

Decision **PROPOSED DECISION OF ALJs PARK and DOHERTY**  
(Mailed 6/7/2019)

**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 (U39E).

Application 17-12-011

And Related Matters.

Application 17-12-012

Application 17-12-013

**PHASE IIB DECISION ADDRESSING RESIDENTIAL DEFAULT TIME-OF-USE  
RATE DESIGN PROPOSALS AND TRANSITION IMPLEMENTATION**

## Table of Contents

Title	Page
PHASE IIB DECISION ADDRESSING RESIDENTIAL DEFAULT TIME-OF-USE RATE DESIGN PROPOSALS AND TRANSITION IMPLEMENTATION.....	1
Summary .....	2
1. Background and Procedural History .....	2
2. Phase IIB Issues .....	6
3. SCE Rate Design Proposals .....	8
3.1. Tiered Rate Design for SCE Including Seasonal Differential .....	9
3.1.1. Is the settlement’s proposed seasonal rate differential reasonable in light of the whole record? .....	12
3.1.2. Is the settlement’s proposed seasonal rate differential consistent with the law? .....	13
3.1.3. Is The Settlement’s Proposed Seasonal Rate Differential in the Public Interest? .....	15
3.2. Default TOU Rate Designs for SCE .....	19
3.2.1. Are the TOU Rate Designs Proposed by the Settlement Reasonable In Light of the Whole Record? .....	22
3.2.2. Are the TOU Rate Designs Proposed by The Settlement Consistent with the Law? .....	30
3.2.3. Are the TOU rate designs proposed by the settlement in the public interest? .....	34
3.2.4. Dissonance Between the Settlement’s Illustrative Rates and Peak Differentials .....	34
3.3. Other elements of SCE’s Default TOU Rate Design Proposal .....	35
3.3.1. TOU-D-4-9PM as the Standard Turn-On Rate for Residential Customers .....	35
3.3.2. Defaulting Each Eligible Customer to Their “Least Cost” Default TOU Rate .....	36
3.3.3. Standard Rate for NEM 2.0 Customers .....	36
3.4. Approval of SCE’s Proposed Rate Designs .....	37
4. PG&E Rate Design Proposals .....	38
4.1. PG&E’s Proposed Default TOU Rate .....	38
4.1.1. Evidence from the Opt-In Pilots .....	41
4.1.2. Evidence from the Default Pilot .....	44
4.1.3. Estimated Bill Impacts and Energy Burdens of E-TOU-C .....	45

**Table of Contents (cont.)**

<b>Title</b>	<b>Page</b>
4.1.4. Cost Basis of E-TOU-C.....	48
4.1.5. Analysis Required by Public Utilities Code Section 745(d).....	49
4.1.6. Conditional Approval of E-TOU-C .....	51
4.1.7. E-TOU-C Must Include a Peak Marginal Distribution Cost Element.....	52
4.1.8. E-TOU-C Distribution Rate Design .....	55
4.1.9. Other Elements of E-TOU-C Rate Design.....	57
4.1.10.E-TOU-C as the Standard Turn-On Rate for Residential Customers .....	57
4.2. Current E-TOU-A .....	58
4.3. Current E-TOU-B .....	59
4.4. Proposed New E-TOU-B.....	60
4.5. PG&E Tiered Rate Design – Minimum Bill.....	62
4.6. Proposed Changes to SmartRate .....	64
5. Implementation, Section 745, and ME&O Issues .....	68
5.1. Timing and Schedule.....	68
5.1.1. SCE Proposal.....	68
5.1.2. PG&E Proposal .....	69
5.1.3. Discussion.....	71
5.2. Customer Eligibility and Exclusions.....	74
5.2.1. SCE Proposal.....	74
5.2.2. PG&E Proposal .....	76
5.2.3. Other Parties’ Positions .....	77
5.2.4. Discussion.....	78
5.2.4.1. Customers Required to be Excluded Pursuant to Section 745 .....	78
5.2.4.2. Customers Already on a TOU Rate.....	78
5.2.4.3. CARE/FERA-Eligible Customers in Hot Climate Zones .....	79
5.2.4.4. Master-Metered Premises .....	84
5.2.4.5. Customers With More Than 3 Service Agreements .....	84
5.2.4.6. Complex NEM, MASH, and SOMAH Customers .....	85
5.2.4.7. CCA Customers.....	87

**Table of Contents (cont.)**

<b>Title</b>	<b>Page</b>
5.2.4.8. Direct Access/Transition Bundled Service Customers.....	88
5.2.4.9. Extreme Non-Benefitters .....	89
5.2.4.10. Methods for Identifying Excluded Customers .....	91
5.2.4.11. Customer Notice of Exclusions .....	91
5.2.4.12. New and Transferred Customers .....	92
5.3. Bill Protection .....	95
5.3.1. SCE Proposal.....	95
5.3.2. PG&E Proposal .....	96
5.3.3. Other Parties' Positions .....	97
5.3.4. Discussion.....	98
5.3.4.1. Defaulted Customers.....	98
5.3.4.2. Customers Opting Into TOU .....	98
5.3.4.3. New and Transferred Customers .....	100
5.3.4.4. Mechanics of Bill Protection .....	102
5.3.4.5. Marketing of Bill Protection .....	103
5.4. ME&O Plans .....	104
5.4.1. SCE Proposal.....	104
5.4.2. PG&E Proposal .....	105
5.4.3. Other Parties' Positions .....	106
5.4.4. Discussion.....	107
5.5. Rate Conversation Scripts.....	110
5.5.1. SCE Proposal.....	110
5.5.2. PG&E Proposal .....	111
5.5.3. Other Parties' Positions .....	112
5.5.4. Discussion.....	114
5.6. Annual Rate Comparisons .....	119
5.6.1. Party Positions .....	120
5.6.2. Discussion.....	121
5.7. Opt-Out Methods.....	122
5.7.1. Party Positions .....	122
5.7.2. Discussion.....	124
5.8. Role of ME&O Working Group .....	124
5.8.1. Party Positions .....	124
5.8.2. Discussion.....	127
5.9. Number of Rate Changes.....	130

**Table of Contents (cont.)**

<b>Title</b>	<b>Page</b>
5.10. Cost Recovery .....	131
5.10.1. SCE .....	131
5.10.2. PG&E .....	133
6. CCA Issues .....	133
6.1. CCA Transition Plans .....	133
6.1.1. Party Positions .....	133
6.1.2. Discussion .....	138
6.1.2.1. Commission Jurisdiction over CCAs .....	138
6.1.2.2. Timeline for CCAs to Communicate Intent Regarding Default TOU .....	140
6.1.2.3. CCA Participation Shall Not Affect Default TOU for Distribution Rates .....	145
6.1.2.4. Timeframe for Implementing Default TOU for CCAs with Different TOU Offerings .....	146
6.1.2.5. Reporting on CCA Transition Plans .....	147
6.2. Applicability of Section 745 to CCAs .....	151
6.2.1. Party Positions .....	151
6.2.2. Discussion .....	152
6.3. CCA Rate Comparison Tools .....	155
6.3.1. Tool Functionality .....	155
6.3.1.1. Party Positions .....	155
6.3.1.2. Discussion .....	157
6.3.2. Cost Allocation .....	161
6.3.2.1. Party Positions .....	161
6.3.2.2. Discussion .....	163
6.4. ME&O for CCAs .....	165
6.4.1. Party Positions .....	165
6.4.2. Discussion .....	167
7. GHG Savings Related to Default Residential TOU .....	168
8. Utility Cost Savings Attributable to Default TOU .....	172
9. Comments on Proposed Decision .....	174
10. Assignment of Proceeding .....	179
Findings of Fact .....	179
Conclusions of Law .....	197
ORDER .....	213

## **PHASE IIB DECISION ADDRESSING RESIDENTIAL DEFAULT TIME-OF-USE RATE DESIGN PROPOSALS AND TRANSITION IMPLEMENTATION**

### **Summary**

This decision resolves issues scoped into Phase IIB of this proceeding and addresses the rate design proposals of Southern California Edison Company and Pacific Gas and Electric Company to be implemented as part of their transitions to residential default time-of-use (TOU) rate structures set to begin in October 2020. This decision also addresses implementation issues related to the utilities' transition to default TOU rates, including their migration plans; marketing, education, and outreach plans; methods for identifying and excluding ineligible customers; bill protection proposals; and coordination with Community Choice Aggregators. This proceeding remains open.

### **1. Background and Procedural History**

In Decision (D.) 15-07-001 the California Public Utilities Commission (Commission) set a course for a transition of most residential customers from a tiered, non-time varying electricity rate to a default time-of-use (TOU) electricity rate.<sup>1</sup> D.15-07-001 directed Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) (collectively, the Investor-Owned Utilities (IOUs)) to each file a residential rate design window (RDW) application no later than January 1, 2018 that proposes a default TOU rate structure for their residential customers to

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<sup>1</sup> A "tiered rate" is a rate schedule on which price varies solely by the total amount of electricity used in a one-month period. Under a TOU rate the price varies according to when the electricity is used. A default rate is not mandatory; customers are still allowed to opt out to a different rate.

begin in 2019, assuming that statutory requirements are met.<sup>2</sup> D.15-07-001 also directed the IOUs to prepare studies of the potential cost savings and greenhouse gas (GHG) reductions as a result of default TOU rates as part of their 2018 RDW applications.<sup>3</sup> The Commission directed the IOUs to design the studies in consultation with Energy Division and interested parties.

