
PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

December 28, 2011

TO PARTIES OF RECORD IN APPLICATION 10-03-014.

At the Commission Meeting of December 15, 2011, Commissioners Timothy Alan Simon would file concurrence in Decision 11-12-053. The decision was mailed on December 22, 2011.

The concurrence of Commissioner Timothy Alan Simon is now available and is attached herewith.

/s/ KAREN V. CLOPTON
Karen V. Clopton, Chief
Administrative Law Judge

KVC:lil

Attachment

Concurrence of Commissioner Timothy Alan Simon on Item 50, [D.11-12-053] Decision Adopting Pacific Gas and Electric Company Electric Marginal Costs, Revenue Allocation and Rate Design, Including Real Time Pricing, to Revise its Customer Energy Statements, and to Seek Recovery of Incremental Expenditures (U39M)

This Decision appropriately reallocates the Pacific Gas and Electric Company (PG&E) authorized revenue requirement among its customer classes. The adopted rate design reflects, in part, PG&E's marginal cost of service and revenue allocations and supports key regulatory objectives: (1) aligning electric rates to cost-causation; (2) simplifying rates and tariffs, such that customers can more easily understand them; and (3) moving electric rates as close as possible to the actual cost of service, taking into account public purpose program considerations. By definition, a "just and reasonable" rate design does not encourage cross-subsidies. It aims to avoid inequities among customers and disincentives for energy efficiency, demand response, direct access, and community choice aggregation, that are integral to California's energy policy.¹ In these respects, I concur with this Decision.

My reservation lies with the rate impact of the Medium and Large Light Power (MLLP) Settlement, which is referenced in this Decision. It is concerning that this Decision asks Solar Alliance and other interested parties to reintroduce an Option R ratemaking proposal for Commission consideration. If modified, Solar Alliance's proposed Option R rate for E-19 and E-20 customers would shift recovery of generation capacity costs from time-of-use (TOU) demand charges to TOU energy charges. This structure would cause the recovery of half of distribution demand costs through energy charges, not demand charges.² Clearly, an Option R rate would contravene rate design best practices.

As I stated in my comments from the dais during the discussion and vote on this item at the December 15 California Public Utilities Commission Business

¹ For more discussion, see California Energy Action Plan II, September 21, 2005. http://www.energy.ca.gov/energy_action_plan/2005-09-21_EAP2_FINAL.PDF

² The Decision points out that the Solar Alliance is seeking to increase peak rates provided to solar customers for exports from a 13 cents per kWh rate in E-19 to a 23 cents per kWh rate under Option R, or over 40 cents per kWh under A.6. (Decision 11-12-053, page 22).

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meeting, I prefer that a cost-of-service study be conducted before consideration of an Option R rate—even if it is capped at 100 MW.

My support for this Decision should not be construed, by any means, as future support of an Option R or for cross-subsidized ratemaking.

Accordingly, I concur with this Decision, but remain steadfast in my view that utility rate design is best achieved when based on the longstanding regulatory principles and balanced policies of cost causation, simple rate structures, and delivery of important public purpose programs.

Dated December 21, 2011, at San Francisco, California.

/s/ TIMOTHY ALAN SIMON

Timothy Alan Simon
Commissioner