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, and Design Rates.	Application 24-03-019

OPENING BRIEF OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)

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Pursuant to Rule 13.12 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission) and Administrative Law Judge Marcelo Poirier's October 3, 2025 Email Ruling Setting Briefing Schedule and Granting Motion for Party Status, Southern California Edison Company (SCE) respectfully submits this Opening Brief. SCE addresses the three remaining contested issues in the proceeding: SCE's PRIME Plus proposal, The Utility Reform Network's (TURN) proposal to increase the baseline allowance, and the Solar Energy Industries Association's (SEIA) proposal regarding transmission marginal costs.[1]

I.

SCE'S OPTIONAL TOU-D-PRIME PLUS PROPOSAL SHOULD BE APPROVED

SCE offers a variety of optional time of use (TOU) rates to residential customers. The optional rates are designed to be revenue neutral to SCE's default residential TOU rate, TOU-D-4-9PM.[2] TOU-D-PRIME (PRIME) is the optional TOU rate designed for households with an electric or plug-in hybrid vehicle, residential battery, or building electrification technologies. PRIME is also suitable for households with higher energy usage and is the default rate option for customers taking service under the Net Billing Tariff (NBT).[3]

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[1] *See* Updated Joint Case Management Statement, p. 2 (October 2, 2025) (identifying remaining contested issues).

[2] Ex. SCE-04, p.58; Ex. SCE-04A, p. 57.

[3] Ex. SCE-04, p.59; Ex. SCE-04A, p. 58.

In this proceeding, SCE proposes TOU-D-PRIME Plus (PRIME Plus) as a new optional variation of the existing PRIME rate.

> [PRIME Plus] offers a higher fixed charge relative to the base PRIME rate as well as a time related demand (TRD) charge. Much like the base PRIME rate, [PRIME Plus] offers a rate structure that incrementally incentivizes customers who adopt electrification technologies. The addition of the demand equivalent charge enhances the effectiveness of the peak-period price to shape customer behavior to store and shift load away from the peak period. Because most residential customers do not have fifteen-minute demand interval meters, SCE proposes to implement the TRD charge based on the customer's maximum hourly demand within the pertinent time-of use period.[4]

SCE revised the PRIME Plus proposal in supplemental testimony to be consistent with Decision (D.)24-05-028, which was issued after SCE filed direct testimony.[5] The revised proposal includes a Base Service Charge (BSC) of $49, which includes all fixed costs identified in D.24-05-028 as well as a portion of non-marginal distribution costs.[6] The rate option will provide a more cost-based rate option relative to PRIME. It will encourage load flexibility and electrification by reducing the marginal cost of electricity consumption for participating customers.[7]

SEIA and Cal Advocates oppose PRIME Plus. SEIA claims the new rate may not adequately incentivize customers to change behavior and opposes the proposed rate's fixed charge and demand charge.[8] Cal Advocates claims the proposed rate's on-peak demand charges will not incentivize customers to reduce usage and recommends instead that SCE encourage customers to enroll in the Expanded Dynamic Rate Pilot.[9] These claims should be rejected. PRIME Plus should be approved because the rate design is consistent with the Commission's Rate Design Principles (RDPs) and the new rate will serve an important role in supporting electrification.

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[4] *Id.*
[5] Ex. SCE-06, pp. 22-25.
[6] Ex. SCE-06, p. 23.
[7] Ex. SCE-07, p. 5.
[8] Ex. SEIA-01, p. 40.
[9] Ex. CA-07, p. 7-5.

