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12-19-11
04:59 PM

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of its 2010 Rate Design Window Proposal for 2-Part Peak Time Rebate and Recovery of Incremental Expenditures Required for Implementation. **(U 39 E)**	Application 10-02-028 (Filed February 26, 2010) (not consolidated)

REPLY OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 M) TO JOINT RESPONSE OF THE DIVISION OF RATEPAYER ADVOCATES AND THE UTILITY REFORM NETWORK TO PACIFIC GAS AND ELECTRIC'S MOTION TO CONSOLIDATE THE 2010 RDW APPLICATION 10-02-028 WITH THE DEFAULT RESIDENTIAL RATE PROGRAMS APPLICATION 10-08-005

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December 19, 2011

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Pursuant to permission granted by Administrative Law Judge Roscow under Commission Rule of Practice and Procedure 11.1 (f) in Application (A.) 10-02-028, Pacific Gas and Electric Company (PG&E) submits its reply to the Joint Response (Response) of the Division of Ratepayer Advocates (DRA) and The Utility Reform Network (TURN) to PG&E's Motion to Consolidate the 2010 Rate Design Window (RDW) Application (A.)10-02-028 with the Default Residential Rate Programs (DRRP) A.10-08-005 (Motion). PG&E's Motion and the DRA/TURN Joint Response were filed in both of these dockets, and this PG&E Reply will also be filed in both the 2010 RDW application and DRRP application.

In their Joint Response, DRA and TURN oppose PG&E's proposal to consolidate the 2010 RDW application and the DRRP application. Instead, DRA and TURN present a new proposal to consolidate the 2010 RDW application with the 2012 RDW application which PG&E will file in February 2012. PG&E opposes DRA and TURN's proposal to consolidate the 2010 and 2012 RDW proceedings, as discussed below.

I. CONSOLIDATION OF THE 2010 RDW AND THE DRRP PROCEEDINGS WILL PROVIDE A PROPER OPPORTUNITY TO REVIEW A LONGER TERM RESIDENTIAL RATE VISION

The question raised in PG&E's revised 2010 RDW testimony is whether Peak Time Rebate is an appropriate step toward the Commission's longer term vision of residential electric rates. PG&E believes that the DRRP application is where that question should be addressed. In the 2010 RDW case, PG&E has presented a default 2-part Peak Time Rebate (2-part PTR) proposal for its residential customers in compliance with Decision (D.) 09-03-026, Ordering Paragraph (OP) 9. In the DRRP application, PG&E presented a default residential critical peak pricing proposal combined with time-of-use rates (Peak Day Pricing or PDP) in compliance with D.08-07-045, OP 8. Thus in these two different dockets, PG&E has presented two different time-varying default rate proposals for residential customers.[1/] With 2-part PTR, customers would have the opportunity to achieve bill savings relative to the otherwise applicable rate, but would not risk an increase. With Peak Day Pricing, customers could see increases or decreases in their bills, depending on the customer's usage patterns and changes in that pattern.

The primary recommendation in PG&E's October 28, 2011 updated testimony in the 2010 RDW case recognizes that the critical issue of the longer term residential rate objectives and vision is inherent in only the DRRP case, where many issues key to that vision have already been raised. Today, the vast majority of PG&E's residential customers have no experience with time-varying pricing, especially on a default basis. Both the DRRP and the 2010 RDW proceedings address the extensive customer education, modifications to PG&E's IT systems, and changes to PG&E's business processes required to implement default time-varying pricing for the residential class. Each case also presents the estimated costs and associated revenue requirement recovery needed to implement the default 2-part PTR or DRRP. Moreover, PG&E understands that when the Commission issued D.08-07-045 and ordered PG&E to file the DRRP case, it did so to allow consideration of dynamic pricing in the context of a future vision for

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1/ In this pleading, PG&E uses the concept of time-varying rates to include PTR, although PUC § 745 defines "time-variant pricing" more narrowly.

residential rate design. Therefore, PG&E has recommended that the Commission's consideration of 2-part PTR be consolidated with the DRRP application in both the October 28, 2010 update testimony and in the Motion. At pages 1 and 2 of the Motion, PG&E states:

> In order to determine the future vision for residential electric rates and the best path to achieve the Commission's vision, PG&E requests that time-variant pricing, dynamic pricing, and inclining block pricing for residential customers should be considered together as part of an integrated review and determination of what future residential rates should be, and what amounts should be spent to implement these programs.

