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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of its Residential Rate Design Window Proposals, including to Implement a Residential Default Time-Of-Use Rate along with a Menu of Residential Rate Options, followed by addition of a Fixed Charge Component to Residential Rates

(U 39 E)

Application No. 17-12-___

2018 RESIDENTIAL RATE DESIGN WINDOW
APPLICATION OF
PACIFIC GAS AND ELECTRIC COMPANY

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2018 RESIDENTIAL RATE DESIGN WINDOW
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I. INTRODUCTION

Pacific Gas and Electric Company (PG&E) respectfully submits this application pursuant to Articles 1 and 2 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission or CPUC), and in accordance with the Commission's Decision (D.) 15-07-001 and related decisions and resolutions in the Commission's ongoing Residential Rate Reform Order Instituting Rulemaking (RROIR) proceeding (Rulemaking (R.) 12-06-013). In D.15-07-001, the CPUC ordered each of the three investor-owned utilities (IOUs) to submit a Residential Rate Design Window (RDW) application no later than January 1, 2018.[1/] In accordance with D.15-07-001, this Application requests, among other things, that the Commission approve its proposal to adopt a new residential default time-of-use (TOU) rate[2/] to

1/ *See* D.15-07-001, *mimeo*, p. 301.
2/ D.15-07-001 defined a default rate to be "[t]he rate the customer is automatically put on if the customer does not affirmatively choose a different tariff. For residential customers, TOU is a voluntary (not a mandatory) rate." Customers will always have the ability to decide to opt out and choose another rate from PG&E's proposed menu of options. *See* D.15-07-001, *mimeo*, p. 9.

be implemented for specified eligible customers, as described herein, as well as a menu of optional rate plans to be offered to all customers at the same time default TOU is being rolled-out. Consistent with D.17-09-035, PG&E further proposes adoption of a fixed charge and a methodology for calculating such a charge, to be applied to various PG&E rates not less than one year after the start of the initial default TOU migration (IDTM) period. PG&E also proposes a pilot to test a new Distributed Energy Rate alternative rate, designed for customers with battery storage. PG&E's filing consists of this application and supporting testimony (preliminarily identified as Exhibit PG&E-1).

PG&E further respectfully requests, pursuant to Rule 7.4 of the Commission's Rules of Practice and Procedure, that the CPUC consolidate this Application with the other two 2018 Residential RDW applications, expected to be separately filed this month by Southern California Edison Company (SCE) and San Diego Gas and Electric Company (SDG&E), because these three proceedings involve related questions of law or fact.[3/]

Finally, PG&E requests that the CPUC adopt its proposed schedule for litigating the proposals presented in the consolidated RDW proceeding, which is designed to accord with the CPUC's stated goal of achieving "review and approval no later than December 1, 2018."[4/]

II. EXECUTIVE SUMMARY

PG&E is pleased to file this application, in compliance with D.15-07-001, as the next important step in the CPUC's residential rate reform process, launched in R.12-06-013. PG&E supports the Commission's D.15-07-001 directives, and respectfully requests the Commission to approve its 2018 Residential RDW proposals, including a plan to implement its proposed residential default TOU rate[5/] for eligible residential customers, alongside a carefully crafted

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3/ Indeed, in D.15-07-001, the CPUC "anticipated that these [three] applications would be consolidated, to facilitate participation by other parties." *See* D.15-07-001, *mimeo*, p. 301.

4/ *See* D.15-07-001, *mimeo*, p. 173.

5/ *See* D.15-07-001 defines the default rate to be "the rate the customer is automatically put on if the customer does not affirmatively choose a different tariff. For residential customers, this is a voluntary

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menu of differentiated rate options designed to meet a variety of different types of customers' needs. PG&E's proposed revisions to residential rate design are crafted to achieve the policy objectives set forth in the RROIR. Among the key objectives of PG&E's menu of RDW rate proposals are: to continue to make progress in moving electric rates closer to cost of service, to promote more equitable treatment among residential customers, and to send more economically efficient price signals, including increasing adoption of TOU rates. At the same time, PG&E balances multiple other objectives, including seeking to moderate adverse bill impacts and bill volatility as much as possible, increasing customer awareness, understanding, and acceptance of rate options, and simplifying electric rates to make them easier for customers to understand and respond to.

At the center of PG&E's 2018 RDW application is the required proposal to adopt a new residential default TOU rate to be implemented for specified eligible customers, along with a menu of optional rate plans to be offered to all customers at the same time default TOU is being rolled out. PG&E's proposed menu of rate offerings have been structured to comply with D.15-07-001, using lessons learned thus far from its Opt-In TOU Pilot, designed based on the collaborative efforts of the TOU Working Group. PG&E's rate menu is also informed by various other customer rate preference surveys and focus groups. The vast majority of PG&E's customers are currently on a tiered, non-TOU rate (Schedule E-1), based on the total amount of energy they use each month. Moving to a TOU rate that varies by the hours of usage every day represents a change so significant that the CPUC has called it a "new paradigm."[6] Because of the risk that some residential customers could have a negative reaction to being defaulted to a TOU rate, PG&E agrees with the CPUC that there must be protections that allow customers to try TOU risk free for the first year, and that customer communications make it clear that they can

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(not mandatory) rate." Customers will always have the ability to decide to opt out and choose another rate from PG&E's proposed menu of options. D.15-07-001, *mimeo,* p. 9.

[6] *See* D.15-07-001, p. 4.

always choose another rate from a well-designed menu of different residential rates designed to appeal to a variety of residential customers.[7]

PG&E's 2018 Residential RDW presents a core group of four rates as the "entrée's" on its menu of options. Along with its default TOU rate (E-TOU-C), PG&Es' second offering will be an alternative, optional TOU rate (E-TOU-B) with a 5pm – 8pm peak period on non-holiday weekdays only. In contrast to the default TOU rate's weekend and weekday five-hour peak period (from 4pm – 9pm), the E-TOU-B alternative provides a differentiated option for customers who prefer a shorter, three-hour peak period on weekdays only and are willing to have a higher on-peak to off-peak price differential. Third, PG&E will continue to have a tiered, monthly rate (E-1), the type of rate plan with which its customers are already familiar. And fourth, PG&E proposes adding a new non-tiered rate (E-FLAT), with a monthly volatility mitigation fee, to provide an option for customers seeking to reduce bill volatility. However, to ensure that the E-FLAT rate supports the state's clean energy goals, customers will only be eligible for E-FLAT if they also take 100 percent renewable service from either PG&E ("SolarChoice"), or an equivalent 100 percent renewable product from a CCA (often called "Deep Green" rates). These comprise PG&E's "core four" menu of rate choices.

Other elements of PG&E's proposed menu of options include: (1) simplifying the CARE low-income rate subsidy to a single line-item percentage discount, as the CPUC adopted for the FERA program in D.15-07-001; (2) increasing to $15 the Delivery Minimum Bill charged to customers with very low or no usage; (3) updating PG&E's optional SmartRate critical peak pricing rate rider to align its hours with the new three-hour E-TOU-B rate option, and to modify its compensation mechanism to ensure that bill savings reflect and reward customers for their load shifting efforts regardless of the varying number of events called from year to year, to make credits more understandable to customers; and (4) testing a new Distributed Energy Rate

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7/ *See* D.15-07-001, *mimeo*, p. 134.

alternative rate through a small pilot for residential customers with advanced technologies such as battery storage.

PG&E's default TOU implementation plan presents two different scheduling options for the start of its default TOU transition. PG&E offers, as Option 1, a limited roll-out of a portion of its menu of options starting November 1, 2019, in compliance with the target date of beginning the transition to a TOU rate "in 2019" set forth in D.15-07-001.[8] Since then, however, much has been learned about the complexity of rolling out default TOU to as many as 2.7 million eligible PG&E customers. Accordingly, Option 2, PG&E's preferred option, calls for an October 1, 2020 start date, in alignment with the roll-out timing expected for SCE.[9] The October 1, 2020 option will: (1) allow adequate time for PG&E to obtain commitments from and fully coordinate with each of the large number of Community Choice Aggregators (CCAs) in its territory, to maximize participation in default TOU[10]; (2) enable robust incorporation of lessons learned from a full year of the Default Pilot;[11] (3) ensure that PG&E can provide customers with the complete menu of rate options from the beginning of the IDTM; and (4) allow for a less rushed and more thoughtful roll-out of the CPUC's envisioned statewide marketing campaign. PG&E recommends the October 1, 2020 option as the best opportunity for

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8/ *See* D.15-07-001, *mimeo,* pp. 5, 172.

