PG&E to file settlement status reports on specific dates.

Discussions related to the potential settlement of issues in this proceeding have occurred and continue to occur among the interested parties after the March 24, 2017 settlement conference. This decision addresses only the following two settlements and supporting motions filed with the Commission:

1. E-CREDIT Rate Design Settlement Agreement, filed October 9, 2017 by PG&E, the Direct Access Customer Coalition (DACC), the Energy Users Forum (EUF), and The Utility Reform Network (TURN).
2. Direct Access and Community Choice Aggregation Fees Supplemental Settlement Agreement, filed October 9, 2017 by PG&E, DACC, EUF, Marin Clean Energy, and Sonoma Clean Power.

The settlement agreements listed above may be accessed at the Docket Card for this proceeding on the CPUC's website, www.cpuc.ca.gov. No responses were filed on the motions to adopt these two settlements.

2. Revenue Allocation and Rate Design Overview

The Commission adopts most non-energy-related revenue requirements for each regulated energy utility in GRCs. Certain generation and purchased power expenses are authorized for rate recovery in Energy Resource Recovery Account proceedings. The process of assigning these, and other, revenue requirements to various customer classes for recovery is called revenue allocation and is typically performed in the GRC Phase 2 proceeding. Marginal cost studies are an underlying element of the revenue allocation process. Rate design is the process of setting specific rates to recover the allocated revenue from that customer class.

3. Standard of Review

The Commission has long favored the settlement of disputes among parties. However, pursuant to Rule 12.1(d), 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.

Further, where a settlement agreement is contested, it will be subject to more scrutiny than an all-party settlement agreement.

As discussed below, we find that the record supports a finding that the settlement agreements before us are reasonable, consistent with law, and in the public interest. The record shows that the settlement agreements were reached after review of testimony and negotiations between the parties, which occurred over a period of time.

4. Settlement Agreements

4.1. E-CREDIT Rate Design Settlement Agreement

On October 9, 2017, PG&E filed a motion on behalf of the settling parties requesting Commission approval of the E-CREDIT Rate Design Settlement Agreement (E-CREDIT Settlement Agreement). In the motion, PG&E describes Schedule E-CREDIT as a tariff that identifies what billing credit a direct access customer will receive if certain services (e.g., metering, billing, and/or customer inquiry services) are not provided by PG&E and asserts that the E-CREDIT Settlement Agreement resolves the E-CREDIT rate design issue in this proceeding. The E-CREDIT rate design settling parties are DACC, EUF, PG&E, and TURN. The motion notes that the County of Santa Clara, the Office of Ratepayer Advocates, and the Federal Executive Agencies participated in the E-CREDIT settlement discussions and do not oppose this settlement.¹

¹ Motion of PG&E for Adoption of an E-CREDIT Rate Design Settlement Agreement at 1.

In this proceeding, E-CREDIT rate design issues were addressed in testimony served by PG&E on June 30, 2016 and updated on December 2, 2016. The Direct Access Customer Coalition addressed the same issue in testimony on March 15, 2017.

The settling parties request that the E-CREDIT Settlement Agreement be consolidated with the DA/CCA Fees Supplemental Settlement Agreement (described in Section 4.2 below) for an early decision; and that all testimony served prior to the date of this E-CREDIT Settlement Agreement that address the E-CREDIT rate design issue be admitted into evidence without cross-examination by the settling parties. The settling parties believe that the rate design issues resolved in this settlement are unopposed by any party.

In the motion, PG&E asserts that the E-CREDIT Settlement Agreement is reasonable in light of the record as a whole, consistent with law, and in the public interest, and therefore, should be adopted.

4.1.1. Is the E-CREDIT Settlement Agreement Reasonable in Light of the Record?

Settling parties assert that the credits recommended in the E-CREDIT Settlement Agreement are reasonable “because they are appropriately based on the costs that are avoided when customers elect to provide these services themselves.”²

Settling parties assert that they reached this settlement after reviewing each other’s testimony and carefully analyzed each issue resolved in the settlement. PG&E notes that even though PG&E offered the opportunity to all

² E-CREDIT Settlement Agreement at 8.

parties, no party requested a settlement conference for negotiations on this issue.³ That is, the settlement agreement is consistent with the positions of the parties who indicated interest in this matter. The E-CREDIT Settlement Agreement notes that “none of the active parties expressed concerns or held differing views on PG&E’s initial E-CREDIT rate design proposals,” and adds that the purpose of the settlement agreement is to “memorialize their agreement to PG&E’s proposals, to increase administrative efficiency for the CPUC and all parties.”⁴

PG&E asserts that the E-CREDIT Settlement Agreement balances interests of the parties and the settling parties represent those who are either interested or affected by this rate design issue.⁵

4.1.2. Is the E-CREDIT Settlement Agreement Consistent with the Law?

The settling parties assert that the terms of the E-CREDIT Settlement Agreement comply with applicable statutes and prior Commission decisions.

