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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company to Revise Its Electric Marginal Costs, Revenue Allocation, and Rate Design. (U39E)	Application 24-09-014 (filed September 30, 2024)

PROTEST OF SMALL BUSINESS UTILITY ADVOCATES TO PACIFIC GAS AND ELECTRIC COMPANY'S APPLICATION TO REVISE ITS ELECTRIC MARGINAL COSTS, REVENUE ALLOCATION AND RATE DESIGN

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SBUA
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I. INTRODUCTION

Pursuant to Rule 2.6 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), Small Business Utility Advocates ("SBUA") submits the following Protest to the *General Rate Case II Application of Pacific Gas and Electric. (U39E).* ("Application").

SBUA submits this protest in opposition to aspects of Pacific Gas & Electric Company's ("PG&E") Application due to the significant, adverse impacts on small business customers. PG&E's proposals to alter marginal costs, revenue allocation, and rate design threaten to increase operational costs for small businesses, already highly sensitive to shifts in utility expenses. Given the ongoing economic challenges faced by small businesses in California, including rising operational costs and a competitive market landscape, PG&E's proposed rate adjustments would place additional financial strain on this critical sector, potentially hampering small businesses' ability to recover, grow, and remain competitive.

PG&E's Application requests that the Commission adopt numerous proposals to revise the company's electric marginal costs, revenue allocation, and rate design.[1] Specifically, PG&E includes updated cost of service studies and marginal cost estimates for electric generation, transmission, and distribution.[2] Using the proposed updated cost of service studies and marginal costs, PG&E presents its "vision to move all customer classes, except for the Business Electric Vehicle (BEV) customer class, to full-cost revenue allocation over a gradual, four-year period. For the BEV customer class, which is currently further from cost of service relative to other customer classes, [PG&E propose[s] a longer, eight-year transition period."[3]

In addition, PG&E proposes to: (i) increase its Summer Time-Of-Use (TOU) peak vs. off-peak price (POPP) differentials; (ii) reduce tiered rate differentials on PG&E's non-TOU rate; and (iii) adjust non-residential customer charges towards their respective fully-scaled marginal cost levels.[4]

II. SBUA's BACKGROUND AND UNIQUE ROLE

SBUA's mission is to represent the utility concerns of the small business community. Promoting fair and equitable rate design and revenue allocation for small commercial customers is central to this mission.[5] As of 2023, California has approximately 4.1 million small businesses, which account for nearly half of the state's workforce and play a vital role in the economy.[6] Small businesses are not only vital to California's economic health and welfare but also constitute an important class of ratepayers for utility companies with direct impacts under PG&E's General Rate

[1] *General Rate Case II Application of Pacific Gas and Electric. (U39E).,* September 30, 2024, pp. 1-2.

[2] *Id*. at 5.

[3] Application, p. 7.

[4] *Id*. at 8-9.

[5] *See* SBUA website at www.utilityadvocates.org.

[6] *See, e.g.,* https://advocacy.sba.gov/wp-content/uploads/2023/11/2023-Small-Business-Economic-Profile-CA.pdf.

Case ("GRC") II proposals. The ratepayer interests of this class often diverge from residential ratepayers and larger commercial customers on a variety of utility matters. The needs of small businesses are critical to consider given their substantial impact on California's economy and the essential role of these businesses and their employees in driving the state's future economic growth.

III. SBUA'S INTERESTS IN THIS PROCEEDING

SBUA will participate fully in the adjudication of this proceeding by advocating for polices and rate allocation and design that ensure that all PG&E customers – including small businesses – receive reliable and safe service at reasonable rates. SBUA's participation will include substantive comments, briefing and testimony, participation at workshops and hearings (if held) and comments on any Proposed Decision.

Specifically, SBUA is interested in intervening on (but not limited) to the following GRC II issues:

Cost of Service and Marginal Cost Methodologies: SBUA has significant concerns with PG&E's proposed cost of service and marginal cost methodologies, particularly as they impact small business customers. The proposed methodologies for calculating marginal generation costs, marginal transmission and distribution capacity costs, and marginal customer costs require careful scrutiny. SBUA will analyze how these technical methodologies may affect costs allocated to small commercial customers, who typically have less ability to modify their usage patterns or invest in efficiency improvements compared to larger commercial customers.

Revenue Allocation: SBUA will analyze PG&E's proposals for allocating its total revenue requirement among different customer classes. A key issue is PG&E's plan to move all customer classes (except BEV) to full cost-based revenue allocation over a four-year period using the Equal

Percent of Marginal Cost (EPMC) method. This transition could disproportionately burden small businesses, which typically operate on narrow margins and have limited ability to absorb cost increases. SBUA will advocate for an allocation methodology and transition period that appropriately considers the financial constraints and unique characteristics of small business customers.

Non-residential Customer Charges: SBUA strongly opposes PG&E's proposal to dramatically increase fixed charges for small business customers. The Application proposes to quintuple single-phase service charges from $10 to $50 and quadruple polyphase service charges from $25 to $100 for small commercial customers under the Small Light & Power (SLP) rate schedules. Small businesses, as a ratepayer class, typically lack the economies of scale that larger businesses can leverage to absorb such increases. For small businesses with lower usage, these higher fixed charges would represent a particularly burdensome portion of their total bill. SBUA will recommend alternatives, such as a phased-in approach that balances cost recovery with the need to shield small businesses from rate shock, allowing them to maintain financial stability while adapting to changes in their rate structure.

Time of Use (TOU) Periods: SBUA will assess PG&E's Time-of-Use (TOU) period proposals. Small businesses often have limited flexibility in when they can operate, making them particularly sensitive to TOU period changes. SBUA plans to examine how the proposed increases in peak/off-peak rate differentials might affect small business operations, particularly for businesses that must operate during peak periods due to the nature of their operations. Many small businesses operate in situations with limited ability to modify their hours of operation or invest in equipment to shift energy usage patterns. SBUA is concerned that TOU changes should avoid

undue cost increases for small businesses while maintaining incentives for renewable energy adoption and conservation.

IV. SCHEDULE AND HEARINGS

SBUA agrees that evidentiary hearings will be necessary for the adjudication of this proceeding. SBUA has no comments on or concerns about the schedule at this point.

V . NOTICES

Services of notices, orders, and other communications and correspondence should be directed to the following:

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VI. CONCLUSION

SBUA looks forward to engaging with the Company and parties in this proceeding to ensure that the interests of small businesses are considered in this GRC II proceeding. Given the vital role of small businesses in California's economy, it is essential that any adopted changes to marginal costs, revenue allocation, and rate design support reasonable and predictable utility rates for this customer class and ensure equitable cost distribution.

Respectfully Submitted,

By: /s/ *Jennifer Weberski*
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