A. **PRIME Plus Furthers Important Rate Design Policy Goals**

PRIME Plus is consistent with the Commission's RDPs adopted in D.23-04-040, which support marginal cost-based rates that reduce grid constraints and greenhouse gas emissions (GHG). The combination of the BSC, fixed non-marginal distribution cost recovery, and the seasonal time-differentiated peak demand (usage) charge create a rate structure for the residential class that better reflects the RDPs when compared with existing residential TOU rates. The new rate also more closely resembles non-residential rates with demand charges, which have proven to be effective in adjusting customer behavior and establishing a base load pattern to relieve resource and grid constraints.[10]

The Commission has explained that cost-based TOU pricing can "[p]romote a balanced portfolio of baseload energy, demand, and peak demand reductions to obtain both reliability and long-term resource benefits of energy efficiency for both electricity and natural gas."[11] This is because customers are generally responsive to TOU electricity price signals: when electricity prices are set at or near the cost-based level, they send a strong signal to consistently reduce consumption during periods of grid or resource constraints.[12] PRIME Plus is consistent with and extends this proven pricing structure by providing a meaningful distribution of fixed and variable cost recovery through introduction of a demand charge. This is important because the high proportion of volumetric revenue recovery presently in residential rates constrains the ability of residential customers to adopt electrification and Distributed Energy Resource (DER) technologies.[13]

Offering a rate option with significant incentives for electrification and DER adoption is consistent with the RDPs and in the public interest.[14] PRIME Plus will be a critical tool to

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[10] Ex. SCE-07, p. 5.

[11] State of California, Energy Action Plan II, Key Actions, p. 4 (October 2005), *available at* https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fdocs.cpuc.ca.gov%2Fword_pdf%2FREPORT%2F51604.doc&wdOrigin=BROWSELINK

[12] Ex. SCE-07, p. 6.

[13] Ex. SCE-07, p. 7.

[14] Ex. SCE-07, p. 15.

provide customers an opportunity to electrify at marginally lower rate levels than would otherwise be possible under existing rates.[15]

B. The Inclusion Of An On Peak Demand Charge Provides Substantial Incentive For PRIME Plus Customers To Change Behavior

SCE performed analysis that demonstrates PRIME customers shift usage away from peak periods at a higher rate than customers on the default TOU rate: PRIME customers reduced peak period usage by nearly 13%, nearly five times as much as those on the default 4-9PM rate, who reduced their load by only 2.6%.[16] PRIME Plus will further these reductions in load because its effective price signal will be nearly 1.4 times greater than PRIME.[17] The reason for the improved price signal is PRIME Plus's on-peak demand charge, which creates an enhanced price signal compared to simply increasing the on-peak volumetric rate. The addition of a seasonal on-peak demand charge will encourage even greater load reductions to help reduce GHG and manage grid conditions.[18]

The addition of a separate peak demand charge is essential to encourage changes in customer behavior. This is because converting a demand charge to an effective volumetric rate translates to a higher effective per kWh rate.[19] An illustrative bill for a customer with usage of 1,000 kWh and a 10kW hourly peak usage on PRIME vs. the proposed PRIME Plus demonstrates this impact. Assuming this customer has 10% of usage during on-peak, 40% in mid-peak and 50% during off-peak, instead of a simple on to off-peak ratio of 2.7 to 1 with PRIME, the on peak rate of 95 cents per kWh inclusive of the peak demand charge creates an effective ratio of 4.0 to 1 with PRIME Plus. This demonstrates how PRIME Plus provides a greater TOU price signal than PRIME.[20]

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[15] Ex. SCE-07, p. 16.
[16] *See* SCE-07, pp. 9-10, Appendix B (EV TOU Load Study).
[17] Ex. SCE-07, p. 10.
[18] Ex. SCE-07, p. 11.
[19] Ex. SCE-07, p. 11.
[20] Ex. SCE-07, p. 12.

Table I-1
***PRIME vs PRIME PLUS*[21]**

Summer Rate Component	PRIME Rates	PRIME Bill	PRIME Plus Rates	PRIME Plus Bill
On Peak 100kWh	72.2¢	$ 72.20	63.7¢	$ 63.70
Mid Peak 400 kWh	41.8¢	$ 167.20	32.5¢	$ 128.00
Off Peak 500 kWh	27¢	$ 135.00	23.8¢	$ 119.00
Fixed Charge	$24.50	$ 24.50	$49	$ 49.00
Demand Charge (kW)	$ -	$ -	$3.20	$ 32.00
Total Peak Bill		$ 72.70	(63.7 + 32)	$ 95.70
Effective Peak price/kWh		72.2¢		95.7¢
Effective Peak/Off Peak Ratio		2.7 : 1		4.0 : 1