9/ *See* D.17-08-024, *mimeo*, p. 2, dismissing SCE's application to start its default TOU roll-out in mid-2018, and acknowledging that SCE's billing system upgrade project's testing and stabilization process "requires a major 'system freeze' that will prevent SCE from undertaking any significant new transactions, such as defaulting residential customers onto TOU rates, from Q2 2019 through Q3 2020."

10/ By 2019, CCA's in PG&E's service territory are projected to be serving over 2 million of the PG&E customers expected to be eligible for default TOU, and only about 600,000 eligible customers would not be served by a CCA by that time, making the fullest possible CCA participation in default TOU essential to the achievement of the CPUC's goals for statewide default TOU, to support greater load-shifting and reduction benefits for the grid.

11/ The end-of-Default Pilot load and bill impacts will not be reported until mid-July, and the final Default TOU Report providing customer survey results (after bill protection is removed) will not be received until October 2019, whereas customer notifications for a November 1, 2019 launch must start by the end of July 2019. Because the results from the 20,000 participant Opt-in Pilot inevitably reflects self-selection bias, its results could differ from those of the much larger 150,000 participant Default Pilot, which is more representative of the general population of PG&E residential customers.

a default TOU implementation with the widest possible customer acceptance. PG&E's implementation plan for automatically transitioning customers to a TOU rate includes all of the exclusions the CPUC approved for the Default TOU Pilot, including continuing to exclude its CARE/FERA-eligible customers in hot climate zones from default TOU, consistent with D.17-09-036.[12/] PG&E also proposes limited additional exclusions (i.e., customers who opted out of the default pilot, CCAs who do not commit to participate by the deadline and participants in the Solar on Multi-family Affordable Homes program).

Further, in accordance with D.17-09-035, PG&E proposed the eventual implementation of a fixed charge, to be implemented one year after the start of the IDTM period, and to replace the Delivery Minimum Bill Amount. In this proceeding, PG&E requests CPUC approval of its proposed Rental Method of calculation, which, under PG&E's currently-available 2017 test year GRC marginal cost data, would result in a modest fixed charge of $7.40 per month, which PG&E proposes be phased in with a $3.70 charge in the first year, increasing to $7.40 in the second year.[13/] A fixed charge make rates more cost-based, and has long been a component of CPUC' approved rates for all of PG&E's other customer classes; it is also a rate component for residential customers at many other utilities nationwide. Fixed customer charges help reduce bill volatility and will remove the current inequity of embedding such costs in the per kWh rate, under which some customers pay more than their fair share and others pay less than their fair share of fixed costs that do not vary depending on how much electricity a customer uses.

PG&E commends the CPUC for the successful collaborative process that the Energy Division has ably overseen since the issuance of D.15-07-001, and on the progress to date on the

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12/ *See* D.17-09-036, *mimeo*, p. 22.

13/ This $7.40 per month fixed charge calculation was based on PG&E's 2017 test year GRC Phase II marginal costs; PG&E proposes it be escalated starting in 2018,to account for inflation, based on the Consumer Price Index (CPI). Similarly, PG&E's 2020 GRC Phase II proceeding will make available marginal costs for a 2020 test year, such that fixed charge calculations based thereon would also need to be CPI-escalated in 2021 and 2022 (and so on through future rate case cycles). Thus, the actual fixed charge to be added to bills in or about 2021 will be somewhat different from whatever calculation may be made under the methodology adopted in the 2018 RDW. (See Chapter 2.)

ongoing TOU pilots, and looks forward to continued lessons learned from the full Default Pilot. PG&E welcomes continued engagement with the wide range of stakeholders expected to participate in the Residential Rate Design Window proceeding, as the next important step forward on the CPUC's path toward meaningful and sustainable residential rate reform. But it is not the last step, and PG&E's policy chapter also provides a forward-looking discussion of the overall rate architecture that PG&E believes will be necessary in the longer-term to sustainably meet the changing needs of the grid as well as support California's policy goals for a clean energy future.

Finally, PG&E supports adoption of the proposed litigation schedule presented in Section III.G., below, to enable the CPUC to adopt its rate design proposals by its target date of December 1, 2018,[14/] and notes that its proposed implementation schedule assumes a final CPUC decision no later than February 1, 2018.[15/]

III. REGULATORY BACKGROUND AND AUTHORITY FOR PROPOSALS

The proposals in the IOUs' 2018 RDW applications represent the next important step in the process of residential rate reform launched by the CPUC in R.12-07-013, commonly referred

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14/ PG&E recognizes that achievement of a final decision on this range of issue just eleven and a half months after the three IOUs' applications are filed will require great diligence and discipline. Often, proceedings such as this have tended to take longer than one year. PG&E's implementation scheduling options conservatively assumed a final CPUC decision, on at least the PG&E rate designs at issue here, no later than February 1, 2019, to allow the necessary structural programming of the billing system to begin on that date. If the decision were issued later than February 2019, PG&E's projected implementation schedule would need to be reassessed.

15/ PG&E reserves the right to modify its implementation plan, its proposed default TOU rate and/or its menu of other rate options during this proceeding, if warranted by information expected to emerge in the coming months, including: (1) from the March 2018 final report on PG&E's Opt-In TOU Pilot, (2) external research during 2018, and (3) Default TOU Pilot results to be received at various points during the second half of 2018 and beyond. PG&E's Default TOU Pilot will involve approximately 150,000 customers beginning in April 2018, and run for one year through the end of March 2019, after which time the remaining pilot participants will receive communications about the end of the bill protection period.Two final reports will provide key insights that could affect PG&E's implementation plans, the first in July 2019 (just a month before the initial pre-default notifications would be sent to customers under Option 1, with an IDTM beginning in November 2019), and the second in October 2019 will provide the results of a final survey of Default Pilot participants.

to as the Residential Rate Reform OIR, or RROIR. The CPUC launched the RROIR in response to concerns resulting from customer bill impacts and volatility that had been increasingly caused by the five-tiered rate structure put into place after the California Energy Crisis.

One of the CPUC's seminal actions thus far in helping address those bill impact and volatility concerns was its issuance of D.15-07-001 (*Decision on Residential Rate Reform for Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E) and Transition to Time-of-Use Rates)*. In that decision, the Commission set a course for residential rate reform over the next few years, and for a transition of most residential customers from a tiered, non-time varying rate to a mild default time-of-use rate. Specifically, through D.15-07-001, the CPUC directed PG&E and the other two IOUs to implement the following revisions as initial steps to reforming residential rates:

> 1) The four-tiered residential rates structured to charge customers a higher rate per kWh consumed as usage in a billing cycle exceeds certain thresholds is put onto a "glide path" to be reduced to two tiers, with an ultimate ratio of 1:1.25…, by 2019.
>
> 2) A minimum bill for residential customers on the non-generation portion of their monthly electric bill is adopted.
>
> 3) Fixed charges, including demand charges, for residential customers may not be imposed at least until the process of tier flattening is finished, and a default time-of-use (TOU) rate is implemented for residential customers.
>
> 4) Consideration of fixed charges for residential customers is to occur in a process beginning with a workshop in the Phase II of [PG&E's] General Rate Case (GRC).
>
> 5) Development of default TOU rates for residential customers is to begin with pilot programs that will begin in June 2016 and explore customer acceptance and engagement with a variety of different TOU rates. These pilots will also explore the load reductions achieved by the different TOU rates and the bill impact of the different TOU rates on various categories of customers. These pilots are to provide empirical support for IOU applications for a default TOU rate in [their concurrent] 2018 [RDW proceedings], with the goal of instituting default TOU rates in 2019[16/]

[16/] *See* D.16-01-044, *mimeo*, pp. 18 – 19, deciding R.14-07-002.

> assuming that the requirements of Pub. Util. Code Section 745 have been met. Pursuant to Section 745, certain customers must be excluded from default TOU and certain requirements must be met before any residential customers are put on a default TOU rate.