PG&E reaffirms that before embarking on any specific rate initiatives for residential customers, the Commission should first establish its preferred residential rate design and consider the best path forward to customer acceptance of that rate design.

II. CONSIDERATION OF PTR IN THE 2012 RDW AS THE JOINT PARTIES PROPOSE WILL NOT OFFER AN APPROPRIATE FORUM TO CONSIDER A LONG TERM VISION OF ELECTRIC RATES

A. Addition of Reporting for Residential SmartRate™ and TOU in the 2012 RDW Does Not Replace Consideration of a Longer Term Residential Rate Vision in the DRRP Proceeding.

In their response to the Motion, DRA and TURN claim that it is premature to address default residential PDP, and claim it would be more efficient to address the rate design issues in the 2010 RDW and the upcoming 2012 RDW concurrently. (Response, page 2.) The Response points to events that have occurred since D.08-07-045 originally ordered PG&E to file its DRRP application. These changes include the passage of SB 695, which modified the conditions set by AB 1X under which default residential time-varying pricing could be implemented, and the extension of SmartRate™ in D.11-11-008. (Response, pages 4 to 5.) Apparently for these reasons, DRA and TURN urge that the Commission "can better decide what it should do with the DRRP Application after it completes PG&E's 2012 RDW review and has a better understanding of what is happening with the SmartRate™ and current TOU options.

In this portion of the Response, DRA and TURN are referring to the report on SmartRate™ and residential TOU which D.11-11-008 orders PG&E to present in its 2012 RDW in February 2012. The scope of that report, however, will not include 2-part PTR. More importantly, it would address SmartRate and residential TOU in the context of voluntary rate options for residential customers, as opposed to default or mandatory programs. Hence, even assuming for argument's sake that the report may contribute to consideration of opt-in residential PDP, the report will not address basic questions about the role of 2-part PTR in the context of the Commission's vision for residential pricing.

It is not premature to address this residential rate vision. DRA and TURN's arguments regarding the SmartRate™ and current TOU report in the 2012 RDW actually ignore the basic question PG&E has presented. It is essential to understand the future vision for rates to understand how individual programs, like PTR or TOU, fit into that view. The DRRP case solidly raises this longer term issue, whereas a case like the 2012 RDW case tends to be more focused on rate design issues for near term changes.

B. The PTR Proceeding Addresses Substantively Different Issues than are Typically Addressed in RDWs.

On pages 5 and 6 of the Response, DRA and TURN argue that consolidating the 2010 RDW and the upcoming 2012 RDW would be "logical, administratively efficient, and the best use of Commission resources." DRA and TURN posit that since both these proceedings are RDW cases, the type of issues, as well as the personnel involved, are likely to be the same.

Assuming that the 2012 RDW will have normal residential and non-residential rate design issues, there will not be any overlap with the 2010 RDW case issues. The 2010 RDW case is limited to 2-part PTR rate and program design, and the approximately $34 million cost recovery needed to implement PG&E's 2-part PTR proposal. It does not contain any other rate design proposals. And nothing like the PTR implementation or funding issues will be in the 2012 RDW case. The addition of cost recovery issues to the 2012 RDW would completely

change the nature of the case, scope of issues, and breadth and type of witnesses necessary. Litigation of the reasonableness of costs and revenue requirement recovery is unique to the 2010 RDW case and has no counterpart in a normal RDW case, such as the 2012 RDW is expected to be. Therefore, consolidation of the two RDW cases as DRA and TURN propose is neither logical nor efficient based on substantive issues.

