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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) to Establish Marginal Costs, Allocate Revenues, and Design Rates.	Application 24-03-019

PUBLIC ADVOCATES OFFICE REPLY BRIEF

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I. BACKGROUND AND OVERVIEW

Pursuant to Rule 13.12 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure (Rules) and Administrative Law Judge Poirier's (ALJ) October 3, 2025 Email Ruling (ALJ Email Ruling), the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) submits this Reply Brief.

This Reply Brief addresses arguments made in parties' November 3, 2025 opening briefs regarding: (1) Southern California Edison Company's (SCE) proposed TOU-D-PRIME Plus (PRIME-Plus) rate and (2) the Solar Energy Industries Association's (SEIA) proposal to adopt an inflated Marginal Transmission Capacity Cost (MTCC) and create a time-differentiated transmission rate. Cal Advocates opposes both proposals.

II. ARGUMENT

A. SCE'S TOU-D-PRIME PLUS PROPOSAL DOES NOT BENEFIT RESIDENTIAL CUSTOMERS

1. SCE fails to demonstrate measurable customer or grid benefits for residential customers.

SCE falsely claims that its PRIME-Plus proposal provides a more cost-based rate option, relative to the available TOU-D-PRIME rate (PRIME),[1] that will "encourage load flexibility and electrification."[2] SCE does not support these claims by cost analysis or any other empirical evidence.[3] As Cal Advocates demonstrated using SCE's own Peak Load Risk Factor (PLRF) data, the hours of greatest circuit loading often occur outside the fixed 4:00–9:00 p.m. on-peak window that triggers SCE's demand charge in its PRIME-Plus proposal.[4] SCE did not directly dispute Cal Advocates' analysis in Rebuttal testimony instead simply asserting "[Cal Advocates'] claims should be rejected" because

[1] SCE Opening Brief at 2.

[2] SCE Opening Brief at 2 (citing Ex. SCE-07 at 5).

[3] Exh. Cal Advoc-8 at 7-4 through 7-9.

[4] Cal Advocates Opening Brief at 5, 6 (citing Exh. Cal Advoc-08 at 7-6).

PRIME-Plus is "simpler and easier" and consistent with the Commission's Rate Design Principles (RDPs).[5]

SCE's "simpler and easier" assertion is not supported, as SEIA's Opening Brief points out, residential customers lack access to the interval data and the technical literacy required to manage kW-based demand charges.[6] SCE provided no evidence of a customer education or outreach plan and admitted that customers "may not be able to discern exactly how much additional savings or cost will result" from the rate.[7] Therefore, SCE's proposed TOU-D-PRIME Plus proposal fails to provide a clear and effective price that would produce greater load response as SCE claims.

2. SCE continues to falsely equate demand charges with enhanced TOU pricing in order to support its PRIME-Plus proposal.

SCE continues to assume its PRIME-Plus proposal will lead to higher peak load reduction by simply stating that higher TOU peak to off peak price differentials automatically lead to greater demand response.[8] While SCE accurately states that PRIME exhibits higher peak to off peak price differentials compared to default rates, this does not mean that the relationship continues to scale as SCE's proposal suggests.[9] As noted in Cal Advocates' Opening Brief, there are diminishing returns between price differentials and customer response. Therefore, as the TOU price differential increases, the marginal price response diminishes.[10] Furthermore, SCE admits that a demand charge structure

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[5] SCE Opening Brief at 2, 5.

[6] SEIA Opening Brief at 7 ("Residential customers in California have never been exposed to a demand charge") (Citing Exh. SEIA-01 at 42:2-3).

[7] Exh. SCE-07, at 11:7-8.

[8] SCE Opening Brief at 4 (citing Exh. SCE-07 at 10).

[9] SCE Opening Brief at 4. (Specifically, SCE references an analysis that demonstrates PRIME customers shift usage away from peak periods at a higher rate than customers on the default TOU rate.)

[10] Cal Advocates Opening Brief at 5. (See discussion of SCE's "Arc of Price Response" exhibiting diminishing returns between price differentials and customer response, SCE's admission that a demand charge structure does not directly contribute to a higher volumetric price that would drive increased response and the fact that assumptions cannot substitute for analysis).

does not directly contribute to a higher volumetric price that would drive increased response.[11] Therefore, SCE's assertion that PRIME-Plus will produce larger peak demand response compared to PRIME (which relies on disguising demand charges as a TOU rate) is at best, highly speculative.