4.1.3. Is the E-CREDIT Settlement Agreement in the Public Interest?

Settling parties assert that the E-CREDIT Settlement Agreement is in the public interest, because the settlement “saves the Commission and parties from the time, expense, and uncertainty associated with litigating these issues.”⁶

³ E-CREDIT Settlement Agreement at 7.

⁴ E-CREDIT Settlement Agreement at 1.

⁵ Motion of PG&E for Adoption of an E-CREDIT Rate Design Settlement Agreement at 8.

⁶ Motion of PG&E for Adoption of an E-CREDIT Rate Design Settlement Agreement at 9.

4.1.4. Discussion and Conclusion

PG&E addresses the E-CREDIT rate design issue in Exhibit PG&E-9. A direct access customer may choose to receive certain services such as billing from an energy service provider (ESP) instead of from PG&E. A direct access customer may also choose to own its own meter or use a meter provided by an ESP. When direct access customers choose ESP services, they receive credits as listed in Schedule E-CREDIT for the avoided cost of those services.

D.15-08-005 adopted a settlement agreement in which the most recent values for Schedule E-CREDIT were approved.⁷ In this application, PG&E proposes to revise the credits listed in Schedule E-CREDIT based on the longer-run costs that PG&E avoids when a direct access customer chooses to have an ESP provide the same service.⁸

DACC was the only party providing testimony on the E-CREDIT rate design issue and considered PG&E's proposed values to be reasonable.⁹

PG&E's proposed results for meter ownership credit, meter services credit, meter reading credit, and billing credit provided in testimony are unopposed by other parties and match the numbers provided in the Settlement Agreement.

Based on the prepared testimonies, we find that the E-CREDIT Settlement Agreement resolves identified issues and updates the applicable fees. Therefore, the E-CREDIT Settlement Agreement is reasonable in light of the whole record.

⁷ D.15-08-005 at Ordering Paragraph 5.

⁸ PG&E-9 at B-2.

⁹ Testimony of Mark Fulmer on Behalf of the Direct Access Customer Coalition.

We also find that the E-CREDIT Settlement Agreement is consistent with law. The process for conducting this settlement was in accordance with Article 12 of the Rules of Practice and Procedure.

Finally, we find that the E-CREDIT Settlement Agreement represents settling parties' respective litigation positions. The settlement is also in the public interest because it avoids the cost of further litigation, and conserves scarce resources of parties and the Commission.

4.2. Direct Access and Community Choice Aggregation Fees Supplemental Settlement Agreement

On October 9, 2017, PG&E filed a motion requesting Commission approval of the Direct Access and Community Choice Aggregation Fees Supplemental Settlement Agreement (DA/CCA Fees Supplemental Settlement Agreement) resolving rate design issues related to DA/CCA fee rate design. The DA/CCA Fees settling parties identified in the motion are the Direct Access Customer Coalition, the Energy Users' Forum, Marin Clean Energy, PG&E, and Sonoma Clean Power. The DA/CCA Supplemental Settlement Agreement notes that the Federal Executive Agencies and the Office of Ratepayer Advocates did not join the settlement, but they do not oppose the DA/CCA Supplemental Settlement Agreement.¹⁰

In this proceeding, DA/CCA fee rate design issues were addressed in testimony served by PG&E on June 30, 2016, and updated on December 2, 2016. The Energy Users' Forum and the Direct Access Customer Coalition addressed the same issues in testimony on March 15, 2017.

¹⁰ DA/CCA Fees Supplemental Settlement Agreement at 2.