C. <u>PRIME Plus Is The Best Rate Design Option To Further Incentivize Residential Customers To Shift Usage Off Peak</u>

Cal Advocates claims dynamic rates may be as effective as PRIME Plus at incentivizing customers to shift usage. SCE disagrees. TOU rates are preferable to dynamic rates in this context because they are simpler and easier for customers to understand. Through its Energy Action Plan (EAP), the Commission established its longstanding policy of using time responsive electricity pricing (i.e., TOU pricing) to encourage energy efficiency (EE) and the adoption of GHG-reducing technologies with the goal of reducing resource and grid constraints as well as overall levels of GHG. The EAP recognizes that TOU pricing can "[p]romote a balanced portfolio of baseload energy, demand, and peak demand reductions to obtain both reliability and long-term resource benefits of energy efficiency for both electricity and natural gas."[22] This is because customers are generally responsive to TOU electricity price signals due to the simplicity

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[21] Ex. SCE-07, p. 12, Table III-1.
[22] State of California, Energy Action Plan II, Key Actions, p. 4 (October 2005), *available at* https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fdocs.cpuc.ca.gov%2Fword_pdf%2FREPORT%2F51604.doc&wdOrigin=BROWSELINK

of either adjusting one's schedule around a known high-priced period or deploying technology to avoid defined high-priced periods. Additionally, when electricity prices are set at or near the cost-based level, they send a strong signal to consistently reduce consumption during periods of potential grid or resource constraints. PRIME Plus extends this proven pricing structure to the residential class, which is necessary because the high proportion of volumetric revenue recovery presently in residential rates constrains residential customers' ability to meaningfully contribute to the State's GHG reduction goals through adoption of electrification and DER technologies.[23]

PRIME Plus is designed to provide clear and effective price signals that encourage beneficial electrification and load flexibility. These attributes are also complementary to a dynamic rate structure and can lead to more effective load response when PRIME Plus is the rate used for the subscription portion of the load. The three-part structure ensures that rates are better aligned with the underlying marginal costs in addition to the cost-based dynamic price signal applied to the dynamic portion of the load. Aligning rates with their underlying costs encourages customers to use energy in a way that optimizes the use of grid infrastructure and reduces long-term costs. Providing customers with options to manage their bills and encouraging behaviors that improve system reliability contributes to the overarching goals of the State's energy transition.[24]

PRIME Plus can also enable broader adoption of managed charging for residential customers who have chosen to fuel switch by purchasing EVs for their transportation needs, which in turn will contribute to more robust dynamic rate participation. The peak usage component of PRIME Plus provides a simple price signal that encourages residential customers to avoid charging their EVs in seasonal peak periods, which will alleviate grid stress that typically occurs in these periods. Customers enrolling in PRIME Plus are likely to be highly electrified and able and willing to respond to additional price signals.

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[23] Ex. SCE-07, pp. 6-7.
[24] Ex. SCE-07, p. 7.

For all these reasons, the Commission should adopt PRIME Plus and reject Cal Advocates' opposition to the rate.[25]

D. **Customers Interested In Modifying Their Electricity Usage Pattern are Likely to Understand the Rate**

SEIA opposes PRIME Plus, claiming customers may find it difficult to understand and accept the new peak usage charge.[26] As discussed in SCE's Rebuttal Testimony, however, PRIME Plus will be an ***opt in*** rate offering.[27] Customers with greater electrified and shiftable load are likely to be able to understand the benefits of ensuring they maintain usage away from the on-peak period as demonstrated by the customer usage profiles of PRIME customers. Unlike other utilities in the United States, the California IOUs are uniquely positioned to educate customers on new optional rate structures due to the unprecedented undertaking of transitioning millions of residential customers to TOU rates and, more recently, the communication effort to launch the BSC. SCE will leverage this experience to inform interested customers of the new optional rate offering and educate them about the benefits of ensuring they maintain usage away from the on-peak period.

II.