On December 20, 2017 PG&E filed Application (A.) 17-12-011 for approval of its residential rate design window proposals, including implementation of a residential default TOU rate along with a menu of other residential rate options, followed by the addition of a fixed charge component to residential rates. On December 20, 2017 SDG&E filed A.17-12-013 for approval of its residential default TOU rate designs and fixed charges. On December 21, 2017 SCE filed A.17-12-012 for approval of its residential default TOU rate designs and to increase its residential fixed charge.

On December 20, 2017 PG&E and SDG&E and on December 21, 2017, SCE served testimony, which among other things, addressed the economic benefits and GHG reductions of TOU rates. SCE also served amended testimony on these issues on July 9, 2018.

On January 25, 2018 the assigned Administrative Law Judge (ALJ) issued a ruling consolidating A.17-12-011, A.17-12-012, and A.17-12-013.

On February 21, 2018 a prehearing conference was held to determine the parties, discuss the scope and schedule of the proceeding, and address other procedural matters.

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<sup>2</sup> D.15-07-001 at 172 and Ordering Paragraphs 9-11.

<sup>3</sup> D.15-07-001 at 162-163.

On March 1, 2018 the assigned Commissioner issued a Scoping Memo and Ruling (scoping memo) adopting a scope of issues and schedule for Phase I of this consolidated proceeding. The scoping memo determined that the scope of Phase I would include the issue of the proposed timing for default TOU, as well as any safety considerations with respect to the proposed timing.

On April 10, 2018 the assigned Commissioner issued an Amended Scoping Memo and Ruling (amended scoping memo) adopting a scope of issues and schedule for Phases II and III of this proceeding. Phase II considers the IOUs' specific rate design proposals for default TOU and other rate options, as well as implementation issues for default TOU. Phase II was bifurcated into Phases IIA and IIB in order to timely resolve issues on a schedule that would enable each IOU to implement residential default TOU on the start date adopted for that utility. Because SDG&E's transition to default TOU rates would occur first, Phase IIA primarily focused on SDG&E's rate design proposals and implementation issues while the majority of issues specific to SCE and PG&E were included in Phase IIB. Phase III will consider the IOUs' proposals for fixed charges and/or minimum bills.

On May 17, 2018 the Commission issued D.18-05-011, the Phase I decision addressing the timing of the transition to residential default TOU rates. That decision authorized SDG&E to begin transitioning eligible residential customers to default TOU rates beginning March 2019, and authorized PG&E and SCE to begin transitioning eligible residential customers to default TOU rates beginning October 2020.

On August 17, 2018 an ALJ ruling required the IOUs to consult with Energy Division and interested parties, to discuss the accuracy of the Itron model used to generate GHG savings calculations, and to develop a consistent set of



values and assumptions to be used in their calculations of cost estimates and GHG reductions. Each IOU served supplemental testimony on September 26, 2018 to address the appropriateness of Energy Division staff's methodological variant and to present its revised calculation of cost estimates and GHG reductions based on the consistent set of values and assumptions. Several parties responded to the IOUs' supplemental GHG and avoided cost testimony in their own prepared testimony.

On December 6, 2018 SCE, The Public Advocates Office at the California Public Utilities Commission (Cal Advocates),<sup>4</sup> the Solar Energy Industries Association (SEIA), the California Solar & Storage Association (CALSSA), the Consumer Federation of California Foundation (CFCF), the Natural Resources Defense Council (NRDC), and Environmental Defense Fund (EDF) (Settling Parties) jointly filed a motion seeking adoption of a "Settlement Agreement Resolving Phase IIB Default TOU and Tiered Rate Design Issues for Southern California Edison Company's 2018 Rate Design Window Application" (SCE rate design settlement).

On December 21, 2018 the Commission issued the Phase IIA decision, D.18-12-004, which addressed rate design proposals and implementation details for SDG&E's transition to default TOU rates. The decision also adopted proposals by PG&E and SCE to implement a line item discount for the California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) programs.

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<sup>4</sup> The Public Advocates Office was formerly the Office of Ratepayer Advocates.

Evidentiary hearings on Phase IIB issues were held on January 7-15, 2019.

Opening briefs on Phase IIB issues were filed on February 15, 2019 by SCE, PG&E, SDG&E, Cal Advocates, EDF, the Utility Reform Network (TURN), the Joint Community Choice Aggregators (Joint CCAs),<sup>5</sup> NRDC, and the Center for Accessible Technology (CforAT). Reply briefs on Phase IIB issues were filed on March 8, 2019 by TURN, Joint CCAs, SCE, CforAT, SDG&E, Cal Advocates, NRDC, PG&E, and EDF.

## **2. Phase IIB Issues**

Per the amended scoping memo, the Commission is required to resolve the following issues in Phase IIB of this proceeding.

SCE-specific issues:

- Whether SCE's proposal of two default TOU rates (TOU-D-4-9PM and TOU-D-5-8PM) is reasonable.
- Whether SCE's proposed TOU rates, levels and bill impacts are reasonable.
- Whether TOU periods/seasons should align for residential and non-residential SCE customers.
- Whether SCE's proposal to default customers to each customer's "least cost" rate is reasonable.
- Whether SCE's proposal to introduce seasonal differentiation to its Schedule D tiered rate (concurrent with the start of default TOU) is reasonable.
- Whether SCE's proposal for a 15-month initial default TOU implementation period is reasonable.

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<sup>5</sup> The Joint CCAs consist of California Choice Energy Authority, a California joint powers authority consisting of the cities of Lancaster, San Jacinto, and Pico Rivera; East Bay Community Energy; Marin Clean Energy; Pioneer Community Energy; Silicon Valley Clean Energy; and Sonoma Clean Power.

- Whether SCE's ME&O Plan is reasonable and should be adopted.

PG&E-specific issues:

- Whether PG&E's RDW rate design proposals are reasonable and should be adopted.
- Whether PG&E's default TOU rate (E-TOU-C) is reasonable and complies with the Commission's residential rate reform guidance.
- Whether PG&E's menu of optional rates (E-1, E-TOU-B, and E-FLAT) is reasonable and provides sufficient choice to residential customers.
- Whether PG&E's proposals to update its SmartRate critical peak pricing rate rider's event hours and incentive payment rate structure are reasonable.
- Whether PG&E's proposed Distributed Energy Resources (DER-A) pilot rate is reasonable and provides appropriate incentives to customers with distributed storage (batteries), as well as those with storage plus solar, to operate their resources in a way that will mitigate grid operational challenges.
- Whether PG&E's RDW rates implementation plans and ME&O plan are reasonable and should be adopted.
- Whether PG&E's proposal for a 12-month initial default time-of-use migration roll-out period is reasonable.
- Whether any fixed charge or PG&E's proposed E-FLAT's \$25 Volatility Mitigation Fee should apply only to PG&E's delivery portion of a CCA customer's bill.

Issues Common Across Two or More IOUs:

- Whether, and if so when, the default TOU rates for PG&E and SCE should become the "standard turn-on rate" before mass migration occurs.
- Whether PG&E's and SCE's determinations of customer eligibility for default TOU are consistent with Public

Utilities Code Sections 745(c)(2) and 745(d), and D.17-09-036.

- Whether PG&E's and SCE's methods for identifying and excluding ineligible customers from default TOU are reasonable.
- Whether PG&E's and SCE's bill protection proposals are reasonable and consistent with the law.
- What information PG&E and SCE should be required to provide in their "rate conversation" scripts to be used when new customers start service.
- Whether the IOUs' calculations of GHG reduction and economic benefits of TOU rates are reasonable.
- Whether the roll-out of default TOU to each CCA's customers should be accomplished over a single month.
- Whether PG&E's and SCE's respective proposals for CCA rate comparison tool options are reasonable and should be adopted.
- Whether SDG&E should develop a rate comparison tool in light of emerging CCA programs.
- Whether the costs of a rate comparison tool for CCAs should be allocated to generation or distribution rates.
- Whether the IOUs' ME&O proposals for CCA customers, as modified or impacted by the roll-out of default TOU to CCA customers, are reasonable.

This decision resolves all of the issues outlined above to the extent they are not moot.

### **3. SCE Rate Design Proposals**

The December 6, 2018 SCE rate design settlement seeks to dispose of all scoped issues regarding SCE's rate designs in this proceeding, including tiered rate design, default TOU rate designs, and the designation of certain TOU rates as standard turn-on rates for SCE customers.