In D.15-07-001 the CPUC further directed that the IOUs "prepare better studies of the potential for cost savings and GHG reduction" resulting from implementing default TOU rates,[17] and that the IOUs' progress toward default TOU should be carefully monitored over the next six years (i.e., from July 2015 through July 2021).[18/] In accordance with the first directive, PG&E conferred with Energy Division and the other two IOUs regarding alignment on an improved methodology for estimating GHG reduction and cost savings; and presents the results of its analysis in Chapter 2. As for the second directive, the CPUC initiated a collaborative, multi-stakeholder Working Group process, led by Energy Division, to guide progress on residential rate reform between formal proceedings and assist the IOUs in developing an acceptable default TOU structure and menu of optional rates.[19/] To support this process, the CPUC ordered the IOUs to provide regular updates on progress toward rate reform and the 2018 Residential RDW application.[20/] Over the past two and a half years, PG&E has submitted and will continue to submit all required reports, as well as provide requested data, and has fully participated in all meetings and efforts of both the TOU Working Group and the ME&O Working Group. PG&E has found this CPUC-led participatory process to be helpful and constructive.

A key focus of the TOU Working Group has been to guide the IOUs' development and design of their respective Opt-in TOU Pilots, which were implemented in 2016 and run through

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17/ *See* D.15-07-001, *mimeo*, p. 162.

18/ *See* D.15-07-001, *mimeo*, Finding of Fact 158, p. 321.

19/ *See* D.15-07-001, *mimeo*, Finding of Fact 159, p. 321.

20/ Each IOU was required to: file quarterly Progress on Residential Rate Reform Reports (or PRRR Reports), present an annual update at a residential rate summit,, and participate in regular multi-stakeholder workshops, both through a TOU Working Group and a Marketing Education and Outreach (ME&O) Working Group, led by Energy Division and supported by independent consultants as appropriate. PG&E incorporates by reference all of the PRRR Reports it has filed in R.12-06-013, as well as its presentation materials provided for various workshops and both Annual Residential Rate Summits.

the end of 2017,[21/] as well as their respective Default TOU Pilots, to be implemented in March or April of 2018 and run through Q2 2019.[22/] As required in D.15-07-001 the IOUs pilots are to be evaluated in preparation for widespread enrollment in TOU.[23/] Thus far, two interim reports on the Opt-In Pilots have been issued by the consultant, Nexant, Inc.,[24/] with final results expected to be presented in March 2018. Although PG&E's Default Pilot has not yet begun, its primary objectives are to assess the IOUs' operational readiness to default large numbers of customers each month to a new TOU rate, refine messaging and operational plans for default TOU roll-out, and assess how the general population of residential customers expected to be transitioned under full default behave under the rate.

On September 15, 2016, the CPUC adopted D.16-09-016 (*Decision on the Requirements of California Public Utilities Code Section 745 for Default Time-of-Use (TOU) Rates for Residential Customers)*, which resolved various Section 745 definitional and interpretation issues, as well as implementation issue to the extent necessary for the opt-in pilots to collect the appropriate data. That decision determined that findings on Section 745 could not be made until the appropriate data were gathered. It stated that an initial evaluation would be done based on data from the Opt-In Pilots and other existing data, and that any relevant findings from the Default TOU Pilots could be incorporated into the analysis at a later date.[25/]

21/ PG&E's Opt-In TOU Pilot proposal was filed on December 24, 2015, through AL 4764-E, approved in Resolution E-4762. PG&E's Opt-In Pilot initially included approximately 20,000 customers.

22/ PG&E's Default TOU Pilot proposal was filed on December 16, 2016, through AL 4979-E, approved in Resolution E-4846 and amended to extend PG&E's Pilot launch to April 2018 through AL 5173-E approved by disposition letter dated November 29, 2017. PG&E's Default Pilot notifications will go out in January 2018, for a default pilot transition in April of approximately 150,000 eligible customers.

23/ *See* D.17-09-036, *mimeo*, pp. 3-4.

24/ The first interim report summarizing the consultants' initial evaluation of the Opt-In Pilots is entitled *California Statewide Opt-In Time-of-Use Pricing Pilot Interim Evaluation,* dated April 11, 2017, prepared by Nexant, Inc. and Research Into Action (Nexant Report). This report was admitted into the CPUC's record in R.12-06-013 as Exhibit PG&E-305.

25/ *See* D.16-09-016, *mimeo*, p. 17.

On September 28, 2017, the CPUC adopted D.17-09-06 (*Decision Adopting Findings Required Pursuant to Pub. Util. Code Section 745 for Implementing Residential Time-of-Use Rates).* That decision evaluated the available evidence from the Opt-In Pilots and found that there is no basis to exclude senior citizens in hot climate zones from default TOU rates, but that economically vulnerable customers in hot climate zones should be excluded from the Default TOU Pilots schedule to begin in March or April 2018. The decision also noted that, as part of the proceeding on the IOUs' upcoming 2018 RDW applications, the CPUC will further consider whether economically vulnerable customers in hot climate zones should be excluded from the full roll-out of default TOU rates. The decision also addressed various issues related to implementation of the default TOU transition, such as bill protection, and when the default TOU rate should become the standard rate to be discussed with start/transfer customers. These determinations on implementation issues are further discussed and have been reflected in PG&E's proposals in Chapter 3, served with this Application.

IV. OVERVIEW OF PG&E'S RDW PROPOSALS

A. PG&E's RDW Rate Proposals

As noted above, PG&E requests that the Commission approve its proposal to implement a residential default TOU rate, for eligible residential customers, alongside a carefully crafted menu of differentiated rate options designed to meet a variety of different types of customers' needs.

1. PG&E's "Core-Four" Menu of Rates: Default TOU and Three Core Rate Options

PG&E's core-four rates in its menu of options are: (a) a mild default TOU rate (E-TOU-C) which is almost identical to the 4pm – 9pm peak default rate being tested in PG&E's Default TOU Pilot;[26/] (b) a new optional TOU rate (E-TOU-B) with a shorter 5pm – 8pm peak period on

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26/ PG&E's Default Pilot rate was slightly modified to make its summer peak rates a little milder relative to the winter peak rates. This is consistent with the CPUC's desire to see a "TOU-Lite" rate to support customer acceptance. (D.15-07-001, *mimeo*, Finding of Fact 109, p. 317.) This slight

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non-holiday weekdays only, and a greater price differential for more advanced customers;[27] (c) a tiered, non-TOU rate (E-1), and (d) a non-tiered, non-TOU rate (E-FLAT) that would have a $25 Volatility Mitigation Fee, as well as a flat volumetric charge, to help customers who seek to minimize bill volatility, such as those residing in PG&E's Central Valley. To support California's clean energy goals, this rate will only be available to customers who also participate in a 100% renewable energy plan (either through their CCA or PG&E's Green Tariff rider). The table below shows the "core-four" rates, differentiated by whether the rate is TOU-based and/or Tiered or not:**PG&E's "Core-Four" RDW Rate Options**

	TOU	**Non-TOU**
Tiered	**E-TOU-C (DEFAULT)** Two tiers 4-9 Peak Period All days (weekends/holidays) Seasonal baseline quantities Summer: June - Sept	**E-1** Two-tiers + HUSurcharge Seasonal baseline quantities Summer: June - Sept
Non-Tiered	**E-TOU-B** 5-8 Peak Period Non-holiday Weekdays Only Summer: June - Sept	**E-FLAT** $25 Volatility Mitigation Fee Flat Volumetric Charge Taking 100% Renewable Gen

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modification also serves to effectuate seasonal differentiation in a manner that moderates summer bill impacts on customers who may not be able to significantly change their summer peak consumption patterns. PG&E's proposed default TOU rate is not substantially different from its default TOU Pilot rate, resulting in only slightly different bill impacts, with summer bill increases being lower. Therefore, PG&E does not repeat its prior Pub. Util. Code Section 745(d) showing, and relies on D.17-09-036 at pp. 44-47. PG&E's default TOU rate is otherwise identical, and includes: a baseline credit, no high usage surcharge, bill protection for up to one year, a moderate on-to-off peak price differential and the ability for customers to opt-out to a different rate from PG&E's menu at any time. (*See* D.15-07-001, *mimeo*, pp. 134, 140-141, 176-177, 318, 321.)