TURN'S PROPOSAL TO INCREASE THE BASELINE ALLOWANCE SHOULD BE REJECTED

TURN proposes that the baseline allowance be adjusted upward to reflect NEM behind the meter usage.[28] TURN claims that NEM adoption "distorts" average residential usage in the baseline allowance calculation because it eliminates the portion of actual residential consumption provided by behind-the-meter (BTM) generation. Factoring behind the meter usage into the

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[25] Ex. SCE-07, p. 8.
[26] *Id.,* p. 41.
[27] *Id.,* p. 12.
[28] Ex. TURN-01, p. 2.

baseline calculation will, according to TURN, better align with the Public Utilities Code (PUC) because it will cause the baseline usage calculation to reflect the total average consumption by residential customers instead of just utility-delivered consumption.[29]

A. **TURN's Proposal Is Inconsistent With The Public Utilities Code's Definition Of "Baseline Quantity"**

As is common in Phase 2 proceedings, TURN uses the term "baseline allocation" to refer to *baseline quantity*. Baseline quantity is defined in the PUC at Section 739(a)(1) as "a quantity of electricity… allocated by the commission for residential customers based on from 50 to 60 percent of average residential consumption…, except that, for… for all-electric residential customers, the baseline quantity shall be established at from 60 to 70 percent of average residential consumption during the winter heating season." Section 739(d)(1) of the PUC requires utilities to offer "*baseline rates* [that] shall apply to the first or lowest block of an increasing block rate structure which shall be the baseline quantity" (emphasis added).

The PUC provides detailed guidelines for calculating baseline quantities. PUC Section 739(a)(1) requires the Commission to "take into account climatic and seasonal variations in consumption and the availability of gas service. The commission shall review and revise baseline quantities as average consumption patterns change in order to maintain these ratios and may do so during the rate case or other ratesetting proceeding of a gas corporation or electrical corporation." Section 739(a)(1) also requires the Commission to "make efforts to minimize bill volatility for residential customers, including all-electric residential customers. Those efforts may include modifying the length of the baseline seasons or defining additional baseline seasons."

The PUC does not authorize consideration of customer-generated energy in calculating the baseline quantities. Further, Sections 739(a)(1) and (d)(1) make clear that customer-

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[29] Ex. TURN-01, pp. 12-13.

generated energy, as proposed by TURN, is excluded from the calculation. Both sections use the term *baseline quantity* as a function of average consumption: the first provides requirements for its calculation and the second requires that the baseline quantity be billed at a baseline rate. Because only billed or consumed energy delivered by the utility can be billed at a baseline rate (or any rate), these sections thus contemplate that the baseline quantity reflects only billed or consumed energy delivered by the utility. However, under TURN's proposal, the baseline quantity would include energy that cannot be billed by the utility because it is a percentage of energy supplied by customer-owned generation. In other words, TURN treats the term *baseline quantity* as encompassing two distinct concepts in these sections: in Section 739(a)(1), the *total* energy consumed by a customer (i.e., delivered by the utility and generated onsite), and in Section 739(d)(1), only the energy *delivered* by the utility. It is not reasonable or practical to interpret this PUC-defined term as referring to two inconsistent concepts, as TURN does.

B. This Type of Proposed Change To The Baseline Allowance Calculation Should Come From A Rulemaking Because It Is Likely To Affect Other Utilities

Even if the Commission disagrees with SCE's interpretation of the PUC and finds that consideration of customer-generated energy is statutorily permissible in calculating the baseline quantities, it should still reject TURN's proposal. SCE understands that all three large electric investor-owned utilities only include utility-delivered energy in their baseline allocations. Thus, adopting TURN's proposed change for SCE in this proceeding could also affect the other two large investor-owned utilities who are not parties here. As such, it would be more appropriate to consider TURN's proposed change in a rulemaking or other proceeding that is of general applicability to all utilities so that all impacted stakeholders can participate.

C. SCE Will Update The Baseline Allowances To Reflect Current Residential Usage

As indicated in rebuttal testimony, prior to implementing rates authorized in this proceeding, SCE will update the baseline allowances included in direct testimony to reflect more recent billed residential customer consumption across SCE's service territory, based on the previous ten years (2015-2024). SCE will set baseline allowances at the statutory maximum of 60 percent of usage during summer and winter for Basic customers. For all electric customers, SCE will set baseline allowances at the statutory maximum of 60 percent of summer usage and 70 percent of winter usage. Incremental baseline allowances will continue to be offered to residential customers with heat pump water heaters (HPWH) as specified in the Residential Settlement Agreement.[30]

III.