In Opening Briefs, SCE attempts to explain away the distinction between volumetric TOU pricing and demand charges by reframing PRIME-Plus's on-peak demand charge as an increase in the "effective volumetric rate"[12] paid by a customer. SCE oversimplifies inherent complexities in its proposal as the demand charge depends on many factors including, but not limited to, the percentage of usage that is on peak and customer's spikiness in consumption patterns during the on-peak period.[13] Any changes to just one of these parameters could dramatically change the average $/kWh rate a customer incurs during the peak period. This complexity and uncertainty is antithetical to SCE's endorsement of simple TOU electricity price signals.[14]

3. Dynamic rates can provide more accurate price signals than SCE's PRIME-Plus proposal.

SCE has not provided reasonable support for enrolling customers on PRIME-Plus over the Expanded Dynamic Rate pilots. SCE's Opening Brief mischaracterizes dynamic rates as complex or less effective than TOU rates and argues that TOU rates are preferable, as they are simpler and easier for customers to understand.[15] In reality, dynamic pricing (which the Commission has already approved) directly aligns price

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[11] Cal Advocates Opening Brief at 6, footnote 23 referencing Exh. SCE-07, at 11 ("A demand or peak usage charge structure … does not directly contribute to a higher volumetric price that would drive increased response as demonstrated through the Arc of Price Response analysis.")

[12] At 5 table I-1 with 4:1 compared to 2.7:1 SCE calculates the 4:1 effective ratio by dividing sample customer's hypothetical billed demand charges by the total peak kWh consumption and adds that result to the on-peak volumetric charge.

[13] On page 4 of SCE's Opening Brief, SCE assumes the following: 1,000 kWh and a 10kW hourly peak usage, 10% of usage during on-peak, 40% in mid-peak and 50% during off-peak.

[14] SCE Opening Brief 5-6 "customers are generally responsive to TOU electricity price signals due to the simplicity of either adjusting one's schedule around a known high-priced period or deploying technology to avoid defined high-priced periods."

[15] SCE Opening Brief at 5.

signals with grid needs and sends time-varying incentives when capacity is scarce in real time.[16] By contrast, SCE's static demand charge is a blunt instrument that penalizes isolated hourly spikes regardless of whether they coincide with system peaks.[17] Cal Advocates[18] and SEIA[19] have both demonstrated that such demand charges would neither produce consistent behavioral changes nor deliver incremental benefits over the dynamic pilot structure. In terms of complexity, SCE aims to elevate PRIME-Plus over dynamic rates by ignoring the demonstrated complexity of its demand charges and underscoring the simplicity of TOU rates in a vacuum.

Despite the fact that the Commission's Energy Action Plan (EAP) does not reference demand charges, SCE alleges Commission support for a rate like PRIME-Plus on claims that 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" because customers are generally responsive to TOU electricity price signals due to the simplicity.[20]

Contrary to SCE's assertion, the EAP explains that "With the implementation of well-designed dynamic pricing tariffs and demand response programs for all customer classes, California can lower consumer costs and increase electricity system reliability."

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[16] Decision (D.) 25-08-049 at 41-48.

[17] SEIA Opening Brief at 6 ("The result [of SCE's additional on-peak demand signal" is likely to be less demand response, and a frustrated customer with a high bill."); Cal Advocates Opening Brief at 6-7.

[18] Cal Advocates Opening Brief at 6 ("the record does not reflect that SCE's proposed on-peak demand charges would beneficially shift consumption").

[19] SEIA Opening Brief at 6 ("Demand Charges do Not Necessarily Enhance Customer Response") and 7 ("SCE Has Not Demonstrated Sufficient Customer Understanding of the Demand Charge Component of its PRIME Plus Proposal").

[20] SCE Opening Brief at 5

[21] The EAP's key actions for demand response[22] provide that the Commission should continue advancing dynamic pricing and demand response by expediting approval of tariffs and programs that leverage advanced metering technology, promote meaningful load shifting without increasing overall consumption, and expand access to dynamic rates for all customer classes. Thus, contrary to SCE's assertion, the EAP supports Cal Advocates' proposal to focus on directing customers to the Expanded Dynamic Rate pilots over the PRIME-Plus option.

4. PRIME-Plus is not just and reasonable

SCE has not shown that PRIME-Plus would yield measurable grid benefits, customer bill savings, or load flexibility superior to existing dynamic pilots.[23] Without measurable load response or a comparative analysis with the Expanded Dynamic Rate Pilot, SCE's PRIME-Plus proposal cannot be said to satisfy the applicable "just and reasonable" standard of Pub. Util. Code § 451.

The Commission should reject PRIME-Plus and instead direct SCE to focus its resources on expanding participation in the Expanded Dynamic Rate Pilot, which better aligns cost signals with real-time system needs and provides a clearer foundation for statewide dynamic pricing policy.

B. SEIA'S MARGINAL TRANSMISSION COST PROPOSAL IS UNSUPPORTED, OUT OF SCOPE AND DUPLICATIVE OF COMMISSION EFFORTS.

As set forth below, the Commission should reject SEIA's MTCC proposal for three main reasons.