27/ In D.15-07-001, the Commission required the IOUs to also propose an optional tiered non-TOU rate, and encouraged optional TOU rates that could be attractive to "advanced" customers with multiple TOU periods, matinee pricing, and seasonally differentiated TOU periods. More recently, in D.17-01-006, in the TOU Periods OIR, the Commission provided guidance for how electric utilities must update and revise the current TOU time periods, with a base TOU period set based on the hours with high Marginal Generation Costs, but that these may be modified somewhat to take into account customer acceptance, preferences, understanding ability to respond and similar factors (D.17-01-006, *mimeo*, principles, pp. 8-9). Previously, in D.15-07-001, the CPUC had already allowed for possible "tranches of optional TOU rates with complementary TOU periods that, considered together, address grid needs, but do not impose unreasonable hardship on customers" under Section 745. (D.15-07-001, *mimeo*, p. 144).

To simply its menu of rate options, PG&E also proposes to close its existing E-TOU-A rate to new customers effective shortly after the final decision adopting PG&E's rate design proposals in this 2018 RDW proceeding. The legacy customers would remain on E-TOU-A until January 1, 2020, when, per D.15-11-013, their peak hours will move to 4pm – 9pm; at that time they will be transitioned to E-TOU-C with the same 4pm – 9pm peak, unless they choose another rate from PG&E's new menu of options. Similarly, for PG&E's closed, legacy TOU rate (E-6), pursuant to the grandfathering schedule adopted in D.15-11-013, these customers would be transitioned to E-TOU-C in January 2022, unless they choose another rate at that time.

2. CARE Discount Simplification Consistent with direction from the CPUC's Energy Division, PG&E is proposing to simplify its CARE subsidy, applicable to all available residential rates, to make it single line item percentage discount to the total bill.[28] Currently CARE is implemented via parallel and duplicative rate schedules with discounted values assessed to individual rate components. This simplification will improve CARE customers' understanding of their monthly bills and standardize the discounts across rate schedules.

3. SmartRate™ Critical Peak Pricing Option Update

PG&E's SmartRate program offers residential customers the opportunity to add a rider to their underlying rate to receive incentives for reducing their load during peak hours on 9 - 15 hot days each year when SmartRate critical peak pricing events are called. In this proceeding, PG&E proposes moving SmartRate's outdated 2pm – 7pm event hours to 5pm – 8pm, which falls within the peak periods proposed for both of PG&E's new TOU rates, and covers PG&E's two highest cost generation hours. PG&E also proposes to modify the SmartRate incentive mechanism to ensure that bill savings reflect and reward customers for their load shifting efforts regardless of whether 9 or 15 events called in a given year. Currently, in a year when a high number of events (e.g., 15) are called, SmartRate customers see lower overall bill savings, despite having worked harder that year to reduce or shift their usage on event days. The

[28]/ *See* Resolution E-4846 at p. 10 and Ordering Paragraph 3 at p. 32.

proposed incentive mechanism change will help reduce the potential for SmartRate program attrition the year after a high number of events have been called.

4. Delivery Minimum Bill Amount Increase

PG&E proposes to increase its current Delivery Minimum Bill Amount from $10 to $15, effective five months after a final decision in this proceeding in order to ensure that small users pay an appropriate share of distribution capacity and customer-related costs. The Delivery Minimum Bill Amount only applies to PG&E customers with very low or no electric usage in any given month, which currently constitutes less than 12 percent of PG&E's residential electric customers; thus, it differs from the fixed charge, which would apply equally to all residential customers.

5. Residential Monthly Fixed Charge

In this proceeding, PG&E provides the required showing supporting adoption of a residential monthly fixed charge to eventually replace the Delivery Minimum Bill Amount. The Fixed Charge would take effect at least one year after the start of the full roll-out of default TOU, as allowed under D.15-07-001. PG&E's fixed monthly charge for E-TOU-C, E-TOU-B and E-1[29/] will, in compliance with Pub. Util. Code Section 739.9, be calculated using the marginal customer cost components designated in D.15-09-035, plus a proposed minimum observed costs of the service drop and final line transformer, calculated using the Rental Method. Under PG&E's current illustrative calculation, such a fixed charge would come to $7.40 per month,[30/] with a concomitant reduction in the volumetric charge.[31/] PG&E believes that a fixed charge

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29/ PG&E's proposed a monthly fixed charge would not be applied to its E-FLAT rate, for which PG&E proposes a $25 volatility mitigation fee to starting with the implementation of the E-FLAT rate option during the IDTM roll-out.

30/ *See* fn. 13, above.

31/ Currently, PG&E's fixed residential costs are embedded in volumetric rates, causing certain customers to pay more than their fair share of fixed costs, and others to pay less. As has already been shown in the RROIR proceeding, lack of a fixed charge exacerbates high summer bills and bill volatility for middle class families in hot areas like PG&E's Central Valley, yet benefits one and two person households in the wealthier coastal cities. PG&E seeks to remove this inequity through a fair-share cost-based rate component separated from and reducing residential volumetric rates.

represents solid cost of service-based rate design, which has already been adopted by the CPUC as a rate component for use in all other customer classes, and in most other utilities for residential customers' rates as well. It also has the advantages of reducing bill volatility, mitigating bill disparity by geography, ensuring all customers contribute their fair share to the grid, and improving bill certainty.

6. Distributed Energy Resources Rate Pilot

PG&E proposes, in Chapter 7, a small "proof of concept" pilot to test an experimental technology-based Distributed Energy Resources (DER) rate option, to incent distributed solar and storage resources. This rate is more complex to accommodate the structures needed to incent efficient investments. PG&E believes added intricacy for these rates is warranted given the complexity of customers' use of the grid given these new technologies and the sophistication of these customers. The new rate structures in optional residential rates would implement a demand charge with a lower energy charge and introduce a fixed charge once the fixed charge is adopted for all rates. For solar customers exporting to the grid, the rate would introduce a fixed export payment and an "indifference credit" designed to make customers largely indifferent to this rate or NEM Successor Tariff, while maintaining the price signals embedded in the pilot rate.

B. Implementation Plan

In Chapter 3, PG&E presents its proposed plan for implementing its residential TOU Transition Program (also known as Default TOU), to automaticdally enroll customers in the E-TOU-C rate, while presenting customers with its menu of other rate options. Chapter 3 includes: (1) two illustrative scheduling options for auto-transitioning eligible customers to TOU rate plan; (2) details on customer eligibility; (3) a proposal for one year of bill protection both for those being transitioned to and those opting-into its new E-TOU-C rate during the IDTM period; (4) information about PG&E's operational plans for implementing default TOU, specifically: coordination with CCAs, customer contact center staffing, training, and billing system and IT requirements, and (5) how PG&E will develop, track, evaluate and report operational metrics for

TOU implementation, such as load impacts associated with the TOU rate, along with research on other topics related to operational metrics. PG&E presents below some highlights on its timing, eligibility and bill protection proposals.

1. Timing of Start of IDTM Period

PG&E presents in this proceeding two different illustrative scheduling scenarios for when its full roll-out of default TOU would begin. For compliance purposes, PG&E presents, as Option 1, a schedule under which the transition to the TOU rate plan could start on November 1, 2019, at which time only a limited menu of rate options could be ready to present to customers. In order to ensure a complete menu of options can be offered from the beginning of the pre-transition notification period, PG&E's preferred option is Option 2, with an October 1, 2020 start date -- the same time as SCE is expected to begin its default TOU implementation.[32/] Since the selection of 2019 as the target year in D.15-07-001, much has been learned that may cause the CPUC to conclude such a roll-out timeframe is no longer advisable for PG&E, including:

(a) Large Number of CCAs with which PG&E must Coordinate - By 2019, the vast majority of PG&E's customers who are expected to be eligible for default TOU will be taking generation service from a large number of CCAs.[33/] While PG&E is optimistic that the majority, if not all of them, will decide to participate in the Transition [Default] Program, PG&E cannot transition any CCA's customers to TOU until its board formally decides to commit to participate. Specifically, a formal commitment to participate in PG&E's Transition Program is needed from each CCA far enough in advance to allow proper coordination and execution of pre-transition communications to customers.[34/]

32/ *See* D.17-08-024, *mimeo*, p. 2., dismissing SCE's proposed early roll-out of default TOU in advance of its upcoming CSRP billing system upgrade "freeze-out," and acknowledging that a SCE's full roll-out would have to process after its CSRP billing system work has been completed and is stabilized, expected in Q3 2020.