### 3.1. Tiered Rate Design for SCE Including Seasonal Differential

The Settling Parties propose to allow SCE to seasonally differentiate its tiered residential rate, beginning in October 2020 concurrent with the rollout of default TOU rates.<sup>6</sup> Currently, SCE's tiered rate has no seasonal differentiation, meaning that the prices of energy per kilowatt-hour (kWh) are the same year-round. The Settling Parties' proposal for seasonal differentiation means that SCE would increase the summer prices, and lower the winter prices, of energy on its tiered rate. SCE's summer season runs from June – September and winter runs from October – May. The SCE rate design settlement agreement sets out the following illustrative seasonally differentiated tiered rates:

<b>Amount of energy used</b>	<b>Non-CARE Summer</b>	<b>Non-CARE Winter</b>	<b>CARE Summer</b>	<b>CARE Winter</b>
100% of Baseline	18.9 ¢ / kWh	17.8 ¢ / kWh	12.8 ¢ / kWh	12.0 ¢ / kWh
101% – 400% of Baseline	24.1 ¢ / kWh	22.7 ¢ / kWh	16.3 ¢ / kWh	15.4 ¢ / kWh
Over 400% Baseline	42.2 ¢ / kWh	39.8 ¢ / kWh	28.5 ¢ / kWh	26.9 ¢ / kWh

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<sup>6</sup> SCE rate design settlement at 14.

D.15-07-001 directed SCE to explore seasonal differentiation of its tiered residential rates in order to improve the cost signals associated with such rates.<sup>7</sup> SCE took the opportunity to propose seasonally differentiated tiered rates in the instant proceeding and originally proposed a greater differentiation than appears in the SCE rate design settlement.<sup>8</sup> Cal Advocates and TURN both opposed SCE's proposal.<sup>9</sup> Cal Advocates agreed to a modified version of the original proposal for seasonal differentiation, and this agreement resulted in the illustrative rates seen above. Cal Advocates supports the seasonal differential as agreed to in the SCE rate design settlement.<sup>10</sup> SCE argues that allowing for this seasonal differentiation "satisfies SCE's desires to maintain consistency between its tiered and TOU rates and to provide some measure of cost-based signals to all of its customers."<sup>11</sup>

TURN did not join the SCE rate design settlement and continues to oppose SCE's proposal for seasonally differentiated tiered rates. TURN argues that SCE's tiered rates should continue to have no seasonal differentiation as "any seasonal differentiation is a poor policy that conflicts with state goals regarding affordability and geographic equity."<sup>12</sup> TURN's rationale is that seasonally differentiated tiered rates necessarily increase summer bills relative to undifferentiated tiered rates, and this does not align with goals to reduce

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<sup>7</sup> D.15-07-001 at 121.

<sup>8</sup> Exh. SCE-04 at 49-52.

<sup>9</sup> Exh. Cal Advocates-01 at 20; Exh. TURN-01 at 7-9.

<sup>10</sup> Cal Advocates Opening Brief at 12.

<sup>11</sup> Motion to adopt SCE rate design settlement at 14.

<sup>12</sup> TURN Opening Brief at 15.

summer bill volatility and focus on affordability issues affecting electricity customers in hot climate areas with high air conditioning use.<sup>13</sup>

SCE illustrates the bill impacts of the Settling Parties' proposal for seasonally differentiated tiered rates in exhibit SCE-08. CARE customers in SCE's hot climate zones<sup>14</sup> (*i.e.*, those customers that will remain on tiered rates and not be defaulted to TOU rates) would see higher summer bills as a result of moving from undifferentiated tiered rates to seasonally differentiated tiered rates. All of those customers are expected to see average bill increases of between 2% and 5% during the summer, with an average increase of 3.5%.<sup>15</sup>

This increase in average summer bills is not unexpected and is an unavoidable consequence of creating higher tiered rates for the summer months. This would also have the effect of signaling to tiered rate customers that summer energy is more expensive, on average, than energy procured in the winter. SCE believes that this cost signal justifies the seasonally differentiated tiered rate, and even TURN grants that seasonally differentiated tiered rates comport with cost causation rate design principles.<sup>16</sup>

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<sup>13</sup> TURN Opening Brief at 15-16.

<sup>14</sup> Referred to in Exh. SCE-08 at 5 as "Hot Zones" and "Zone 10."

<sup>15</sup> Exh. SCE-08 at 5, tables entitled "CARE-Hot Zones" and "CARE-Zone 10." It appears that some customers would experience greater than 5% average monthly bill increases, but the numbers of such customers are not quantified in the exhibit. Presumably this is due to rounding.

<sup>16</sup> TURN Opening Brief at 16.

The question before the Commission is whether the SCE rate design settlement's proposal should be adopted in the name of improving cost causation while generally increasing summer bills for SCE's customers, including low-income customers in SCE's hot climate zones. This requires the Commission to consider whether the SCE rate design settlement should be rejected to maintain the existing tiered rate structure in its undifferentiated form.

The Commission has long favored the settlement of disputes.<sup>17</sup> Article 12 of the Commission's Rules of Practice and Procedure (Rules) generally concerns settlements. Pursuant to Rule 12.1(d), the Commission will not approve a settlement unless it is found to be reasonable in light of the whole record, consistent with law, and in the public interest. This standard applies to settlements that are contested as well as uncontested. Where a settlement is contested, it will be subject to more scrutiny than an uncontested settlement. Because the SCE rate design settlement on this issue is contested by TURN, it is subjected to more scrutiny than if the settlement was uncontested.

**3.1.1. Is the settlement's proposed seasonal rate differential reasonable in light of the whole record?**

The Settling Parties argue that the seasonal differentiation of tiered rates is reasonable in light of the whole record as it represents a reasonable compromise of the original positions of the Settling Parties.<sup>18</sup> Indeed, the motion reveals that the settled seasonal differential is halfway between SCE's original position and the blanket opposition to the seasonal differential put forward by

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<sup>17</sup> D.17-08-030 at 9; D.18-08-013 at 11; D.18-11-027 at 7.

<sup>18</sup> Motion to adopt SCE rate design settlement at 16.



Cal Advocates.<sup>19</sup> The Settling Parties contend that aligning the seasonal differential of the tiered rate with the seasonal differential present in the default TOU rates buttresses the reasonableness of the proposal in light of the whole record.<sup>20</sup> The Settling Parties also argue that the proposal is reasonable as it moderates the original SCE proposal and will reduce seasonal bill volatility and summer bill impacts that would have resulted from implementation of the original SCE proposal, and because it assures rate stability by guaranteeing such a set seasonal differential for several years.<sup>21</sup>

TURN's continued opposition notwithstanding, the settled position on seasonal differentials in the tiered rate is reasonable in light of the whole record as it represents a compromise of original litigation positions and aligns with rate design elements present in other uncontested rates.

**3.1.2. Is the settlement's proposed seasonal rate differential consistent with the law?**

Although appearing under a heading related to reasonableness in light of the whole record, the Settling Parties also implicitly argue that the settled seasonal differential is consistent with the law because it complies with the Commission's order in D.15-07-001 that SCE explore seasonally differentiated rates.<sup>22</sup> The Settling Parties also assert, without elaboration, that they "believe

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<sup>19</sup> Motion to adopt SCE rate design settlement, Attachment A at 26.

<sup>20</sup> Motion to adopt SCE rate design settlement at 17.

<sup>21</sup> Motion to adopt SCE rate design settlement at 17-18.

<sup>22</sup> Motion to adopt SCE rate design settlement at 17-18.

that the Commission can approve the Settlement Agreement without violating applicable statutes or prior Commission decisions.”<sup>23</sup>

TURN argues that the proposed seasonal differentiation embraces poor policy that is contrary to state policy goals. In support of its argument TURN refers to Section 739(a)(1) of the Public Utilities Code,<sup>24</sup> as amended by Senate Bill (SB) 711 (Stats. 2017, ch. 467),<sup>25</sup> that requires the Commission to make efforts to minimize bill volatility for residential customers. TURN also points to the language of Section 745 that requires the Commission to evaluate the impact of TOU rate changes on residential customers in hot climate zones as evidencing a concern of the Legislature for those customers that would be most affected by the Settling Parties’ proposal.

SB 711 requires that the Commission make efforts to minimize bill volatility for residential customers through adjustments to baseline quantities rather than through differentials in the seasonal price of energy. In full, the operative subsection of Section 739 as amended by SB 711 states:

“Baseline quantity” means a quantity of electricity or gas allocated by the commission for residential customers based on from 50 to 60 percent of average residential consumption of these commodities, except that, for residential gas customers and 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. In establishing the baseline quantities, the commission shall take into account climatic and seasonal variations in consumption

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<sup>23</sup> Motion to adopt SCE rate design settlement at 18.

<sup>24</sup> Unless otherwise specified, all references to a “section” are to a section of the Public Utilities Code.

<sup>25</sup> Hereinafter SB 711.

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. The commission shall 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.

Adopting the proposed seasonal differentiation in SCE's tiered rate does not contradict the requirement of SB 711 because the settlement does not address the amount of baseline energy for residential customers.

The Commission finds that the SCE rate design settlement's position on a seasonal differential for tiered rates is consistent with the law as it complies with the order of D.15-07-001 and does not conflict with SB 711 or Section 745. TURN's argument with respect to the broader policy concerns of Section 745 is discussed more fully below.