SEIA'S TRANSMISSION MARGINAL COST PROPOSAL SHOULD BE REJECTED AS OUT OF SCOPE FOR THIS PROCEEDING

SEIA recommends the Commission adopt Marginal Transmission Capacity Costs (MTCCs) in this proceeding and presents two different calculations for MTCCs applicable to SCE.[31] SEIA claims that, even though transmission rates are subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC), this Commission should review and approve MTCCs because they are used in Commission rates.[32]

In past proceedings, the Commission has acknowledged the jurisdictional boundaries between FERC's embedded cost procedural processes for review and approval of transmission costs and the Commission's marginal cost policy.[33] The FERC determines its overall revenue requirement in Base Transmission Revenue Requirement cases, which are updated annually in a Formula Rate application. In neither of these proceedings has FERC adopted a marginal cost framework for the allocation of revenues and for the design of retail rates. While SCE is not opposed to potentially altering the design of transmission retail rates in a relevant rate design

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[30] A.24-03-019, August 12, 2025 *Joint Motion for Adoption of the Residential Rate Design Settlement Agreement*, Appendix A, p. 11.
[31] Ex. SEIA-01, pp. 19-23.
[32] Ex. SEIA-01, pp. 20-22.
[33] *See, e.g.,* D.25-08-049 at p. 15; D.18-05-040 at p. 114.

proceeding, this is not that proceeding because the GRC Phase 2 focuses on revenue allocation and rate design associated with CPUC-jurisdictional revenue requirements and rates.[34] Thus, the adoption of marginal cost approaches or methodologies for FERC-jurisdictional revenue requirements is out of scope for this proceeding.[35]

Additionally, the recent Demand Flexibility OIR (DFOIR) Track B Decision has already provided guidance to utilities with respect to allocation and rate design associated with transmission rates.[36] While this guidance is specific to dynamic rates, the resulting allocation of costs and supporting studies are also applicable to base TOU rates. In response to the DFOIR Track B Decision, SCE filed supplemental testimony regarding MTCC allocation and rate design,[37] proposing a process that is consistent with SCE's adopted California Energy Commission (CEC) Load Management Standards (LMS) Compliance Plan[38] and a methodology that bridges the jurisdictional differences between the CPUC and the FERC. Therefore, SEIA's request to address transmission rates in this proceeding is unnecessary and will create additional complications if adopted as SCE already has an approved framework to proceed regarding MTCCs from both the CPUC and the CEC. For these reasons, the Commission should reject SEIA's MTCC proposal.

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[34] In its 2021 GRC Phase 2 SCE presented a Transmission marginal cost study that utilized SCE's methodology for Distribution Marginal costs allocation. The study was non-precedential and was presented for information purposes only as directed in the 2018 GRC Phase 2 Final Decision. The study did not support any of SCE's Phase 2 proposals.

[35] *See* Assigned Commissioner's Scoping Memo and Ruling, p. 2 ("The issues to be determined or otherwise considered are… Whether SCE's proposed marginal electric costs and cost of service calculations are reasonable and should be approved.").

[36] D.25-08-049, pp. 41-48.

[37] A.24-06-014, SCE-04 Supplemental Testimony, pp.13-14.

[38] SCE's Revised LMS Compliance Plan was filed under Docket No. 23-LMS-01 (TN# 262312) on March 24, 2025, and subsequently approved by the California Energy Commission via signed Order No. 2500508-05a (TN# 263178) on May 16, 2025. *See* https://efiling.energy.ca.gov/GetDocument.aspx?tn=262312&DocumentContentId=98828.

IV.

CONCLUSION

For the reasons stated above, SCE's PRIME Plus proposal should be adopted and TURN's baseline allowance and SEIA's MTCC proposals should be rejected.

Respectfully submitted,

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