33/ PG&E projects that about ten CCAs will have completed their formation process by 2019.

34/ If no CCAs participate, PG&E would only be implementing default TOU for about 600,000 customers, whereas if all CCAs ultimately decide to participate, the scope of implementation increases to about 2.7 million customers. PG&E cannot finalize its implementation plans until it has

Continued on the next page

Under Option 1's November 1, 2019 IDTM start date, PG&E's first pre-default notifications must go out in July 2019, which requires PG&E to start to pull the list of all eligible customers by May 2019; thus PG&E must know by March 2019 which CCAs have formally committed to participate. Even if the CPUC manages to issue its final decision in December 2018, each CCA's board would only have a couple of months to analyze, agendize and act on such a major decision. In addition, many CCAs may want to see the final results of the Default Pilot, which includes randomly selected customers from two CCAs (Marin Clean Energy and Sonoma Clean Power), in order to allow CCAs more fully understand the real-world implications of participation for their own operations. PG&E is concerned that the limited time available to coordinate under a 2019 start date could limit the number of committed CCAs whose customers will be included in the Transition Program, which would unnecessarily undercut the "statewide" nature of the program. However, under Option 2's October 1, 2020 start date, there would be plenty of time to coordinate with CCAs, thus supporting a smoother, more widespread and better communicated default TOU as regards the approximately 2.1 million default-eligible CCA customers;

(b) Default TOU Pilot Results - including lessons from the end of pilot bill protection communications, cannot be incorporated into PG&E's implementation plans under a November 1, 2018 IDTM start date, but can with an October 1, 2020 IDTM start date.[35]

Continued from the previous page

received formal commitments from each CCA's Board. These commitments must be received no less than 8-9 months in advance of the start of default TOU enrollment, because the "list-pull" of customers to be defaulted must be completed at least 5 months before the start of theIDTM period. With a November 1, 2019 start of the IDTM, the list-pull must take place by May 2019, which means all commitments from all CCAs must be received by March 2019, only about three months after the earliest possible CPUC decision date of December 1, 2018, and less if the CPUC decision is delayed.

[35] The final Default Pilot report, with a full years' usage and billing data will not be available until mid-July 2019, and the Final Customer Survey post bill protection removal will not be available until late October 2019.

(c) Limited vs. Comprehensive Menu of Options from the Beginning - As PG&E's menu of rate plan options was carefully designed to appeal to a variety of different types of customers, PG&E believes it is very important to customer acceptance of the Transition Program that its full menu of rate options all be made available from the beginning, with the first wave of pre-transition notifications. Unfortunately offering a comprehensive menu of options is not possible with a November 1, 2019 start date. Building and testing each of the rates proposed in this RDW would have to be completed by June 2018, in order to prepare the rate comparisons that will be part of the advance notifications to be sent out to each customer prior to their being transitioned. Under Option 1, this would need to be complete just six months after the earliest possible December 2018 date for the CPUC's final RDW decision (less if the decision is delayed). Six months is not enough time to program and test the structural changes needed for the full menu of rate options, alongside all the other programming needed during the same time to implement numerous GRC Phase II rate changes, as well as those expected from other proceedings. However, all rates can be programmed for Option 2's October 1, 2020 start of the IDTM period.

(d) Statewide Marketing – under a November 1, 2019 IDTM start date, the CPUC's emerging statewide marketing campaign would have to be executed very quickly and flawlessly. An October 1, 2020 start of the IDTM would allow a thoughtful roll-out of statewide marketing, with more time for running the RFP and contracting processes, as well as for customer targeting.

In sum, Option 2's October 1, 2020 IDTM launch date would: (1) best support the maximum CCA participation; (2) afford enough time to incorporate lessons learned from a full year of Default Pilot operations; (3) allow alignment with SCE after significant, well-planned statewide marketing; and (4) provide adequate time for build-out and testing to ensure that PG&E's full menu of rate options is available to customers from the beginning of the Transition Program. PG&E believes there is a significantly a greater likelihood of fostering strong customer acceptance of the Transition Program under an October 1, 2020 launch, with more time to take steps to minimize the chances for the type of customer backlash that has been seen in the majority of other major utilities' transitions to default TOU. In short, default TOU is too important not to take great care and the time necessary to "get it right," so as to ensure the best possible first impression about TOU for millions of residential customers. Therefore, PG&E's Application proposes an October 1, 2020 launch date.[36/]

2. Customer Eligibility for the Transition Program

PG&E's proposal for implementation of the Transition Program employs all of the exclusions used for PG&E's Default Pilot, with some minor additions. Specifically, PG&E carries forward the Commission's decision in D.17-09-036, pursuant to Pub. Util. Code Sections 745(c)(2) and 745(d), by continuing to exclude economically vulnerable CARE/FERA-eligible customers in PG&E's designated hot climate zones. Under PG&E's proposed exclusions, approximately 2 million of its residential customers are expected to be ineligible for default, leaving about 2.7 million default-eligible customers.[37/] Throughout the IDTM process, all customers subject to the Transition Program may opt-out of being automatically transitioned to the E-TOU-C rate plans and may remain on PG&E's current standard tiered rate tariff or choose service on other TOU rate options.

3. Bill Protection

Section 745(c)(4) provides that residential customers shall not be subject to, *i.e.*, enrolled on, default TOU rates unless they receive a minimum of one year of bill protection. PG&E's proposed bill protection plan exceeds this statutory requirement because, in addition to applying bill protection to customers enrolled in E-TOU-C (PG&E's default TOU rate), PG&E proposes

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36/ Assuming a final decision on the rate designs for all of PG&E's proposed rate plans no later than February 1, 2019.

37/ Of the approximately 2.7 million default-eligible PG&E customers, about 2.1 million are expected to be taking generation service from a CCA, and the balance of about 600,000 continuing to take generation service from PG&E.

to offer twelve months of bill protection: (1) to existing customers who opt-into E-TOU-C during the period starting in or about May, 2018 when E-TOU-C becomes available during the Default Pilot period, and extending through the end of the IDTM period; and (2) to new start-transfer customers who either opt-into or are automatically transitioned to E-TOU-C as the standard rate during the IDTM period. This bill protection approach is designed to maximize customer acceptance of the Transition Program, to optimize operations, and to minimize any potential customer confusion, as most customers who enroll in the E-TOU-C rate plan, either before or until the end of the IDTM period, will be treated the same.

C. Marketing, Education and Outreach

Chapter 4 outlines PG&E's Marketing, Education and Outreach plan supporting the residential rate changes outlined in previous chapters of the Rate Design Window application. PG&E's Rate Design Window ME&O plan builds on the ME&O plan that was approved, with modifications, in Resolution E-4882.[38/] The overarching objectives of PG&E's ME&O Residential Rate Reform efforts are to generate awareness, understanding and engagement of energy management and rate plans and to focus on educating customers on the choices and control they have over their bill by familiarizing them with different rate options, tools, programs and tips. The plan outlines a phased approach to engagement including TOU acquisition campaigns and the transition of eligible residential customers to default TOU.

PG&E's ME&O Plan prioritizes a positive customer experience and addresses the following significant challenges involved in transitioning customers to default TOU:

1) Limited industry best practices since a transition of this magnitude and complexity has not been undertaken before;

2) The risk of customer confusion and negativity toward transitioning to new rates;

[38/] *See* Resolution E-4882, Approving Advice Letter 4949-E filed November 1, 2016.

3) The low engagement of residential electric customers with electricity pricing in their daily lives—the average time a consumer spends interacting with their utility is at most 20 minutes per year;[39] and

4) The intense competition for residential electric customers' attention in a media-saturated world. Studies show that the average consumer is exposed to up to 10,000 brand messages a day.[40]

PG&E continues to endorse and reinforce the strategies set forth in its approved ME&O Plan and the Commission's guidance in Resolution E-4882 and other rulings and decisions. Marketing and outreach plans described in this exhibit include:

1) Updates and additions to the TOU Default Plan based on lessons learned from the Opt-in pilot and Default pilot research, including more information on post-default communications and how to mitigate dissatisfaction of default TOU through a two-pronged approach to communications including a context-setting, statewide campaign and local PG&E direct to customer communications.

