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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) To Establish Marginal Costs, Allocate Revenues, Design Rates, and Implement Additional Dynamic Pricing Rates	Application No. 11-06-007

PROTEST OF THE SOLAR ALLIANCE

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Pursuant to Rule 2.6(c) of the Rules of Practice and Procedure of the California Public Utilities Commission, the Solar Alliance hereby protests the application filed on June 7, 2011 by Southern California Edison Company (SCE) as Phase 2 of its current General Rate Case (GRC). GRC Phase 2 applications establish the marginal costs, cost allocation, and rate design for the investor-owned electric utilities (IOUs) in California. This SCE Phase 2 application will establish retail rates for SCE based on the revenue requirement for the utility which the Commission will approve in SCE's current GRC Phase 1 application, A. 10-11-015.

I. IDENTITY OF THE SOLAR ALLIANCE

The Solar Alliance is a state-focused alliance of solar photovoltaic (PV) manufacturers, integrators, installers and financiers dedicated to accelerating the deployment of solar electric power in the United States.[1] Our members have a strong interest in the adoption and implementation of far-reaching policies and programs that will accelerate the movement toward a low-carbon economy and stimulate the development and use of zero-carbon, renewable energy technologies such as solar energy.

[1] The comments contained in this filing represent the position of the Solar Alliance as an organization, but not necessarily the views of any particular member with respect to any issue.

II. THE INTEREST OF THE SOLAR ALLIANCE IN THIS PROCEEDING

Electric utility rate designs can have a substantial impact on the economic incentives for customers to install solar systems. The Solar Alliance has participated actively in recent GRC Phase 2 cases for the major California investor-owned electric utilities in order to ensure that rate design does not present barriers to the growth of the solar industry. The Solar Alliance seeks to ensure that the decisions made in this rate case support, rather than undermine, the public policies adopted by the Governor, the Legislature, and the CPUC to promote solar energy in California. As set forth below, the Solar Alliance is concerned that certain of the changes that SCE proposes in its residential rate design may have an adverse impact on the growth of the residential solar market in southern California, a market which already lags behind the northern sector of the state with respect to the installation of solar. The Solar Alliance also intends to participate in this proceeding in order to continue the progress made in SCE's past GRCs to modify elements of rate design that present barriers to the more widespread adoption of solar technologies by all of SCE's rate classes.

III. SERVICE

For the purpose of receipt of all correspondence, pleadings, orders and notices in this proceeding, the following Solar Alliance representative should be placed on the service list as a "party":

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IV. PROTEST

A. SCE's Proposed Changes to Its Residential Rate Design May Reduce the Incentives for Customers to Use Energy Efficiently and to Install Renewable Distributed Generation, Including Solar Energy.

SCE's application proposes significant changes to the utility's current five-tier, inverted block rate design for both CARE and non-CARE residential customers. With respect to its standard Schedule D (and D-CARE) residential tariff, SCE seeks to modify its rate design in the following major respects:

(1) Phase in an increase to SCE's existing non-CARE customer charge of 88 cents per month to $6.00 per month for single-family homes and from 70 cents per month to $4.68 per month for multi-family homes, each discounted by 20 percent for CARE customers;

(2) Reduce the baseline allowance from 55 percent to 50 percent of average consumption within each baseline climate zone;

(3) Establish separate baseline allowances for single-family and multi-family customers based on average consumption for each category of residential customer within each climate zone; and

(4) Reduce the number of non-CARE rate tiers from 5 to 4, with a Tier 3 to Tier 4 rate differential of $0.04/kWh.