### **3.1.3. Is The Settlement's Proposed Seasonal Rate Differential in the Public Interest?**

The final question is whether adopting the SCE rate design settlement's position on a seasonal tiered rate differential is in the public interest. The Settling Parties argue that the settled seasonal rate differential is in the public interest because it is supported by parties that fairly represent the affected interests at stake in this proceeding. Namely, the interests of residential customers generally were represented by Cal Advocates and CFCF.<sup>26</sup> They

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<sup>26</sup> Other signatories such as CALSSA and EDF represent more specific interest groups than residential customers generally.

further argue that the stability in rates offered by the SCE rate design settlement is in the public interest, as is the avoidance of further litigation on these issues.<sup>27</sup>

TURN regularly represents the interests of residential customers before the Commission and has done so in this proceeding. TURN is not a signatory to the SCE rate design settlement and continues to oppose its position on the seasonal differentiation of tiered rates. As noted above, the SCE rate design settlement is not an all-party settlement and is therefore subject to greater scrutiny than an uncontested settlement. Notably, the opposing party in this case is a long-standing advocate for residential customer interests before the Commission, and that gives the Commission pause in finding that the SCE rate design settlement is in the public interest simply because parties representing a range of affected interests are signatories.

Furthermore, while stability of rates may be in the public interest, the absence of a seasonal differential in tiered rates could be just as stable as the imposition of a new rate element (and, in fact, would enhance consistency with existing tiered rate design). Therefore, the motion to adopt the SCE rate design settlement does not make a compelling argument on its face that public policy favors the seasonal differentiation of SCE's tiered rate.

TURN argues that the proposed seasonal rate differential is bad policy, and therefore implicitly not in the public interest. TURN asserts that the proposal has significant temporal and distributional impacts in that all tiered rate customers will pay higher bills during the summer and that it would

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<sup>27</sup> Motion to adopt SCE rate design settlement at 19.

disproportionately affect those customers living in hot climate areas that use large amounts of summer electricity.<sup>28</sup>

The Commission agrees with TURN and finds that the SCE rate design settlement's proposed seasonal tiered rate differential is not in the public interest. SCE's tiered rate will remain the default rate for SCE residential customers that the law and the Commission have deemed vulnerable and in need of exclusion from default TOU. As noted previously, if the SCE rate design settlement's seasonally differentiated tiered rate was adopted, CARE customers in SCE's hot climate zones would experience increased summer bills. All of those customers would be estimated to experience average bill increases of between 2% and 5% during the summer, with an average increase of 3.5%. For these customers in particular, the summer bill impacts of a seasonally differentiated tiered rate outweigh whatever public policy considerations support such differentiation.

The finding of D.15-07-001 that a seasonal price differential in tiered rates was conceptually appropriate is superseded by subsequent Commission review of this topic in light of actual customer experiences with a seasonal differential. Of all the IOUs, only SDG&E currently utilizes a seasonal differential in its tiered rate. The experiences of SDG&E residential customers with the seasonal differential are illuminating. In D.18-12-004, the Commission ordered SDG&E to reduce the seasonal differential in its tiered rate out of concern for the summer bill impacts observed for SDG&E customers.<sup>29</sup> In D.19-04-018 the Commission further considered evidence that during the summer of 2018 the seasonal

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<sup>28</sup> TURN Opening Brief at 15-16.

<sup>29</sup> D.18-12-004 at 29.

differential in SDG&E's tiered rate lead to increased summer bill volatility and ordered SDG&E to apply to eliminate its seasonal differential in time for the summer of 2020.<sup>30</sup> In light of these recent Commission decisions and their findings, the conceptual approval of seasonal differentials in tiered rates from D.15-07-001 is explicitly rejected by this decision.

The mitigation of the bill impacts that may result from default TOU also favors rejecting the proposed introduction of seasonal differentiation to SCE's tiered rate as a matter of public policy. The table below illustrates the changes in bills and energy burdens that are estimated for default TOU customers under scenarios where the tiered rate is seasonally differentiated and where it is not. All figures are sourced from exhibit SCE-12.

<b>Impact of Default TOU Assuming No Change in Usage</b>	<b>Seasonal Differential in Tiered Rate</b>	<b>No Seasonal Differential in Tiered Rate</b>
Percentage of non-CARE customers benefiting from default TOU	38.7%	41.8%
Percentage of CARE customers in cool and moderate climate zones benefiting from default TOU	52.5%	56.3%
Percentage of non-CARE customers with an average estimated bill increase of \$1/month	24.8%	22.2%
Percentage of CARE customers in cool and moderate climate zones with an average estimated bill increase of \$1/month	27.8%	24.8%
Percentage of non-CARE customers with an average estimated bill increase of \$5 - \$10/month	36.3%	35.7%
Percentage of CARE customers in cool and moderate climate zones with an average estimated bill increase of \$2 - \$6/month	19.6%	18.9%

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<sup>30</sup> D.19-04-18 at 13-16.

<b>Impact of Default TOU Assuming No Change in Usage</b>	<b>Seasonal Differential in Tiered Rate</b>	<b>No Seasonal Differential in Tiered Rate</b>
Increase in average estimated energy burden for non-CARE customers with an average estimated bill increase of \$1 - \$10/month	0% - 0.2%	0.1% - 0.2%
Increase in average estimated energy burden for CARE customers in cool and moderate climate zones with an average estimated bill increase of \$1 - \$6/month	0% - 0.2%	0% - 0.2%

As can be seen above, rejecting the proposed seasonal differentiation of SCE's tiered rate not only benefits CARE customers in hot climate zones that will continue to take service on the rate. It will also generally mitigate the estimated adverse bill impacts of default TOU for SCE's residential customers defaulted to TOU rates.

### **3.2. Default TOU Rate Designs for SCE**

The Settling Parties argue that the Commission should approve the following default TOU rate design-related elements of the SCE rate design settlement:

- SCE should be allowed to use two default TOU rates, TOU-D-4-9PM (with a 4:00 p.m. – 9:00 p.m. peak period) and TOU-D-5-8PM (with a 5:00 p.m. – 8:00 p.m. peak period).
- Schedule TOU-D-4-9PM should have the same TOU time periods, seasons, and weekday/weekend definitions that the Commission approved for SCE's non-residential customers in D.18-07-006. Summer should be June through September and winter should be October through May.

- Schedule TOU-D-4-9PM should include a one-cent per kWh differential between summer and winter seasons within the following settled TOU period ratios.<sup>31</sup>

<b>TOU-D-4-9PM</b>	<b>Settlement Ratios<sup>32</sup></b>	<b>Illustrative Rate<sup>33</sup></b>
Summer On-Peak (4 p.m. – 9 p.m., weekdays)	1.6	35 ¢ / kWh
Summer Mid-Peak (4 p.m. – 9 p.m., weekends)	1.3	28.4 ¢ / kWh
Summer Off-Peak (all other hours)	1	21.9 ¢ / kWh
Winter Mid-Peak (4 p.m. – 9 p.m., all days)	1.45	30.2 ¢ / kWh
Winter Off-Peak (9 p.m. – 8 a.m., all days)	1.1	22.9 ¢ / kWh
Winter Super Off-Peak (8 a.m. – 4 p.m., all days)	1	20.8 ¢ / kWh

- SCE should not implement any changes to the rate ratios and the one-cent seasonal differential for schedule TOU-D-4-9PM earlier than the date rates are implemented pursuant to SCE's 2024 General Rate Case (GRC) Phase 2 proceeding.
- Schedule TOU-D-5-8PM should have the same TOU time periods, seasons, and weekday/weekend definitions that

<sup>31</sup> This seasonal differential would apply only to the TOU rate, and not the tiered rate as discussed previously in this decision.

<sup>32</sup> Apply to non-baseline amounts of energy. Ratios are higher for baseline energy.

<sup>33</sup> Does not reflect an illustrative baseline credit of approximately 6.4 cents per kWh. Therefore, baseline energy would be 6.4 cents cheaper than the rates in the table during all TOU periods.



the Commission approved for SCE's non-residential customers in D.18-07-006, except that it should utilize a 5 p.m. – 8 p.m. peak period instead of a 4 p.m. – 9 p.m. peak period. Hour 4 p.m. – 5 p.m. would be converted to a super off-peak and off-peak hour in the winter and summer, respectively. Hour 8 p.m. – 9 p.m. would be converted to an off-peak hour in all seasons. Summer should be June through September and winter should be October through May.

- Schedule TOU-D-5-8PM should include a one-cent per kWh differential between summer and winter seasons within the following settled TOU period ratios.

<b>TOU-D-5-8PM</b>	<b>Settlement Ratios<sup>34</sup></b>	<b>Illustrative Rate<sup>35</sup></b>
Summer On-Peak (5 p.m. – 8 p.m., weekdays)	2	43.7 ¢ / kWh
Summer Mid-Peak (5 p.m. – 8 p.m., weekends)	1.5	32.7 ¢ / kWh
Summer Off-Peak (all other hours)	1	21.8 ¢ / kWh
Winter Mid-Peak (5 p.m. – 8 p.m., all days)	1.75	35.4 ¢ / kWh
Winter Off-Peak (8 p.m. – 8 a.m., all days)	1.15	22.9 ¢ / kWh

<sup>34</sup> Apply to non-baseline amounts of energy. Ratios are higher for baseline energy.