2) PG&E has developed a plan to communicate the implementation of a fixed charge to aid customer acceptance and understanding of the charge. PG&E will introduce the fixed charge in two phases, implementing half the amount in the first year and the remaining half in the second year to lessen the intensity of the charge for customers. Prior to implementation, PG&E will conduct positioning research to carefully craft customer messaging with the goal of improving understanding about the purpose of the fixed charge. PG&E is planning a dedicated campaign to communicate to customers about the charge in advance of implementation.

39/ *See* Accenture New Energy Consumer Research, 2014.

40/ John Saxon, *Why Your Customers' Attention is the Scarcest Resource in 2017 (2017) American Marketing Association* <https://www.ama.org/partners/content/Pages/why-customers-attention-scarcest-resources-2017.aspx> (as of Dec. 11, 2017).

3) In addition, PG&E plans to communicate to customers about increases to the Delivery Minimum Bill, SmartRate program and hour changes and CARE restructuring.

D. CCA Rate Comparison Tool

PG&E provides personalized rate and cost-related tools to help customers manage energy usage, review rate options and understand costs. These tools and information are available to customers online and through direct mail or email. At the concurrence of MCE and SCP, PG&E is making all of these tools available to all MCE and SCP customers, including those participating in the TOU default pilot. These two CCAs are participating in the TOU Default Pilot and have agreed to use the PG&E bundled rate as an approximation for the CCA-specific rates. The CCAs have requested that PG&E provide a proposal for providing online rate comparison tool to CCA customers for the Transition Program. PG&E proposes to continue using the PG&E bundled rates as the proxy for providing rate and cost-related tools for CCA customers. As long as the CCAs use a similar rate structure to PG&E, there is not enough difference between the PG&E bundled rate and the CCA specific rates to warrant the additional cost, time, and maintenance efforts to model CCA-specific rate plans. As an alternative, PG&E recommends that each CCA contract with the rate engine provider and model their own rate plans. Under this alternative scenario, PG&E would pay for infrastructure changes to accept the CCA-modeled rates. This infrastructure change would include the online tools and the paper/email rate comparisons. By contracting directly with the rate engine provider, the CCAs would not have to rely on PG&E to relay information pertaining to business rules for rate calculations, timing of rate value changes and/or structure changes. This direct communication would provide the CCAs a greater assurance of the quality of the rate modeling.

E. Cost Recovery

PG&E is not seeking recovery of the costs it incurs to implement its proposed rate design proposals and related Commission decisions and rulings. Instead, PG&E is recording in its Residential Rates Reform Memorandum Account the incremental costs of implementing the rate design reforms and proposals in this proceeding and other related proceedings in accordance with the requirements of D.15-07-001 and the settlement regarding such costs in PG&E's 2017 General Rate Case (GRC) D.17-05-013.

V. ORGANIZATION OF PG&E'S TESTIMONY

The details of PG&E's 2018 Residential Rate Design Window proposals are set forth in the prepared testimony that accompanies this Application. PG&E's testimony, which has been preliminarily marked for identification as Exhibit (PG&E-01), is comprised of seven Chapters, statements of qualifications and Appendices which are organized as follows:

Exhibit (PG&E-01), Volume 1 – Prepared Testimony:

Chapter 1 – Policy

Chapter 2 – Rate Design

Chapter 2A – SmartRate Critical Peak Pricing Program Modifications

Chapter 2B – Fixed Charge Marginal Cost Methodology

Chapter 3 – Implementation

Chapter 4 – Marketing, Education and Outreach

Chapter 5 – CCA Rate Comparison Tool

Chapter 6 – Cost Recovery

Chapter 7 – Distributed Energy Resources Rate Pilot

Appendices– Witnesses' Statements of Qualifications

Exhibit (PG&E-01), Volumes 2 and 3 – Appendices:

Appendices Supporting Prepared Testimony

VI. WORKPAPERS

Workpapers supporting PG&E's testimony will be provided upon request. Requests for workpapers should be directed to: Ms. Zandre Dumas, 2018 Residential RDW Case Coordinator, telephone (415) 973-8205, E-mail ZXD3@pge.com. PG&E intends to request inclusion of many of the workpapers in the record of this proceeding. Therefore, when PG&E's

witnesses adopt their prepared and rebuttal testimony, they may also sponsor and adopt their workpapers, or portions thereof.

VII. STATUTORY & PROCEDURAL REQUIREMENTS

A. Statutory and Other Authority – (Rule 2.1)

PG&E submits this application pursuant to D.15-07-001, and subsequent CPUC Decisions, Resolutions and Rulings in R.12-06-013, as well as the Commission's Rules of Practice and Procedure, and the California Public Utilities Code.

Specifically, California Public Utilities Code Section 454(a) provides in pertinent part:

> (a) Except as provided in Section 455, no public utility shall change any rate or so alter any classification, contract, practice, or rule as to reflect in any new rate, except upon a showing before the commission and a finding by the commission that the new rate is justified.

Section 454(b) provides in pertinent part:

> (b) The commission may adopt rules it considers reasonable and proper for each class of public utility providing for the nature of the showing required to be made in support of proposed rate changes, the form and manner of the presentation of the showing, with or without a hearing, and the procedure to be followed in the consideration thereof.

This application and the accompanying prepared testimony comply with the requirements of form and process contained in the Commission's Rules of Practice and Procedure, Rules 1.5 through 1.11 and 1.13, which specify the procedures for, among other things, filing documents, as well as Rules 2.1, 2.2, and 3.2.

Rule 2.1 of the Commission's Rules of Practice and Procedure requires that all applications: (1) clearly and concisely state authority or relief sought; (2) cite the statutory or other authority under which that relief is sought; and (3) be verified by the applicant.

The relief being sought is summarized in Sections II and IV above, and is further described in PG&E's supporting testimony (Exhibit PG&E-01) served concurrently with this application.

The statutory and other authority for this request includes, but is not limited to, California Public Utilities Code Sections 451, 454, 454.3, 491, 701, 702, 728, 729, 739, 745, Article 2 and Rule 3.2 of the Commission's Rules of Practice and Procedure, and prior decisions, orders, and resolutions of this Commission.

This application has been verified by a PG&E officer as provided in Rules 1.11 and 2.1.

The remainder of Rule 2.1, as well as Rules 2.2 and 3.2, set forth further requirements that are addressed separately below.

B. Legal Name and Principal Place of Business – Rules 2.1(a)

Applicant's legal name is Pacific Gas and Electric Company. Applicant's principal place of business is San Francisco, California. Its mailing address is Post Office Box 7442, San Francisco, California 94120. Since October 10, 1905, applicant has been an operating public utility corporation, organized under the laws of the State of California.

C. Correspondence and Communication – Rule 2.1(b)

PG&E's lead attorney in this matter is Gail L. Slocum. Correspondence or communications regarding this application should be addressed to:

Gail L. Slocum
Chief Counsel - Ratemaking
Pacific Gas and Electric Company
Post Office Box 7442
77 Beale Street, Room 3143
San Francisco, California 94105
Telephone: (415) 973-6583
Facsimile: (415) 973-0516
E-mail: Gail.Slocum@PG&E.com

Steve Haertle
Principal Case Manager
Pacific Gas and Electric Company
Post Office Box 7442 77 Beale
Street, Room 2325
Mail Code B9A
San Francisco, CA 94105
Telephone: 415 972-5603
Facsimile: 415-973-1448
E-mail: SRH1@PG&E.com

PG&E requests that correspondence and communications regarding this Application also be directed to:

CPUC Law Filing
Pacific Gas and Electric Company
77 Beale Street B30A
San Francisco, CA 94105
Email: cpuccases@pge.com

D. Proposed Categorization (Rule 2.1(c))

PG&E proposes that this application be categorized as a "rate setting" proceeding.

E. Need for Hearings (Rule 2.1(c))

PG&E believes that given the nature of the proposals at issue in this consolidated proceeding, evidentiary hearings will likely be needed, However, the scope of the issues to be considered in such hearings will depend in large part on the degree to which other parties contest PG&E's requests, and on whether it is possible to settle any issues in the limited time available PG&E's proposed procedural schedule below leaves room for holding evidentiary hearings, assuming they will be necessary; however, the need for hearings will be determined by the assigned ALJs.