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[21] See California's Energy Action Plan II, Implementation Roadmap for Energy Policies, Section II. Specific Action Areas, Section 2, Demand Response (Available at Energy Action Plan II - IMPLEMENTATION ROADMAP FOR ENERGY POLICIES)

[22] Energy Action Plan II, Implementation Roadmap for Energy Policies, Section II. Specific Action Areas, Section 2, Demand Response, Key Actions 2 through 4.

[23] SEIA Opening Brief at 4; Cal Advocates Opening Brief at 6.

1. SEIA's proposed MTCC is inflated and unsupported.

SEIA proposes an MTCC of $73/kW-year[24] which SEIA states results in $1.75 billion annual marginal transmission cost revenue—roughly 25 percent higher than SCE's Federal Energy Regulatory Commission (FERC)-approved $1.4 billion transmission revenue requirement.[25] SEIA did not provide supporting workpapers for its estimate, nor did SEIA propose a revenue reconciliation method (such as Equal Percent of Marginal Cost), to ensure its MTCC results in revenue neutral rates.[26] Adopting such a value would overstate SCE's transmission marginal cost and misalign rate design with actual cost causation.

2. SEIA's proposal is premature and duplicative of ongoing Commission efforts.

Decision 24-04-010 established a statewide Transmission and Distribution (T&D) Cost Study precisely to develop standardized MTCC methodologies.[27] D.22-05-002 authorized Energy Division to initiate review and analysis of avoided transmission and distribution costs to aid in the development, during the successor proceeding, of improved methods to calculate these values.[28] Decision 25-08-049 further directed large IOUs to coordinate on MTCC design for inclusion in demand flexibility rate proposals.

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[24] SEIA Opening Brief at 11.

[25] Cal Advocates Opening Brief at 7, FN 33 ("Exh. SEIA-1, see fn. 119 at 65. SEIA incorrectly states "SCE's marginal capacity-related transmission revenues are $1.75 billion per year, compared to SCE's transmission revenue requirement is $1.4 billion per year.")

[26] SEIA Opening Brief at 12. While SEIA asserts that it applied the DTIM calculation methodology with "the most recent data available" and validated its results using "FERC Form 1 CAISO transmission cost data and using data from recent CAISO transmission plans…"(Ex. SEIA-01 at 23:3-6), SEIA did not attach any workpapers on how it developed its $1.75 billion estimate for review and validation.

[27] D.20-04-010 at 60 ("Hence, we direct Energy Division staff to continue to use the marginal cost method used by PG&E in its derivation of transmission marginal costs to determine unspecified avoided transmission value in the Avoided Cost Calculator; the same method shall then be applied to SCE and SDG&E.") and 61 ("We recognize that refinements to the avoided transmission method will be needed. Accordingly, we direct staff to develop those refinements… SCE and SDG&E shall work with Staff to use the marginal cost method used by PG&E in its derivation of transmission marginal costs. Staff will apply the same method to SCE and SDG&E.")

[28] D.22-05-002 at 75.

As SCE explains, the record does not address relevant proceedings where SCE has filed supplemental testimony regarding MTCC allocation and rate design or SCE's adopted California Energy Commission (CEC) Load Management Standards (LMS) Compliance Plan.[29]

SEIA's attempt to litigate a new MTCC value in this GRC circumvents ongoing processes and risks creating inconsistent cost inputs across utilities. Adopting SEIA's proposal in this proceeding would be premature and duplicative while creating unneeded complications in the Commission's approved framework.

3. SEIA's time-differentiated transmission rate testimony is out of scope.

SEIA's testimony advocating a "time-differentiated transmission rate" extends beyond the issues identified in both the Scoping Memo[30] and the Updated Joint Case Management Statement[31] and should be given no weight. The Commission has not noticed this proceeding to redesign transmission cost recovery or modify the Avoided Cost Calculator methodology. As such, SEIA's proposal is procedurally improper and unsupported by the record.

Therefore, for the reasons above, the Commission should reject SEIA's MTCC proposal.

III. CONCLUSION AND REQUESTED RELIEF

For the reasons discussed above and in our Opening Brief, the Public Advocates Office respectfully requests that the Commission:

1. Reject SCE's proposed TOU-D-PRIME Plus rate as speculative, unsupported by empirical evidence, and inconsistent with just-and-reasonable rate design principles. Instead, the Commission should direct SCE to focus its efforts on expanding dynamic rate pilot participation;

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[29] SCE Opening Brief at 11.

[30] November 1, 2024 Scoping Memo, list of issues at 2.

[31] October 2, 2025 Updated Joint Case Management Statement, list of remaining contested issues and facts at 2.

2. Require further study on TURN's proposal to adjust baseline allowances for behind-the-meter NEM generation to avoid unevenly affecting different customer baseline regions contrary to Pub. Util. Code § 739;
3. Reject SEIA's proposed MTCC and time-differentiated transmission rate as inflated, premature, and outside the scope of this proceeding; and
4. Reject the VGRP Settlement's application of the Avoided Cost Calculator to determine VGRP export credits.

Respectfully submitted,

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