The settling parties request that the DA/CCA Fees Supplemental Settlement be consolidated with the E-CREDIT Settlement Agreement for an early decision; and that all testimony served prior to the date of this DA/CCA Fees Supplemental Settlement Agreement that address the DA/CCA fee issues be admitted into evidence without cross-examination by the settling parties. The settling parties believe that DA/CCA fee rate design issues resolved in the DA/CCA Fees Supplemental Settlement Agreement are unopposed by any party.¹¹

The DA/CCA fees and tariff changes agreed by the settling parties are summarized as follows:¹²

- The meter data management agent (MDMA) fee provided in Schedule E-ESP (services for energy service providers) and Schedule E-CCA (services for community choice aggregators) should be revised to equal \$0.14 per meter per month.
- Bill-Ready and Rate-Ready billing service fees should be revised to equal \$0.21 per meter per month.¹³
- Rule 22, Direct Access, and Rule 23, Community Choice Aggregation Service, should be updated to reflect the Rate-Ready rate options, as provided in Attachment 1 to the Settlement Agreement.
- Direct Access Meter Fees provided in Schedule E-EUS, End User Service should be revised, as provided in Attachment 2 to the Settlement Agreement.

¹¹ DA/CCA Fees Supplemental Agreement at 5.

¹² Motion of PG&E for Adoption of DA/CCA Aggregation Fees Supplemental Settlement Agreement at 2-3.

¹³ Bill-Ready and Rate-Ready billing services are provided to DA and CCA providers for their unbundled customers and these billing services and associated fees are listed in PG&E's Schedules E-CCA and E-ESP.

- All fees listed above will remain unchanged until PG&E's next GRC Phase 2 proceeding.

PG&E notes in its motion that DA/CCA settling parties recognize that any required structural and system changes, which is any change beyond a change in value, may take several months to complete.¹⁴

4.2.1. Is the DA/CCA Fees Supplemental Settlement Agreement Reasonable in Light of the Record?

PG&E asserts that DA/CCA Fees Supplemental Settlement Agreement is reasonable, because the settling parties are comprised of all active parties who provided testimony on the DA/CCA Fee rate design issues in this proceeding and fairly represent the interests of the parties affected by the DA/CCA Fees Supplemental Settlement Agreement.

PG&E explains that the settling parties served testimony on the DA/CCA rate design issue, conducted discovery, reviewed and discussed concerns regarding the proposals presented in testimony, and after revisions and updates, reached the DA/CCA Fees Supplemental Settlement Agreement.¹⁵ Therefore, the DA/CCA Fees Supplemental Settlement Agreement represents reasonable compromise reached after negotiations.

¹⁴ Motion of PG&E for Adoption of DA/CCA Aggregation Fees Supplemental Settlement Agreement at 4.

¹⁵ Motion of PG&E for Adoption of DA/CCA Aggregation Fees Supplemental Settlement Agreement at 6.

4.2.2. Is the DA/CCA Fees Supplemental Settlement Agreement Consistent with the Law?

PG&E asserts that the CCA/DA Fees Supplemental Settlement Agreement is consistent with the law as it complies with all applicable statutes and prior Commission decisions.

4.2.3. Is the Settlement Agreement in the Public Interest?

PG&E asserts that the CCA/DA Fees Supplemental Settlement Agreement is in the public interest because it is a reasonable compromise of the settling parties' respective positions. PG&E explains that settling parties participated in five settlement conferences in a two-month period and asserts that the settlement fairly resolves issues and provides certainty to present and future costs of DA and CCA providers. PG&E adds that the CCA/DA Fees Supplemental Settlement Agreement, if adopted by the Commission, would avoid allocating further resources to this matter.

4.2.4. Discussion and Conclusion

D.13-04-020 approved a July 31, 2012 multi-party settlement addressing DA and CCA Service Fees issues and directed PG&E to update certain fees in PG&E's 2017 GRC Phase 2 proceeding,¹⁶ which is the proceeding before us. The settlement adopted by D.13-04-020 approved eight Meter Service fees, the Meter Data Management Fee, and two Billing Service Fees. PG&E describes these fees

¹⁶ D.13-04-020 at OP 4.

as follows and states that the proposed fee values are based on actual recorded costs to provide these DA and CCA services:¹⁷

- Meter Data Management Agent Fee is assessed per meter per month for providing meter data to ESPs and CCAs.
- Billing Service Fee is assessed per service agreement per billing cycle for direct access ESPs and CCAs.
- Meter service fees cover one-time meter-related services and are provided in Schedule E-EUS, End User Service, and apply to DA service, only.