DRA and TURN also claim that consolidating the 2010 RDW with the 2012 RDW case would assist with the constrained resources of parties and the Commission because it would provide a longer time frame for evaluating important policy and technical issues related to the design of a default time-varying pricing tariff for residential customers. (Response, page 6.) PG&E acknowledges that resources for the 2010 RDW, 2012 RDW and DRRP cases are constrained, especially for DRA. PG&E is willing to work with DRA, TURN, other parties and the ALJ on scheduling to ease the resource constraint for DRA. However, PG&E is not willing to address this problem by consolidating two RDW cases where the issues are different, as PG&E expects the 2012 RDW will be from the 2010 RDW.

In contrast, the 2010 RDW and the DRRP cases both concentrate on residential time-varying pricing, default assignment, timing, and implementation costs of the two proposals. In order to define a long-term transition and implementation strategy (and costs), these two sets of similar questions for two different default residential time-varying rate proposals should be consolidated in one joint proceeding, as PG&E requests in the Motion. Consolidation of the 2010 RDW and DRRP dockets also would enable the Commission to review the cost recovery requests of $34 million for 2-part PTR and $141 million for the DRRP proposal together to consider whether implementing and incurring costs for both default programs would best serve its long term policy. In addition, PG&E's consolidation request also would provide DRA and TURN with a longer time frame for developing their positions and testimony.

C. Consolidation of PTR with the 2012 RDW Will Not Allow For Full PTR Implementation in 2014.

DRA and TURN assert that consolidation of the 2010 and 2012 RDW cases would only slightly impact the PTR implementation timetable. Their assertion is based on a suggestion that full implementation of PTR could occur in summer 2014 for all residential customers, rather than in two stages over two summers. (Response, pages 7 to 8.) DRA and TURN are mistaken.

The 2012 RDW case will not be filed until February 2012 under the current schedule, while under the Joint Parties proposal to consolidate the 2010 RDW and the 2012 RDW, it would not be filed until April 2012. Given the time needed for a scoping memo, preparation of DRA and other parties' testimony, and rebuttal testimony, consolidation with the 2012 RDW under either filing date essentially precludes reaching a final decision before the end of 2012. That timing will be too late for implementation to begin in 2013, which assumed a decision date no later than September 2011.[2/] Furthermore, PG&E opposes going directly to full implementation of PTR for all customers at one time in 2014. For the reasons discussed in its October 28, 2011 updated testimony, PG&E proposes a staged implementation of PTR to ensure that PG&E's systems are fully capable of supporting the use of hourly data for billing. Therefore, under the DRA/TURN consolidation proposal, PTR implementation would still occur in two stages, pushed back to the summer of 2014 (for Stage 1 for approximately 420,000 customers in the Central Valley from Auburn to Madera) and summer of 2015 (for Stage 2 for

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2/ PG&E offers the following procedural information in case the ALJ or Commission decides to proceed with the 2010 RDW case on a stand-alone basis. To help the parties and the ALJ understand the potential impact of extensions in the 2010 RDW case on PTR implementation, PG&E uses the procedural dates in the August 2011 scoping memo as its reference point to report the following impacts:

- A one month delay in the August 18, 2011 scoping memo procedural dates (DRA testimony on February 13, 2012, with a one month deferral on all subsequent dates so the final decision would be in August 2012) would not change the May 2013 stage-1 implementation date.
- A two month delay in the August 18, 2011 scoping memo procedural dates (DRA testimony on March 13, 2012, with a two month deferral on all subsequent dates so the final decision would be in September 2012) would push the PTR implementation to June 2013.
- A three month delay pushes implementation to 2014. (A decision after September 2012.)

the remaining approximately 4 million residential customers). Under PG&E's consolidation proposal, the PTR implementation dates also would be uncertain, since the main goal would be achieving clarity in the Commission's longer term vision for residential pricing, rather than achieving a specific PTR implementation date.

At this point, neither consolidation proposal would enable 2-part PTR to be implemented in 2013. However, PG&E's proposal to consolidate the 2010 RDW with the DRRP case would provide clarity on the Commission's long term goal for residential default time varying pricing, how best to implement that long term vision, and cost efficiencies potentially available with a clearer vision.

Wherefore, PG&E respectfully requests that the Commission grant its Motion and reject the proposal in DRA and TURN's Response.

Respectfully submitted,

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