<sup>35</sup> Does not reflect an illustrative baseline credit of approximately 6.4 cents per kWh. Therefore, baseline energy would be 6.4 cents cheaper than the rates in the table during all TOU periods. Notably, the illustrative rates for TOU-D-5-8PM that appear in the rate design settlement do not align with the ratios provided, and cannot be explained as a simple rounding error. This discrepancy is addressed later in this decision.

TOU-D-5-8PM	Settlement Ratios <sup>34</sup>	Illustrative Rate <sup>35</sup>
Winter Super Off-Peak (8 a.m. – 5 p.m., all days)	1	20.8 ¢ / kWh

- SCE should not implement any changes to the rate ratios and the one-cent seasonal differential for schedule TOU-D-5-8PM earlier than the date rates are implemented pursuant to SCE's 2024 GRC Phase 2 proceeding.

The Settling Parties urge the Commission to adopt the TOU rate design proposals for SCE as described above as reasonable in light of the whole record, compliant with the law, and in the public interest. Article 12 of the Commission's Rules generally concerns settlements. Pursuant to Rule 12.1(d), the Commission will not approve a settlement unless it is found to be reasonable in light of the whole record, consistent with law, and in the public interest. This standard applies to settlements that are contested as well as uncontested. Where a settlement is contested, it will be subject to more scrutiny than an uncontested settlement. No party opposed the TOU rate design elements of the SCE rate design settlement<sup>36</sup> and therefore the Commission regards this settlement as uncontested.

### **3.2.1. Are the TOU Rate Designs Proposed by the Settlement Reasonable In Light of the Whole Record?**

In order to determine if the rate designs are reasonable in light of the whole record, this decision examines the evidence to determine if the rate

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<sup>36</sup> As noted by SCE in their reply brief at 2, CforAT and TURN opposed the rate design settlement only with regard to the proposed seasonal differentiation in the residential tiered rate.

designs are likely to result in measurable benefits to the grid, and will be accepted and understood by residential customers.

In the Phase IIA decision in this proceeding (D.18-12-004), the Commission determined that SDG&E's proposed default residential TOU rate design was reasonable as the evidence showed that it would result in measurable benefits to the grid, and was accepted and understood by residential customers.<sup>37</sup> This decision applies the same standard to the SCE rate design settlement's proposal, and surveys the available evidence to determine if the proposed rate designs would be likely to meet those goals. There are two primary sources of evidence: the opt-in TOU pilots and the default TOU pilots conducted by SCE.

The results from the opt-in TOU pilots were published by Nexant, Inc. in March 2018 as a Final Nexant Report included as Appendix A to exhibit SCE-05. The Final Nexant Report summarized findings related to California's statewide, residential opt-in TOU pricing pilots implemented by PG&E, SCE, and SDG&E. The opt-in pilots took place in 2016 and 2017 and were designed to develop insights that would inform the instant proceeding's consideration of default TOU pricing for the majority of California's residential electricity customers. The Final Nexant Report contains a brief summary of findings documented in more detail in two prior Nexant reports, and reports on load impacts from the summer of 2017 as well as the persistence of load impacts across the summers of 2016 and 2017. Bill impacts were estimated following the first summer and after completion of the first year of the pilot.

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<sup>37</sup> D.18-12-004 at 20, citing the principles espoused by D.15-07-001 for default residential TOU rates.

SCE customers that participated in the opt-in pilots were randomly assigned to one of four rate options: opt-in TOU pilot rate 1, opt-in TOU pilot rate 2, opt-in TOU pilot rate 3, or the traditional residential tiered rate. The utilization of a control group of customers on the traditional tiered rate ensured that accurate conclusions could be drawn about the effects of the opt-in TOU pilot rates on customers that would have otherwise taken service on the traditional tiered rate.

SCE's opt-in TOU pilot rate 2 is similar to both the proposed TOU-D-4-9PM rate and the TOU-D-5-8PM rate, as shown below.

<b>Rate Elements</b>	<b>Opt-in TOU Pilot Rate 2<sup>38</sup></b>	<b>TOU-D-4-9PM<sup>39</sup></b>	<b>TOU-D-5-8PM<sup>40</sup></b>
Peak Period	5 p.m. – 8 p.m. (M-F)	4 p.m. – 9 p.m. (M-F in summer; all days in winter <sup>41</sup> )	5 p.m. – 8 p.m. (M-F in summer; all days in winter <sup>42</sup> )
Mid-Peak Period	N/A	4 p.m. – 9 p.m. (weekends in summer only)	5 p.m. – 8 p.m. (weekends in summer only)
Off-Peak Period	8 a.m. – 5 p.m. (M-F) 8 a.m. – 8 p.m. (weekends)	9 p.m. – 4 p.m. (all days in summer) 9 p.m. – 8 a.m. (all days in winter)	8 p.m. – 5 p.m. (all days in summer) 8 p.m. – 8 a.m. (all days in winter)

<sup>38</sup> Exh. SCE-05, Appendix A at 65 (Final Report of Nexant Inc. entitled "California Statewide Opt-in Time-of-Use Pricing Pilots – Final Report").

<sup>39</sup> SCE rate design settlement at 9-10.

<sup>40</sup> SCE rate design settlement at 12-13.

<sup>41</sup> Referred to in the settlement as "mid-peak" on winter days.

<sup>42</sup> Referred to in the settlement as "mid-peak" on winter days.

<b>Rate Elements</b>	<b>Opt-in TOU Pilot Rate 2<sup>38</sup></b>	<b>TOU-D-4-9PM<sup>39</sup></b>	<b>TOU-D-5-8PM<sup>40</sup></b>
Super Off-Peak Period	8 p.m. – 8 a.m. (all days)	8 a.m. – 4 p.m. (all days in winter only)	8 a.m. – 5 p.m. (all days in winter only)
Summer months	June – September	June – September	June - September
Summer Off-Peak to Peak Ratio	1 : 1.9	1 : 1.6	1 : 2
Summer Tier 1 Peak Price	46.1 ¢ / kWh	28.6 ¢ / kWh	37.3 ¢ / kWh
Summer Tier 2 Peak Price	55.2 ¢ / kWh	35 ¢ / kWh	43.7 ¢ / kWh

Other rates tested by SCE in their opt-in TOU pilot are too dissimilar to be useful comparators. Opt-in TOU pilot rate 1 tested a peak period of 2:00 p.m. – 8:00 p.m., which does not overlap sufficiently with the peak periods proposed in SCE’s default TOU rates. Opt-in TOU pilot rate 3 utilized a three-season approach and lacked a baseline credit, which also makes it a poor comparator.

Opt-in TOU pilot rate 2 and TOU-D-5-8PM are very similar, and this decision holds that the findings and conclusions of the Final Nexant Report regarding SCE’s opt-in TOU pilot rate 2 are an appropriate basis from which to estimate the expected effects of proposed TOU-D-5-8PM on SCE’s residential customers.

However, there are some differences between SCE’s opt-in TOU pilot rate 2 and TOU-D-4-9PM. The peak period of opt-in TOU pilot rate 2 is shorter than the peak period proposed for TOU-D-4-9PM. The peak price differentials and absolute peak prices are also higher for opt-in TOU pilot rate 2 than for TOU-D-4-9PM. Given that the other two pilot rates have even more significant

differences than those, and because opt-in TOU pilot rate 2 is similar to TOU-D-4-9PM in other respects, this decision holds that the findings and conclusions of the Final Nexant Report regarding SCE's opt-in TOU pilot rate 2 are an appropriate basis from which to estimate the expected effects of proposed TOU-D-4-9PM on SCE's residential customers.

Key findings from the Final Nexant Report regarding opt-in TOU pilot rate 2 are:

- The opt-out rate stood at just over 3% after 12 months.<sup>43</sup>
- There was an average summer peak load reduction of 4.1%.<sup>44</sup>
- The average summer peak load reduction was consistent across summers.<sup>45</sup>
- There was an average winter peak load reduction of 1.7%.<sup>46</sup>
- Bill impacts were adverse as most customer groups experienced average annual bill increases.<sup>47</sup>
- After 12 months on the rate, participants reported virtually identical rates of satisfaction with SCE and their rate plan as control participants on the tiered rate.<sup>48</sup>
- Customer understanding of the rate was comparable to that of the tiered rate, and non-CARE customers found the

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<sup>43</sup> Exh. SCE-05, Appendix A at 70.

<sup>44</sup> Exh. SCE-05, Appendix A at 86.

<sup>45</sup> Exh. SCE-05, Appendix A at 104.

<sup>46</sup> *Ibid.*

<sup>47</sup> Exh. SCE-05, Appendix A at 110.