In its Application, PG&E proposed to reduce significantly its MDMA and Billing Service Fees. According to PG&E's proposal, the MDMA would decrease from \$7.67 to \$0.14 per meter per month. The Billing Service Fees would decrease from either \$0.44 (bill-ready) or \$1.14 (rate-ready) to \$0.21 per bill per month. PG&E attributes these decreases to automation and process efficiencies.

DACC considers PG&E's proposed rates to be reasonable and no other party has opposed to PG&E's proposal. Accordingly, the MDMA and billing service fee values proposed by PG&E are agreed upon by the settling parties in the DA/CCA Fees Supplemental Settlement Agreement.

The DA/CCA Fees Supplemental Settlement Agreement also addresses electric meters and meter service fees. PG&E updated these fees in its testimony based on recorded costs and proposed to increase the service fees by approximately 500% on average.¹⁸ PG&E explained that DA service fees have not been updated since 1999, except for the annual escalation rates, and

¹⁷ PG&E's proposal for updating DA and CCA Service Fees (as provided in Electric Schedules E-EUS, E-ESP and E-CCA) was presented in Exhibit PG&E-9, Appendix C.

¹⁸ PG&E-9 at C-4.

therefore, there has been a significant gap between current fees and actual costs to provide these services.

In response, DACC questioned the significant increase in proposed rates and expressed preference for an accurate activity-based cost study over recorded costs to ensure that any inefficiencies that might arise in actual costs are eliminated.¹⁹ DACC also added that D.13-04-020 did double the fees in 2014 and given this doubling that occurred only three years ago, the additional quintupling (on average) of the fees was not reasonable. Similarly, EUF questioned PG&E's proposed rates. Referring to the metering services hourly labor rates, which would go up to \$789.06 from its previous rate of \$136.51, the EUF questioned the accuracy of the calculations.²⁰

The fees agreed upon by the settling parties show compromises from the litigation positions of the parties interested in the DA/CCA rate design issue. Based on the prepared testimonies, we find that the DA/CCA Fees Supplemental Settlement Agreement fairly resolves identified issues, updates the applicable fees, and is reasonable. Therefore, the DA/CCA Fees Supplemental Settlement Agreement should be approved.

We also find the DA/CCA Fees Supplemental Settlement Agreement is consistent with law. The process for conducting this settlement was in accordance with Article 12 of the Rules of Practice and Procedure.

Finally, we find that the settlement agreement is also in the public interest because it avoids the cost of further litigation, and conserves scarce resources of parties and the Commission.

¹⁹ Testimony of Mark Fulmer on Behalf of the Direct Access Customer Coalition at 15.

²⁰ Direct Testimony of Carolyn M. Kehrein on behalf of the Energy Users Forum at 11 and 12.

5. Waiver of Comment Period

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 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.

6. Assignment of Proceeding

Carla J. Peterman is the assigned Commissioner and Michelle Cooke and Nilgun Atamturk are the assigned Administrative Law Judges in this proceeding.

Findings of Fact

1. The October 9, 2017 E-CREDIT Settlement Agreement is an uncontested settlement.
2. The October 9, 2017 DA/CCA Fees Supplemental Settlement Agreement is an uncontested settlement.

Conclusions of Law

1. The October 9, 2017 E-CREDIT Settlement Agreement is reasonable in light of the record, consistent with law, and in the public interest.
2. The October 9, 2017 E-CREDIT Settlement Agreement should be approved.
3. The October 9, 2017 DA/CCA Fees Supplemental Settlement Agreement is reasonable in light of the record, consistent with law, and in the public interest.
4. The October 9, 2017 DA/CCA Fees Supplemental Settlement Agreement should be approved.

O R D E R

IT IS ORDERED that:

1. The October 9, 2017 Motion of Pacific Gas and Electric Company (PG&E) for Adoption of an E-CREDIT Rate Design Settlement Agreement in Phase II of PG&E's 2017 General Rate Case is granted.

2. The October 9, 2017 Motion of Pacific Gas and Electric Company for Adoption of Direct Access and Community Choice Aggregation Fees Supplemental Settlement Agreement is granted.

3. Pacific Gas and Electric Company shall file one or more Tier 1 Advice Letters within 30 days of the effective date of this decision to implement the specific terms of the settlement agreements approved in this decision.

4. Application 16-06-013 remains open.

This order is effective today.

Dated _____, at San Francisco, California.