F. Issues to be Considered, Including Relevant Safety Considerations (Rule 2.1(c))

The issues to be considered are discussed in Sections II and IV above and in more detail in PG&E's supporting testimony served concurrently with this application. Stated generally, the issues to be considered include:

1. Are PG&E's RDW rate design proposals in Chapter 2 and 2A reasonable and should they be adopted, including PG&E's default TOU rate (E-TOU-C), its full menu of optional rates: E-1, E-TOU-B and E-FLAT, as well as its proposals to simplify CARE to a single line-item discount, and update its SmartRate critical peak pricing rate rides, and its proposal for a future monthly fixed charge twelve months after the start of its IDTM period?
2. Are PG&E's proposals in Chapter 2 for a future fixed charge to take effect no less than twelve months after the start if its IDTM period, using the Rental Method (or

RECC) cost calculation methodology proposed in Chapter 2B, reasonable and should they be adopted?

3. Are PG&E's RDW implementation and ME&O proposals in Chapters 3, 4, and 5 reasonable and should they be adopted?
4. Is PG&E's DER pilot proposal in Chapter 7 reasonable and should it be adopted?

D.16-01-017 approved an amendment to Rule 2.1(c) of the Commission's Rules of Practice and Procedure (Title 20, Division 1, of the California Code of Regulations) to require all applications to identify all relevant safety considerations implicated by the application. One of PG&E's core values is to protect public and employee safety. As part of its Public Utilities Code Section 745 Track in R.12-06-013, the Commission has already considered whether or not certain customers (*e.g.*, seniors and economically vulnerable customers in hot areas) should be excluded from default TOU due to potential unreasonable hardship, including health and safety impacts resulting from potentially reduced air conditioning use during higher cost peak TOU rates.[41/] As explained in Chapter 3 of PG&E's supporting testimony, PG&E is taking a conservative approach by continuing to exclude its CARE/FERA-eligible customers in hot climate zones, consistent with D.17-09-036. Specifically, PG&E is proposing to include in its full-roll-out of default TOU *only* eligible non-CARE and non-FERA customers residing in PG&E's cool and moderate climate zones. Thus, this rate design application does not pose or bear on risks to public safety.

G. Procedural Schedule – Rule 2.1(c)

As explained above, PG&E presents below two different scheduling options. The first is an expedited litigation schedule scenario which attempts to allow a final decision in time to enable PG&E to start its full roll-out of default TOU in November 2019. The second option

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41/ *See* January 23, 2017 *Assigned Commissioner and Administrative Law Judge's Ruling Amending Scoping Memorandum and Ruling*, pp. 7-9, issued in R.12-06-013. *See* D.17-09-036, *mimeo*, p. 11, "We agree with parties that the opt-in pilot data does not suggest that households with seniors experience unreasonable economic or health and safety hardship on TOU rates."

(PG&E's preferred schedule), allows more lead-time after a final decision, with PG&E's full roll-out to begin October 1, 2020, in alignment with SCE's expected roll-out per D.17-08-024.

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PG&E's Schedule Scenario Options	OPTION 1: Nov. 1, 2019 Roll-out (Partial Menu of Options)	OPTION 2: (Proposed/Preferred) Oct. 1, '20 PG&E Roll-out, Align w/SCE (Full Menu of Options)
PG&E files Application	Dec. 20, 2017	Dec. 20, 2017
Protests / Responses to Application	~4th week of Jan., 2018[42]	~4th week of Jan., 2018
Reply to Protests / Responses	~Early Feb., 2018[43]	~Early Feb., 2018
Prehearing Conference	Mid-Feb., 2018	Mid-Feb., 2018
Scoping Memo	Late Feb., 2018	Late Feb., 2018
ORA and Intervenor Testimony Due	May 2018	May 2018
Very limited time for settlement talks	June 2018	June 2018
Rebuttal Testimony Due	Late June 2018	Late June 2018
Initial Default Pilot results (w/ 1st survey)	Mid-July, 2018	Mid-July, 2018
Evidentiary Hearings	July, 2018	July, 2018
Concurrent Opening Briefs	Early-Mid Aug., 2018	Early-Mid Aug., 2018
Reply Briefs	Late Aug, 2018	Late Aug, 2018
Late-Filed Exh: 1st 2 Summer Months Default Pilot Results	Mid-September, 2018	Mid-September, 2018
ALJs issue Proposed Decision	November 1, 2018	November 1, 2018
Comments to Proposed Decision	20 days after PD served	20 days after PD served
Replies to Comments to Proposed Decision	5 days after Op. Comments on PD	5 days post-Op. Comm
Commission issues Final Decision (earliest)	Dec. 1, 2018 [trail to Jan, 2019?]	Dec. 1, '18 [trail to Jan'19]
Expedited Deadline for all CCAs to commit	February, 2019	October, 2019 [44]
Programming of Rates/Website; all ME&O prepared	By June 1, '19 (*partial* rate menu)	May 1, '20 (*full* rate menu)
Late-Filed Exh. (Scen. 2 only):Pilot Final Report full year data	*[Too late to incorp., Mid-July 2019]*	Mid-July 2019
Late-Filed Exh. (Scen. 2 only):3rd Cust Survey post BP notific	*[Too late to incorp., Late Oct 2019]*	Late October 2019
ED Guidance or ALJ/Assn'd Comnr Implementation Ruling	*[Too late to incorp., Dec. 2019]*	January 2020
PG&E files Updated Implementation Advice Letter	April 2019	March 2020
Rates/Website Programmed, all PG&E ME&O prepared	By June 1, 2019 (*partial* rate menu)	By May 1, 2020
First 90-Day Default Notification Sent	August 1, 2019	July 1, 2020
Transition to rate for First Default Wave	**November 1, 2019**	**Oct. 1, '20** (aligns w/SCE)

42/ Precise date will fall 30 days from date Application is first noticed in the CPUC's Daily Calendar, per Rule 2.6(a).

43/ Precise date will fall 10 days from last day for Protests or Responses, per Rule 2.6(e).

44/ Grey shaded milestones show information that would only be able to be incorporated in PG&E's full default roll-out under PG&E's preferred Option 2 schedule

H. Articles of Incorporation (Rule 2.2)

PG&E is, and since October 10, 1905, has been, an operating public utility corporation organized under California law. It is engaged principally in the business of furnishing electric and gas services in California. A certified copy of PG&E's Restated Articles of Incorporation, effective April 12, 2004, is on record before the Commission in connection with PG&E's Application 04-05-005, filed with the Commission on May 3, 2004. These articles are incorporated herein by reference.

I. Balance Sheet and Income Statement (Rule 3.2.(a)(1))

PG&E's most recent Balance Sheet and Income Statement were filed with the Commission on November 17, 2017, in A.17-11-009 and are incorporated herein by reference.

J. Statement of Presently-Effective Rates (Rule 3.2(a)(2))

The presently-effective electric rates PG&E proposes to modify were filed on April 25, 2017, in A.17-04-018 and are incorporated by reference herein.

K. Statement of Proposed Increases (Rule 3.2(a)(3))

The proposed illustrative rates in Appendix C to Exhibit (PG&E-1) do not reflect or pass through to customers any increased costs to PG&E for the services or commodities furnished by it that may be reflected in additional revenue requirement changes that may be adopted prior to a decision in this case, or through the decision in this case. The purpose of the proposals in this Application is to modify residential electric rate design. PG&E is not requesting in this proceeding to increase the overall level of PG&E's electric revenues.

PG&E's current rates and charges for electric service are in its electric tariffs and schedules on file with the Commission and available on PG&E's website.[45/] These tariffs and schedules are filed with and made effective by the Commission in its decisions, orders,

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[45/] PG&E's current tariffs are available online at http://on.PG&E.com/25KXt0T.

resolutions, and approvals of advice letter filings pursuant to Commission General Order 96-A. PG&E is not requesting a general revenue increase in this application.

L. Property and Equipment (Rule 3.2(a)(4))

Because this is not a General Rate Case application, this requirement is not applicable.