<sup>48</sup> Exh. SCE-05, Appendix B at 215 (Final Report of Research Into Action entitled "California Statewide Opt-In Time-Of-Use Pricing Pilot: Customer Survey Findings").

rate easier to understand than the tiered rate to a statistically significant degree.<sup>49</sup>

The above findings from SCE's opt-in TOU pilot give the Commission confidence that the default TOU rates as proposed in the SCE rate design settlement will result in measurable benefits to the grid and will be accepted and understood by residential customers.

However, the bill impacts of opt-in TOU pilot rate 2 were noticeably adverse. The Final Nexant Report shows that the average non-CARE customer in SCE's hot climate zone experienced average annual bill increases of \$42, and that the average non-CARE and CARE customer in SCE's moderate climate zone experienced average annual bill increases of \$19 and \$16, respectively. In the cool climate zone the results were mixed as non-CARE customers experienced average annual bill savings of \$42, while CARE customers experienced average annual bill increases of \$4.<sup>50</sup>

In light of these findings this decision must scrutinize the illustrative bill impacts of TOU-D-4-9PM and TOU-D-5-8PM to determine if they are reasonable. A bill impact analysis for these two rates is complicated by SCE's proposal to default its residential customers onto one of two default TOU rates, depending on the potential impact of each rate on a given customer's bill. However, exhibit SCE-12 provides tables comparing the bill impacts of both default rates as

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<sup>49</sup> Exh. SCE-05, Appendix B at 218.

<sup>50</sup> Exh. SCE-05, Appendix A at 110.

compared to the tiered rate without a seasonal differential<sup>51</sup> assuming that customers are defaulted onto the rate with the least adverse bill impact.

Exhibit SCE-12 indicates that a transition of non-CARE customers from a tiered rate without a seasonal differential to their best default TOU rate will result in 41.8% of defaulted customers experiencing average annual bill reductions. The remaining 58.2% would experience average annual bill increases assuming no changes in their electricity usage. Roughly 22% of SCE's non-CARE customers would see average monthly increases of \$1, while 35.7% would see average monthly increases of between \$5 and \$10 on their best TOU rate. These customers would see their energy burdens increase by 0.1% or 0.2%.

Despite this distribution of impacts, an average SCE non-CARE residential customer will see an annual bill savings of 0.8% on their best TOU rate assuming no change in their usage, and with no change in their estimated energy burden of 3.0%.

Tables I-2-C(1) and I-2-C(2) in exhibit SCE-12 indicate that the average CARE customer in SCE's cool and moderate climate zones is estimated to see no difference in their average monthly bill or energy burden as a result of default to their best TOU rate. The majority of these CARE customers (56.3%) are estimated to benefit from default TOU. Roughly 25% of CARE customers in SCE's cool and moderate climate zones are estimated to see average monthly bill increases of \$1 from default TOU, and approximately 19% are estimated to experience average monthly bill increases of \$2 - \$6.

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<sup>51</sup> This bill impact analysis assumes that the Settling Parties agree to modify the rate design settlement to remove the proposed seasonal differential from SCE's tiered rate.



This decision finds that the proposed rate designs for TOU-D-4-9PM and TOU-D-5-8PM are reasonable in light of the whole record despite the predicted adverse bill impacts for some customers for the following reasons:

- While the bill impacts for roughly a third of SCE's non-CARE residential customers of between \$5 and \$10 a month are not insignificant, the contribution to their energy burden is very small. The average energy burden for those negatively affected customers would stand at 3.4% and 3.3%, respectively, after default onto their best TOU rate.
- Despite adverse annual bill impacts similar to those experienced by the adversely affected customers under the SCE rate design settlement's proposal, opt-in TOU pilot rate 2 customers reported equal amounts of satisfaction with their rate plan and SCE, suggesting that the bill impacts themselves did not affect overall satisfaction with SCE or the rate.
- The illustrative bill impacts shown in exhibit SCE-12 indicate that the proposed TOU rates will result in positive bill impacts for 41.8% of SCE's non-CARE customers and 56% of CARE customers in SCE's cool and moderate climate zones. This is an improvement from the bill impacts seen under opt-in TOU pilot rate 2.
- In addition to the 41.8% of non-CARE customers potentially seeing positive bill impacts from default TOU, roughly 22% of customers would see average monthly bill increases of only \$1. This means that approximately two-thirds of SCE's non-CARE customers would either benefit from default TOU or see bill impacts that are nominal.

Per the Commission's rate design principles, there should also be an appropriate cost basis for the proposed default residential TOU rate.<sup>52</sup> SCE does

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<sup>52</sup> D.15-07-001 at 27-28 (rate design principles #2 and #3 seek a cost-basis for utility rates).

not appear to have offered explicit evidence that the marginal generation and distribution cost differences between peak and off-peak periods in the summer justify a 1 : 1.6 peak differential for residential customers, and in winter a 1 : 1.45 differential. This decision notes the insufficiency of the record in this respect; but does not find it a sufficient basis to reject the SCE rate design settlement on SCE's proposed default TOU rate designs.

Finally, the motion to adopt the SCE rate design settlement asserts that the settlement's proposed rate designs and differentials for the default TOU rates were reached through a negotiated compromise amongst the parties' litigated positions.<sup>53</sup>

The proposed rate designs of TOU-D-4-9PM and TOU-D-5-8PM are reasonable in light of the whole record given the above findings. They are likely to result in measurable benefits to the grid, and they are likely to be accepted and understood by residential customers. While the cost basis for the proposed default TOU rate designs is not explicitly established, the rate values adopted in the SCE rate design settlement reflect a compromise of litigated positions between groups representing the interests of residential customers. This result of arms-length negotiation gives the Commission confidence that there is an appropriate cost basis for the default TOU rates as proposed.

### **3.2.2. Are the TOU Rate Designs Proposed by The Settlement Consistent with the Law?**

On this matter the motion for adoption of the SCE rate design settlement simply expresses that the Settling Parties believe that the settlement complies

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<sup>53</sup> Motion to adopt SCE rate design settlement at 16-17.

with applicable statutes and prior Commission decisions.<sup>54</sup> While not mentioning D.15-07-001 by name, this is a prior Commission decision that has a direct bearing on the rate designs to be approved in this proceeding.

D.15-07-001 does not require a specific rate structure be adopted, but it refers positively to the concept of a “TOU-Lite” rate design beginning the transition to default residential TOU rates.<sup>55</sup> That decision defines TOU-Lite in the following way:

[A] tariff that is intended to be revenue neutral with other tariffs for the same customer class and has on and off peak rates set to a specified differential instead of attempting to reflect actual difference in the cost of energy by time period. The purpose of this mild differential is to be an introductory rate that allows for customers to learn and understand the new rate structure before they are subject to differentials that could produce significant rate shock for the unaware.<sup>56</sup>

As noted above, the evidence from the opt-in TOU pilot demonstrates that the default TOU rates proposed in the SCE rate design settlement are likely to be accepted and understood by SCE residential customers, and that the bill impacts of the default TOU rates are reasonable. For these reasons that default TOU rates proposed by the Settling Parties meet the goals of a TOU-Lite structure as defined by D.15-07-001.

The peak period definitions and seasonal definitions as proposed by the Settling Parties also match with those directed for SCE by D.18-07-006, except that TOU-D-5-8PM proposes to use a shorter peak period within the approved

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<sup>54</sup> Motion to adopt SCE rate design settlement at 18.

<sup>55</sup> D.15-07-001 at 136.

<sup>56</sup> D.15-07-001 at 135.

peak period of 4:00 p.m. – 9:00 p.m. This small change notwithstanding, the proposal of the Settling Parties in this regard complies with D.18-07-006.

In order to be consistent with the law, adopting the SCE rate design settlement must also allow the Commission to dispose of its obligations under Section 745(d), which states that:

The Commission shall not require or authorize an electrical corporation to employ default time-of-use rates for residential customers unless it has first explicitly considered evidence addressing the extent to which hardship will be caused on either of the following: (1) Customers located in hot, inland areas, assuming no changes in overall usage by those customers during peak periods. (2) Residential customers living in areas with hot summer weather, as a result of seasonal bill volatility, assuming no change in summertime usage or in usage during peak periods.

In D.17-09-036, the Commission explicitly considered evidence of the hardship presented by SCE's default pilot TOU rates to both groups of customers defined in Section 745(d).<sup>57</sup> The default pilot TOU rates for SCE considered in D.17-09-036 are very similar to the default TOU rates for SCE proposed in the SCE rate design settlement. In fact, the illustrative summer prices for the SCE rate design settlement rates are slightly lower than the summer prices used in the default TOU pilots, which should reduce summertime impacts on residential customers.

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<sup>57</sup> D.17-09-036, Appendix A at 5-12.

