BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) To Establish Marginal Costs, Allocate Revenues, Design Rates, and Implement Additional Dynamic Pricing Rates.	Application 11-06-007 (Filed June 6, 2011)

PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES

Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates ("DRA") hereby protests the Application of Southern California Edison Company ("SCE") for authority to establish marginal costs, allocate revenues, and design rates, effective October 1, 2012 or later.

I. ISSUES TO BE ADDRESSED

DRA anticipates the need to address the following issues raised by SCE's Application:

A. Marginal Costs

SCE has presented proposals to update and modify the methodologies for calculating marginal customer, distribution and generation costs. DRA will review these proposals, perform its own marginal cost analysis, and make marginal cost recommendations. DRA will particularly focus on SCE's proposed marginal customer costs and marginal generation capacity costs. SCE proposes the use of the rental method to calculate marginal customer costs, while DRA and other parties support the New Customer Only ("NCO") method to calculate marginal customer costs. DRA will give special scrutiny to SCE's proposed marginal generation capacity costs. In SCE's proposal, those marginal costs have continued to rise since SCE's last GRC Phase II. Marginal generation capacity costs are important for the revenue allocation and also for designing Critical Peak Pricing ("CPP") rates.

B. Revenue Allocation

In this Application, SCE proposes to apply its recalculated distribution and generation marginal costs to a revenue allocation based on the full Equal Percent of Marginal Cost ("EPMC") methodology. SCE's proposed revenue allocation does not contain any capping of increases or decreases. DRA will review SCE's showing and then present its own recommendations on revenue allocation. DRA's testimony will update marginal cost inputs and address the issue of whether the revenue allocation should be capped.

DRA will also analyze and make recommendations on the allocation of program costs such as California Solar Initiative ("CSI") costs, Self Generation Incentive Program ("SGIP") costs, Demand Response Program costs, Base Interruptible Program ("BIP") costs, and Advanced Metering Infrastructure ("AMI") costs.

C. Rate Design Issues

DRA will examine SCE's various rate design proposals and then make its own recommendations for residential and small commercial rates. DRA will pay special attention to SCE's proposed changes to residential rates. These include:

1. Increasing residential monthly basic service charges from $0.88 to $6 per month;
2. Reducing baseline allowances to 50% of the average usage for non-all electric customers;
3. Decreasing the number of residential rate tiers from five to four tiers, and narrowing the differential between tier 3 and tier 4 rates to 4 cents per kWh; and
4. Establishing separate baseline allowances for single-family and multi-family customers based on average consumption for each category of residential customer within each climate zone.

DRA will analyze SCE's proposals on baseline allowances and residential rate structures and will make its own recommendations on these issues.

DRA strenuously objects to the inclusion of SCE's proposal to increase its residential customer charge to $6 per month. The Commission recently issued a decision on PG&E's proposal to introduce a residential customer charge. The Commission ruled that PG&E's proposal would violate limits on allowable rate increases contained in Public Utilities ("P.U.") Code Sections 739.9(a), 739.9(b), and 739.1(b)(2). DRA believes it is a poor use of scarce resources to re-examine essentially the same issue in such short order.

The Commission has recently thoroughly examined the legal issues regarding customer charges for residential customers and the residential rate increases that are allowed by P.U. Code Sections 739.9(a), 739.9(b), and 739.1(b)(2) in D.11-05-047.[1]

The Commission stated or concluded:

> The key legal question here, however, is whether the imposition of a fixed customer charge is included within the Sec. 739.1(b) (2) and 739.9(a) annual rate limitations applicable to electric usage up to 130 percent of baseline. Based on our analysis of the statutory provisions as discussed below, we do interpret Sec. 739.1 (b) (2) and 739.9(a) as including fixed customer charges within the limitations on allowable percentage increases in "rates for usage." Thus, we are prohibited by law from approving PG&E's customer charge to the extent the total bill impacts exceed these statutory limitations on baseline rate increases.
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> In terms of its substantive merits, we likewise conclude that PG&E's proposed customer charge would produce unacceptable rate impacts on those customers least able to afford it. The customer charge also would conflict with price signals that encourage conservation and utilization of alternative resources such as solar. Accordingly, we decline to adopt the customer charge proposal on both legal and policy grounds.[2]

[1] There is a lengthy discussion of these issues on pp. 23 to 35 of D.11-05-047, May 26, 2011.

[2] D.11-05-047, p. 24.

> Having concluded that customer charges must be included in calculating the limits prescribed in Sec. 739.9(a), we further find that the sum of the proposed customer charge, when added to Tier 1 and 2 rate increases already authorized for 2011 would exceed authorized statutory limits. Accordingly, the fixed customer charge cannot be approved.[3]

SCE's proposed rates would clearly exceed the authorized statutory limits described above. SCE's proposed rates include 3 percent increases to residential Tier 1 and Tier 2 rates as well as an increase in the residential customer charge from $0.88 to $6.00 per month.[4] Thus, their proposal exceeds the limits to P.U. Code Section 739.9(a), and SCE's residential customer charge proposal raises the same legal issues that were just examined for PG&E. SCE is aware of this and has added a caveat to its proposal, but this is inadequate. SCE should withdraw its residential customer charge proposal from its testimony or the Commission should strike this proposal. This proposal conflicts with the Commission's recent decision on the same issue for PG&E in D.11-05-047. Proceeding with this issue would waste scarce time and resources for the Commission and other intervenors. Leaving the proposal in would also create unnecessary confusion in SCE's instant application as the proposal impacts both the revenue allocation, and the level of residential rates that would result from other residential rate design proposals.