SCE's supports these proposals as being necessary to "restore some balance to the residential rate structure and provide needed relief to [upper tier] customers whom have been paying far more than their fair share of cost increases since rate restrictions were imposed in 2001."[2] As further stated by SCE, each of its "proposals mitigates the inequities to some extent, but collectively the proposals would *provide meaningful upper-tier rate relief.*"[3]

The Commission, however, must balance several factors in reaching its ultimate rate design determination for SCE. While the Commission cannot focus solely on the concerns of high usage customers, it cannot ignore them. Similarly, while it cannot focus solely on the state's energy policy goals supporting clean energy, it cannot ignore them. In this regard, the Solar Alliance submits that the Commission must review SCE's proposal in light of the priorities set forth in the state's "loading order" for electric resources. The state's first priority is to encourage energy efficiency; the second priority is to stimulate the development of renewable generation, including on-site distributed generation such as solar that typically is located behind the retail meter. The Solar Alliance submits that SCE's existing five-tier residential rate design, with it current baseline allowance,[4] advances both of these top priorities better than its proposed four tier structure, by sending more finely graduated price signals to high-usage customers to reduce their usage and to consider installing onsite renewable generation that will reduce or eliminate the customer's marginal, most expensive energy use.

The Solar Alliance acknowledges that SCE's proposed non-CARE four-tier rate structure, with a \$0.04/kwh differential between Tiers 3 and 4, mirrors what the Commission

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2 *See,* Application 11-06-007, SCE Exhibit 04, Testimony of R. Garwacki (SCE-04), at p.28.

3 *Id.*, p. 30 (emphasis added).

4 SCE's proposal to reduce baseline allowances for basic customers from 55 percent of average usage to 50 percent of average usage is for the purported purpose of mitigating "rate inequities present in the residential rate group" (SCE-04), at p.21.

recently approved with respect to Pacific Gas and Electric Company's non-CARE rate structure. However, it is critical that the Commission examine SCE's proposal independently from the analysis undertaken with respect to PG&E. Of note is the fact that residential solar installations in SCE's service territory are two full CSI steps behind those in PG&E's territory (Step 6 for SCE versus Step 8 for PG&E). Because the size of the steps increases substantially as one moves down the steps of the CSI incentive structure, this difference between PG&E and SCE is significant: after four and a half years of the ten-year CSI program, PG&E is 54% of the way to its residential goal, while SCE's residential installations amount to just 24% of its goal, even though the solar resource in southern California is generally superior to northern California.[5] SCE's lower rates for its upper residential tiers clearly have slowed the market for residential solar in its service territory. Thus, even under a five-tier rate design, SCE is struggling to achieve the Commission's solar goals. As the Commission acknowledged in Decision 11-05-047, rate design will become increasingly important to the success of the CSI as the incentives decline to low levels in the final tiers of the CSI incentive structure. SCE is already lagging behind in meeting the state's CSI goals. Further diminishing the price signal embedded in upper tier residential rates will only exacerbate this situation.

Moreover, it should be noted that the purported equity concerns vis-à-vis high usage customers that were at play with respect to PG&E's rates do not exist with respect to SCE. When PG&E was operating under a five-tier rate structure, its Tier 5 rate peaked at approximately 50 cents. SCE's current Tier 5 rate is 30 cents. Indeed, the highest tier rate adopted by the Commission in Decision 11-05-047 for Tier 4 PG&E customers is 32.5 cents. In

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[5] *See* http://www.californiasolarstatistics.ca.gov/reports/agency_goals/. SCE has 65 MW of installed residential solar systems (24% of its CSI program goal of 266 MW). PG&E has 135 MW of installed residential solar, 54% of its 252 MW CSI program goal as of June 28, 2011.

other words, SCE's current Tier 5 customers are paying less than PG&E's current Tier 4 customers. Equity does not necessarily dictate a further lowering of these prices.

B. Time-of-Use and Dynamic Pricing Issues Warrant Further Investigation

SCE has proposed certain changes to the structure of its residential time-of-use tariff, Schedule TOU-D-T, including a change to the hours in the on-peak period. SCE's testimony also appears to state that the TOU-D-T rate will not be seasonally differentiated,[6] although the utility's proposed TOU-D-T rates do differ substantially by season, and the Solar Alliance believes that SCE's summer season costs – particularly for generation, transmission, and distribution substation capacity – are substantially higher than its winter costs. As a result, it is critical to differentiate SCE's rates by season. The Solar Alliance is not necessarily opposed to the changes that SCE has proposed in the TOU-D-T rate design, but plans to investigate SCE's residential TOU rate design in detail in this case.