The table below compares these rates:

<b>Rate Element</b>	<b>Default Pilot Rate (4-9)</b>	<b>TOU-D-4-9PM</b>	<b>Default Pilot Rate (5-8)</b>	<b>TOU-D-5-8PM</b>
Peak Summer Price	40.8 ¢/kWh	35 ¢/kWh	48.4 ¢/kWh	43.7 ¢/kWh
Off-Peak Summer Price	22.1 ¢/kWh	21.9 ¢/kWh	22.9 ¢/kWh	21.8 ¢/kWh
Summer Peak Differential <sup>58</sup>	1.85	1.6	2.1	2
Peak Winter Price	28.9 ¢/kWh	30.2 ¢/kWh	30.0 ¢/kWh	35.4 ¢/kWh
Super Off-Peak Winter Price	16.8 ¢/kWh	20.8 ¢/kWh	17.0 ¢/kWh	20.8 ¢/kWh
Winter Peak Differential <sup>59</sup>	1.72	1.45	1.76	1.75 <sup>60</sup>

As can be seen above, the rates are not substantively different from each other. Therefore, following the direction in D.17-09-036<sup>61</sup>, this decision takes notice of the materials considered in D.17-09-036 and finds the SCE rate design settlement rates' similarities to SCE's default TOU pilot rates allow the Commission to conclude that it has fulfilled its obligations under Section 745(d) as regards SCE's residential customers.

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<sup>58</sup> Does not include baseline credit adjustment. Baseline credits are similar for the default TOU pilot rates (6.8 cents/kWh) and settlement rates (6.4 cents/kWh).

<sup>59</sup> Does not include baseline credit adjustment.

<sup>60</sup> This ratio appears inaccurate when examining the illustrative rates. This discrepancy is addressed later in this decision.

<sup>61</sup> D.17-09-036 at 46-47 ("We will separately consider the bill impacts, electricity burden and bill volatility of the TOU rates that each IOU proposes to use in its full rollout of default TOU, if they are substantially different from the rates considered here. We determine that completing the Section 745(d) analysis with regard to the default pilot rates and the default TOU rates to be used in the full rollout satisfies the requirements of Section 745(d)").

For these reasons this decision finds that the SCE rate design settlement on SCE's default TOU rate designs is consistent with the law.

### **3.2.3. Are the TOU rate designs proposed by the settlement in the public interest?**

The Settling Parties argue that the SCE rate design settlement is in the public interest because it is supported by parties that fairly represent the affected interests at stake, namely parties that represent the interests of residential customers.<sup>62</sup> The Settling Parties also assert that the SCE rate design settlement is a reasonable compromise of their original positions and provides more certainty to residential customers of their present and future rates. The SCE rate design settlement purportedly avoids the cost of further litigation and frees Commission resources for other proceedings.<sup>63</sup>

Unlike the portion of the SCE rate design settlement dealing with tiered rates discussed above, no party objected to the settlement's position on TOU rate designs. The Commission therefore agrees with the motion's arguments and finds that accepting the SCE rate design settlement's TOU rate designs is in the public interest.

### **3.2.4. Dissonance Between the Settlement's Illustrative Rates and Peak Differentials**

It is apparent that the illustrative winter rates provided by SCE in the SCE rate design settlement agreement for TOU-D-5-8PM do not match the ratios agreed to by the parties. The Commission approves the ratios that appear in the SCE rate design settlement, and not necessarily the illustrative rates. SCE shall ensure that the rates for which it ultimately seeks approval via an advice letter

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<sup>62</sup> Motion to adopt SCE rate design settlement at 18.

<sup>63</sup> Motion to adopt SCE rate design settlement at 19.

match the rate ratios provided in the SCE rate design settlement.<sup>64</sup> Failure to do so will result in rejection of the advice letter and undue delay in implementing default TOU.

### **3.3. Other elements of SCE's Default TOU Rate Design Proposal**

The motion for adoption of the SCE rate design settlement notes that no party opposed the following SCE proposals with respect to its default TOU rates:

- TOU-D-4-9PM should be used as the standard turn-on rate for all eligible residential customers turning on or transferring service commencing with the Initial Default TOU Migration (IDTM)<sup>65</sup> start date.
- Each eligible customer should be defaulted to its least cost default TOU rate during IDTM.
- TOU-D-4-9PM should be the standard rate for all net energy metering (NEM) successor tariff customers turning on or transferring service commencing with the IDTM start date.<sup>66</sup>

#### **3.3.1. TOU-D-4-9PM as the Standard Turn-On Rate for Residential Customers**

As expressed in D.17-09-036, the Commission intends for the default TOU rates adopted in this decision to become the standard turn-on rate for SCE

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<sup>64</sup> Specifically, those rate ratios as appearing on pages 9 and 12 of the SCE rate design settlement.

<sup>65</sup> The IDTM has previously been defined as “the period of time starting on the date the specific IOU begins migrating customers to default TOU and ending one year later.” (D.17-09-036 at 35.) Since both SCE and PG&E propose transition periods exceeding one year, for purposes of this decision, the IDTM shall be defined as “the period of time that the specific IOU mass migrates residential customers to default TOU rates.”

<sup>66</sup> Motion to adopt SCE rate design settlement at 16.

residential customers at the beginning of the IDTM period.<sup>67</sup> This element of the SCE rate design settlement conforms with that direction and is therefore approved. SCE shall use TOU-D-4-9PM as the standard turn-on rate for eligible residential customers turning on or transferring service commencing with the IDTM start date. This order does not modify existing orders for SCE to engage customers who start or transfer service in a conversation regarding their rate options.<sup>68</sup>

### **3.3.2. Defaulting Each Eligible Customer to Their “Least Cost” Default TOU Rate**

Unique among the IOUs, SCE proposes two default TOU rates for its residential customers and proposes to default each eligible customer to the TOU rate that would be their “least cost” rate based on historical usage information. No party objected to this approach. The proposal is in the public interest as it maximizes potential TOU savings for SCE’s residential customers, and does not conflict with any law or Commission decision. The proposal is approved, and SCE shall default eligible residential customers to their least cost rate (among the TOU-D-4-9PM and TOU-D-5-8PM rates) during the IDTM period.

### **3.3.3. Standard Rate for NEM 2.0 Customers**

As part of the SCE rate design settlement, SCE proposes that the TOU-D-4-9PM rate become the standard rate for all NEM 2.0<sup>69</sup> customers turning on or

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<sup>67</sup> D.17-09-036 at 38.

<sup>68</sup> D.17-09-036 at 39.

<sup>69</sup> NEM 2.0 is a common reference to the NEM successor tariff.



transferring service commencing with the IDTM start date. These customers would be able to switch to a different TOU rate if they wished to.<sup>70</sup>

The proposal is not contested by any party and is a reasonable application of the law and previous Commission decisions. The proposal is therefore adopted. SCE shall use the TOU-D-4-9PM rate as the standard rate for all NEM 2.0 customers turning on or transferring service commencing with the IDTM start date.

### **3.4. Approval of SCE's Proposed Rate Designs**

For the reasons stated previously, the Settlement Agreement Resolving Phase IIB Default TOU and Tiered Rate Design Issues for Southern California Edison Company's 2018 Rate Design Window Application, as modified with respect to the proposed seasonal differential in SCE's tiered rate, is approved. SCE shall implement the approved provisions of the SCE rate design settlement as soon as practicable after the issuance of this decision.

This decision denies the original SCE rate design settlement with respect to the proposed seasonal differential in SCE's tiered rate and instead finds that no seasonal differential for the tiered rate should be adopted. Pursuant to Rule 12.4(c), the Settling Parties were provided with an opportunity to make known their acceptance or rejection of this modification to the SCE rate design settlement in their comments to the proposed decision. The Commission considered the arguments of the Settling Parties contained in SCE's opening comments, and maintains its opposition to the proposed seasonal differentiation in SCE's tiered rates. Pursuant to representations made in SCE's opening

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<sup>70</sup> Motion to adopt SCE rate design settlement at 7.

comments to the proposed decision, the Settling Parties accept this conclusion of the Commission and agree to the modification of the SCE rate design settlement in this regard.

#### **4. PG&E Rate Design Proposals**

PG&E originally proposed a host of rate designs in this proceeding. After reaching a joint stipulation with Cal Advocates and CforAT on January 4, 2019, only some of PG&E's original proposals remained. The joint stipulation sets out the following proposed rate designs for PG&E:

- A default TOU rate with a 4:00 p.m. – 9:00 p.m. peak period (E-TOU-C).
- An optional tiered rate (E-1) as originally proposed by PG&E, without any seasonal differentiation.
- An optional TOU rate with a 5:00 p.m. – 8:00 p.m. peak period (E-TOU-B) without a cap on customer participation.
- A modified SmartRate program with updated event hours, streamlined notifications, and a scaled relationship between rate credits and called events.

This decision considers each of these proposed rate designs in turn, while noting that the joint stipulation served by PG&E only constitutes a recommendation from PG&E, Cal Advocates, and CforAT as to the conclusions reached therein. It is not a settlement, and the Commission does not accord it the weight of a settlement in this decision.