SCE acknowledges the PG&E decision, but nonetheless has left this proposal in its application:

> The Commission concluded in D.11-05-047 that it could not implement a customer charge for Pacific Gas and Electric Company (PG&E) in addition to the maximum annual increases permitted to volumetric rates for Tiers 1 and 2 under Senate Bill 695. The facts relating to SCE are different because SCE does have an existing customer charge. However, SCE does not propose to relitigate the legal issue in this proceeding. Until that decision is final, i.e., until the period for applications for rehearing

[3] D.11-05-047, p. 32.

[4] These proposed rates are shown in Appendix B, p. B-1. The customer charge or basic charge is shown as a daily rate for single family residences of $0.197 per day, which is approximately $6 per month.

> and, if applicable, the period for petitions for writ of review have lapsed, SCE will maintain its current customer charge proposal.[5]

Testimony for DRA and other intervenors in this case will likely be due long before what SCE refers to as a "final" decision is issued if indeed D.11-05-047 is the subject of applications for rehearing and petitions for a writ of review. To preserve their rights, DRA and other parties would thus need to write testimony on this issue that ultimately may be of little value. This issue took by far the most time in PG&E's GRC Phase II application. Furthermore, DRA and other parties will be working on both the SCE and SDG&E GRC Phase II applications almost simultaneously. Therefore, it is critical that DRA not have to assign limited staff resources to re-litigating issues that the Commission has already decided as recently as last month.

By making this proposal, SCE also contradicts one of the reasons for delaying its GRC Phase II filing. The joint SCE/DRA letter to Executive Director Paul Clanon, states: "Consolidating the two proceedings will promote efficiency of workload for the Commission and all parties because the personnel working on SCE's GRC Phase 2 application also generally work on the dynamic pricing applications. **Moreover, the delay in filing SCE's Phase 2 application will allow SCE and other parties to consider the outcome of a number of related residential rate design issues that have been litigated in Phase 2 of PG&E's 2011 GRC, A.10-03-014, and are expected to be resolved by the Commission** before June 2012."[6]

The Commission has recently ruled on the legal issues regarding residential customer charges and residential rate protections from SB 695. If SCE does not

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[5] SCE Application ("A") 11-06-007, pp. 7 to 8.

[6] See the Letter of DRA and SCE to Paul Clanon, "Request for (1) Extension of Deadline for Filing SCE's Application in Phase 2 of SCE's 2012 GRC, and (2) Extension of Deadline Imposed by Decision 09-08-028 to Implement Certain Dynamic Pricing Rates", p. 2. (emphasis added)

withdraw this residential customer charge proposal, DRA may request that the Commission strike it.

D. Dynamic Pricing Rates

SCE makes several proposals relating to dynamic pricing. These include:

1. Mandatory Time of Use ("TOU") rates for small commercial customers with demands of less than 200 kilowatts ("KW");
2. Voluntary rather than default Critical Peak Pricing ("CPP") tariffs for small commercial customers; and
3. A "CPP-lite" option for small commercial customers that includes smaller surcharges and credits.

DRA will examine SCE's proposals and will carefully monitor Commission guidance on similar issues for small commercial customers of PG&E and SDG&E. There are two Petitions to Modify being considered for PG&E with different proposals regarding the timeline for implementing time variant pricing rate structures for small commercial customers. DRA also entered into a settlement with SDG&E on similar issues for SDG&E's small commercial customers. DRA will take all this information into account when formulating its preferred policy on time variant pricing for small commercial customers and when to implement any new time variant pricing rate designs for SCE's customers.

E. Procedural Matters

DRA agrees with SCE that the proceeding should be categorized as Ratesetting. DRA believes that hearings may be necessary and presents below its proposed schedule, which includes slight modifications to SCE's proposed schedule. DRA requests more time to present its testimony. DRA does so primarily because DRA is involved in many rate design proceedings or proceedings with significant implications for ratepayers. DRA will be working on two GRC Phase II cases at the same time, and DRA continues to work on PG&E's GRC Phase III case. The additional time is necessary for DRA to perform effective analysis in this proceeding.

DRA's Proposed Schedule

Scheduling Prehearing Conference	TBD
DRA Testimony	December 20, 2011
Intervener Testimony	January 31, 2012
Settlement Discussions	February—March 2012
All Parties—Reply Testimony	April 2012
Phase II Hearings	May 2012
Opening Briefs	June 2012
Reply Briefs	July 2012
ALJ Proposed Decision (PD)	TBD
Initial Comments on PD	TBD
Reply Comments on PD	TBD
CPUC – Final Decision Expected by	TBD
Phase 2 Rates Implemented	TBD

Respectfully submitted,

/s/ LAURA TUDISCO

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