During this rate case cycle, an increasing share of SCE's customers will be subject to the utility's dynamic pricing programs. SCE's application has proposed certain significant changes to the transition schedules for dynamic pricing. Customers that install on-site solar, that use net metering, and that take service under certain rate schedules are not allowed to participate in some of SCE's dynamic pricing programs, such as Critical Peak Pricing. The Solar Alliance intends to investigate the reasons for such exclusions, and may propose that such exclusions end, or that dynamic pricing programs be modified for such net metered customers. On the margin, solar customers under net metering continue to see the same price signals as regular customers, and also have the same ability as regular customers to shift their on-site loads out of peak periods, with corresponding benefits to the system. As a result, it may be questionable to exclude net

[6] SCE-04, at pp. 76-77.

metered customers from dynamic pricing programs.

C. Further Progress May Be Needed to Reduce Rate Design Barriers to the Expanded Use of Renewable Distributed Generation, Such as Solar Energy.

The settlement in Phase 2 of the last SCE GRC (A. 08-03-002) took important steps to provide rates with lower demand charges for large commercial and industrial customers who install distributed generation, thus reducing certain barriers to use of solar energy. The Solar Alliance supports SCE's decision to continue those rates in this case, and plans to examine SCE's commercial and industrial rate proposals to determine whether additional refinements of those designs would help to reflect as accurately as possible the costs that solar customers impose on SCE's system. Such refinements would further assure that SCE's commercial and industrial customers are not unnecessarily deterred from installing solar facilities due to inaccurate rate designs.

D. Marginal Energy Costs across Time Periods should be Analyzed.

In past Phase 2 cases, the Solar Alliance has reviewed and submitted testimony on certain aspects of the calculation of marginal costs, particularly marginal energy and generation capacity costs. The Solar Alliance expects to critique SCE's marginal cost showing in this case. The Solar Alliance is particularly interested in SCE's analysis of how marginal energy costs may change across time periods as a result of adding more renewable generation and regulating GHG emissions.[7]

V. COMPLIANCE WITH RULE 2.6

In compliance with Rule 2.6 of the Commission's Rules of Practice and Procedure, the Solar Alliance states the following:

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[7] *See,* Application 11-06-007, SCE Exhibit 02, Testimony of P. Nelson, at pp. 22-26.

1. The Solar Alliance does not object to the proposed categorization of this proceeding as "ratesetting" as set forth in Resolution ALJ 176-3275.

2. Given the proposed major changes to SCE's residential rate design, the Solar Alliance expects that hearings will be necessary in order to develop a complete record in this proceeding. In this regard, the Solar Alliance will present its own proposal on rate design issues, including but not necessarily limited to the matters discussed above. That said, however, the Solar Alliance also is open to discussions with SCE and other parties on a mutually-acceptable resolution to the important issues raised in this application, in an effort to avoid the time and expense of testimony and/or hearings.

3. The Solar Alliance has reviewed the proposed schedule advanced by SCE in its application and has no modifications to propose at this time. However, the Solar Alliance may propose certain changes to the schedule at the prehearing conference in this case.

VI. CONCLUSION

For the reasons above stated, the Solar Alliance submits that the Commission should not adopt the residential rate design that SCE has proposed in A. 11-06-007. The Commission should fashion rate policies and a rate design for SCE that more reasonably balance rate relief for high-usage customers with the critical need to continue to support the state's key energy policy goals of encouraging the efficient use of energy and developing California's abundant renewable resources. Moreover, various aspects of SCE's TOU, dynamic pricing, and commercial & industrial rate proposals warrant investigation to ensure that these elements of SCE's rate structure are offering the appropriate price signals.

Respectfully submitted this 8th day of July, 2011, at San Francisco, California.

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By *_/s/ Jeanne B. Armstrong_*
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