M. Summary of Earnings (Rule 3.2.(a)(5) and(6))

A summary of recorded year 2016 revenues, expenses, rate base and rate of return for total utility operations was filed with the Commission on September 14, 2017, in A.17-09-006 and is incorporated by reference herein.

N. Depreciation Method (Rule 3.2(a)(7))

Because this is not a General Rate Case application, this requirement is not applicable.

O. Proxy Statement (Rule 3.2(a)(8))

Because this is not a General Rate Case application, this requirement is not applicable.

P. Type of Rate Change Requested (Rule 3.2(a)(10))

The proposed rate changes sought in this Application reflect and pass through to customers the costs PG&E incurs to own and maintain its gas and electric plant and to enable PG&E to provide service to its customers.

Q. Service and Notice of Application (Rule 3.2(b), (c) and (d))

Though the official service list has not yet been established in this new proceeding, PG&E is concurrently serving this Application, attachments and supporting testimony, or a Notice of Availability of this Application, attachments and supporting testimony, on all parties on the official service lists in the Commission's Residential Rate Reform OIR proceeding (R.12-06-013), the proceeding which resulted in the requirement that PG&E file this RDW Application, as well as its pending 2017 GRC Phase II proceeding (A.16-06-013).

Within twenty (20) days from the date of filing, PG&E will publish in newspapers of general circulation in each county in its service territory a notice of filing this application, and will mail a notice describing this application to the Attorney General of California, the

Department of General Services, and the city and county governments within PG&E's service territory. A list of the cities and counties to which the Notice will be sent is attached to this application as Appendix A. A similar notice will be included in the regular bills mailed to PG&E's customers within forty-five (45) days of the filing date of this application.

VIII. CONCLUSION

PG&E is ready to proceed with its showing as of the date of this filing, based on the testimony of witnesses regarding the facts and data contained in the accompanying exhibits in support of the requests set forth in this Application.

For the reasons stated above and supported in the prepared testimony, PG&E respectfully requests that the Commission issue a decision herein on or about December 1, 2018 that will:

1. Approve PG&E's proposed default TOU rate, as well as all of its other optional rate plans, proposed in Chapter 2 and 2A as part of PG&E's menu of other rate options and riders;

2. Approve PG&E's proposals in Chapter 2 and 2B for a future fixed charge, to take effect no less than twelve months after the start if PG&E's IDTM period, using the Rental Method (or RECC) cost calculation methodology;

3. Approve PG&E's implementation as well as its marketing, education andoutreach plans, described in Chapters 3 and 4, including PG&E's guiding principles for implementation, its preferred "Option 2" schedule under which PG&E's full-scale transition of eligible customers to default TOU would start on October 1, 2020 (concurrent with SCE's expected launch date), and PG&E's proposed bill protection proposal that exceeds the legal requirements;

4. Approve PG&E's CCA rate comparison tool proposal;

5. Approve PG&E's DER rate pilot proposal; and

6. Grant such other relief as the CPUC may deem just and proper.

Respectfully submitted,

GAIL L. SLOCUM
CHRISTOPHER J. WARNER

By: *s/ Gail L. Slocum*
GAIL L. SLOCUM

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PACIFIC GAS AND ELECTRIC COMPANY

December 20, 2017

VERIFICATION

I am an officer of the applicant corporation herein, and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing document are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on December 20, 2017, in San Francisco, California

By: Robert S. Kenney

Robert S. Kenney
Vice President, Regulatory Affairs

PACIFIC GAS AND ELECTRIC COMPANY
77 Beale Street, Room 2310
Post Office Box 7442
San Francisco, California 94120

APPENDIX A

SERVICE OF NOTICE OF APPLICATION

In accordance with Rule 3.2(b), Applicant will mail a notice to the following, stating in general terms its proposed change in rates.

State of California

To the Attorney General and the Department of General Services.

State of California
Office of Attorney General
1300 I St Ste 1101
Sacramento, CA 95814

and

Department of General Services
Office of Buildings & Grounds
505 Van Ness Avenue, Room 2012
San Francisco, CA 94102

Counties

To the County Counsel or District Attorney and the County Clerk in the following counties:

Alameda
Alpine
Amador
Butte
Calaveras
Colusa
Contra Costa
El Dorado
Fresno
Glenn
Humboldt
Kern
Kings
Lake
Lassen
Madera
Marin
Mariposa
Mendocino
Merced
Modoc
Monterey
Napa
Nevada
Placer
Plumas
Sacramento
San Benito
San Bernardino
San Francisco
San Joaquin
San Luis Obispo
San Mateo
Santa Barbara
Santa Clara
Santa Cruz
Shasta
Sierra
Siskiyou
Solano
Sonoma
Stanislaus
Sutter
Tehama
Trinity
Tulare
Tuolumne
Yolo
Yuba

Municipal Corporations

To the City Attorney and the City Clerk of the following municipal corporations:

Alameda
Albany
Amador City
American Canyon
Anderson
Angels Camp
Antioch
Arcata
Arroyo Grande
Arvin
Atascadero
Atherton
Atwater
Auburn
Avenal
Bakersfield
Barstow
Belmont
Belvedere
Benicia
Berkeley
Biggs
Blue Lake
Brentwood
Brisbane
Buellton
Burlingame
Calistoga
Campbell
Capitola
Carmel
Ceres
Chico
Chowchilla
Citrus Heights
Clayton
Clearlake
Cloverdale
Clovis
Coalinga
Colfax
Colma

Colusa
Concord
Corcoran
Corning
Corte Madera
Cotati
Cupertino
Daly City
Danville
Davis
Del Rey Oakes
Dinuba
Dixon
Dos Palos
Dublin
East Palo Alto
El Cerrito
Elk Grove
Emeryville
Escalon
Eureka
Fairfax
Fairfield
Ferndale
Firebaugh
Folsom
Fort Bragg
Fortuna
Foster City
Fowler
Fremont
Fresno
Galt
Gilroy
Gonzales
Grass Valley
Greenfield
Gridley
Grover Beach
Guadalupe
Gustine
Half Moon Bay

Hanford
Hayward
Healdsburg
Hercules
Hillsborough
Hollister
Hughson
Huron
Ione
Isleton
Jackson
Kerman
King City
Kingsburg
Lafayette
Lakeport
Larkspur
Lathrop
Lemoore
Lincoln
Live Oak
Livermore
Livingston
Lodi
Lompoc
Loomis
Los Altos
Los Altos Hills
Los Banos
Los Gatos
Madera
Manteca
Maricopa
Marina
Mariposa
Martinez
Marysville
McFarland
Mendota
Menlo Park
Merced
Mill Valley

Millbrae
Milpitas
Modesto
Monte Sereno
Monterey
Moraga
Morgan Hill
Morro Bay
Mountain View
Napa
Newark
Nevada City
Newman
Novato
Oakdale
Oakland
Oakley
Orange Cove
Orinda
Orland
Oroville
Pacific Grove
Pacifica
Palo Alto
Paradise
Parlier
Paso Robles
Patterson
Petaluma
Piedmont
Pinole
Pismo Beach
Pittsburg
Placerville
Pleasant Hill
Pleasanton
Plymouth
Point Arena
Portola
Portola Valley
Rancho Cordova
Red Bluff
Redding
Redwood City
Reedley
Richmond
Ridgecrest
Rio Dell
Rio Vista
Ripon
Riverbank
Rocklin
Rohnert Park
Roseville
Ross
Sacramento
Saint Helena
Salinas
San Anselmo
San Bruno
San Carlos
San Francisco
San Joaquin
San Jose
San Juan Bautista
San Leandro
San Luis Obispo
San Mateo
San Pablo
San Rafael
San Ramon
Sand City
Sanger
Santa Clara
Santa Cruz
Santa Maria
Santa Rosa
Saratoga
Sausalito
Scotts Valley
Seaside
Sebastopol
Selma
Shafter
Shasta Lake
Soledad
Solvang
Sonoma
Sonora
South San Francisco
Stockton
Suisun City
Sunnyvale
Sutter Creek
Taft
Tehama
Tiburon
Tracy
Trinidad
Turlock
Ukiah
Union City
Vacaville
Vallejo
Victorville
Walnut Creek
Wasco
Waterford
Watsonville
West Sacramento
Wheatland
Williams
Willits
Willows
Windsor
Winters
Woodland
Woodside
Yountville
Yuba City