##### **4.1. PG&E's Proposed Default TOU Rate**

PG&E's proposed default TOU rate utilizes a 4:00 p.m. – 9:00 p.m. peak period on all days of the year. All other hours are proposed to be off-peak. The summer season would run from June – September and the winter season would

run from October – May.<sup>71</sup> These peak period and seasonal definitions are unopposed.<sup>72</sup> They also reflect the peak period and seasonal definitions generally approved for PG&E's non-residential customers (with the exception of the agricultural class) in PG&E's last GRC Phase 2 proceeding as accurately reflecting PG&E's generation and distribution marginal costs.<sup>73</sup> The peak period and seasonal definitions for E-TOU-C as proposed by PG&E are therefore reasonable and approved.

PG&E proposes the following illustrative rates for E-TOU-C.<sup>74</sup>

<b>Rate Element</b>	<b>Summer</b>	<b>Winter</b>
Minimum bill per month	\$10	\$10
Peak energy charge	32.6 ¢ / kWh	29.2 ¢ / kWh
Off-Peak energy charge	26.2 ¢ / kWh	27.5 ¢ / kWh
Baseline credit	7.95 ¢ / kWh	7.95 ¢ / kWh

PG&E's proposed peak period premium for E-TOU-C is 6.3 cents/kWh in the summer and 1.7 cents/kWh in the winter. This means that peak period prices would always be 6.3 cents/kWh higher than off-peak in the summer, regardless of how much the off-peak price rises or falls over time or whether the energy consumed is above or below baseline. PG&E argues that this fixed peak

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<sup>71</sup> Exh. PG&E-10, Chapter 2 at 3.

<sup>72</sup> PG&E Opening Brief at 6.

<sup>73</sup> D.18-08-013 at 28 – 36.

<sup>74</sup> PG&E Opening Brief at 7.

period premium approach is superior to the peak period ratio method used by SCE and historically utilized by the Commission to set peak period prices.<sup>75</sup>

EDF and NRDC oppose this approach and would rather see wider and more traditional peak period ratios utilized. EDF argues that higher peak period ratios for PG&E, such as those utilized in the SCE rate design settlement, would result in greater levels of load shifting, which would lead to greater avoided system costs and lower GHG emissions.<sup>76</sup> EDF reasons that PG&E's concern with customer acceptance of default TOU rates with higher peak period ratios is overblown, as the experience of SCE customers on rates with higher ratios and PG&E's own customer research suggests that customers can accept such TOU rates.<sup>77</sup>

NRDC argues that increased peak period prices in PG&E's default TOU rate would be justified by the inclusion of distribution marginal costs, and that PG&E's proposed peak period prices do not adequately reflect true marginal cost differences between peak and off-peak periods.<sup>78</sup> Increasing the peak price of E-TOU-C would, in NRDC's view, lead to greater load shifting that would benefit the grid and help the state meet its renewable energy goals at a lower cost.<sup>79</sup> NRDC asserts that PG&E's concern that higher default TOU peak prices

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<sup>75</sup> Exh. PG&E-10, Chapter 2 at 9-10.

<sup>76</sup> EDF Opening Brief at 18.

<sup>77</sup> EDF Opening Brief at 16-17.

<sup>78</sup> NRDC Opening Brief at 4-6.

<sup>79</sup> NRDC Opening Brief at 6.

would lead to greater customer opt-out rates is speculative and not supported by evidence.<sup>80</sup>

#### **4.1.1. Evidence from the Opt-In Pilots**

In the Phase 2A decision in this proceeding (D.18-12-004), the Commission determined that SDG&E's proposed default residential TOU rate design was reasonable as the evidence showed that it would result in measurable benefits to the grid, and was accepted and understood by residential customers.<sup>81</sup> This decision applies the same standard to PG&E's proposal, and surveys the available evidence to determine if the proposed E-TOU-C rate design would be likely to meet those goals. There are two primary sources of evidence: the opt-in TOU pilots and the default TOU pilots conducted by PG&E.

The results from the opt-in TOU pilots were published by Nexant, Inc. in March 2018 as a Final Nexant Report included as attachment 3B to PG&E-10. The Final Nexant Report summarized findings related to California's statewide, residential opt-in TOU pricing pilots (opt-in pilots) implemented by PG&E, SCE, and SDG&E. The opt-in pilots took place in 2016 and 2017 and were designed to develop insights that would inform the instant proceeding's consideration of default TOU pricing for the majority of California's residential electricity customers. The Final Nexant Report contains a brief summary of findings documented in more detail in two prior Nexant reports, and reports on load impacts from the summer of 2017 as well as the persistence of load impacts

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<sup>80</sup> NRDC Opening Brief at 9.

<sup>81</sup> D.18-12-004 at 20, citing the principles espoused by D.15-07-001 for default residential TOU rates.

across the summers of 2016 and 2017. Bill impacts were estimated following the first summer and after completion of the first year of the pilot.

PG&E customers that participated in the opt-in pilots were randomly assigned to one of four rate options: opt-in TOU rate 1, opt-in TOU rate 2, opt-in TOU rate 3, or the traditional residential tiered rate. The utilization of a control group of customers on the traditional tiered rate ensured that accurate conclusions could be drawn about the effects of the opt-in TOU pilot rates on customers that would have otherwise taken service on the traditional tiered rate.

Opt-in TOU pilot rate 1 is very similar to PG&E's proposed E-TOU-C rate design, as shown below.

<b>Rate Elements</b>	<b>Opt-in TOU Pilot Rate 1</b>	<b>E-TOU-C</b>
Peak Period	4:00 p.m. – 9:00 p.m. (M-F)	4:00 p.m. – 9:00 p.m. (all days)
Off-Peak Period	9 p.m. – 4 p.m. (M-F) & all hours on weekends	9 p.m. – 4 p.m. (all days)
Summer months	June – September	June – September
Summer Peak Price Premium	10.3 ¢ / kWh	6.7 ¢ / kWh
Summer Tier 1 Peak Price	32.2 ¢ / kWh	24.65 ¢ / kWh
Summer Tier 2 Peak Price	41 ¢ / kWh	32.6 ¢ / kWh

While there are some differences between the two rates, notably the exclusion of weekends from peak periods and a higher peak price premium for opt-in TOU pilot rate 1, there are several similarities as outlined above. Furthermore, PG&E's other opt-in TOU pilot rates used different peak periods or seasonal definitions than E-TOU-C, and are not useful comparators to E-TOU-C. Of the three opt-in TOU pilot rates, TOU pilot rate 1 is the most similar to E-TOU-C.

NRDC's and EDF's position regarding the appropriate peak price premium and its impact on load shifting notwithstanding, this decision holds that the findings and conclusions of the Final Nexant Report regarding PG&E's opt-in pilot rate 1 are an appropriate basis from which to estimate the expected effects of proposed E-TOU-C on PG&E's residential customers. This finding is in spite of the differences between the rates as illustrated above.

Key findings from the Final Nexant Report regarding PG&E's opt-in pilot rate 1 are:

- The opt-out rate<sup>82</sup> of approximately 5% for opt-in pilot rate 1 indicates relatively high levels of customer satisfaction for opt-in pilot rate 1.<sup>83</sup>
- On average, pilot rate 1 customers engaged in statistically significant load reductions during the peak 4:00 p.m. – 9:00 p.m. period in the summer of 2017 compared to the control group of customers on a tiered rate. The average summer peak load reduction was 5.3%.<sup>84</sup>
- On average, CARE customers and non-CARE customers in PG&E's territory demonstrated statistically significant load reductions on opt-in pilot rate 1 compared to control customers on the tiered rate.<sup>85</sup>
- Peak period reductions in the winter were significantly less than in summer. The average peak-period load reduction

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<sup>82</sup> The opt-out rate does not include customers that left the opt-in TOU pilot for a non-active reason such as joining a CCA or moving residences. The opt-out rate only includes those customers that actively decided to transfer off the opt-in pilot rates.

<sup>83</sup> Exh. PGE-10, Attachment 3B at 23.

<sup>84</sup> Exh. PGE-10, Attachment 3B at 29.

<sup>85</sup> Exh. PGE-10, Attachment 3B at 32. While the average CARE and non-CARE customer reduced their peak load on opt-in pilot rate 1, CARE customers in the cool climate zone did not demonstrate a statistically significant load reduction.

in the winter of 2016-2017 was 3.3%.<sup>86</sup> However, this reduction was in response to a peak price that was only 1.9 cents/kWh higher than the off-peak price.

- The average annual bill impacts of opt-in pilot rate 1 were mixed. On average, all cool and moderate climate zone customers experienced bill reductions of between \$8 and \$36 on an annual basis. Non-CARE customers in PG&E's hot climate zone experienced an average annual bill increase of approximately \$4.<sup>87</sup>
- Customers on opt-in pilot rate 1 and the tiered rate reported essentially identical levels of satisfaction with PG&E and their rate plan after one year of experience with the TOU rate.<sup>88</sup>
- Many customers on opt-in pilot rate 1 reported significantly higher levels of understanding of their rate compared to customers on a tiered rate.<sup>89</sup>

#### **4.1.2. Evidence from the Default Pilot**

These findings are supported by data from PG&E's default TOU pilot. PG&E is currently testing a TOU rate in its default TOU pilot that has very similar pricing and identical peak periods as compared to proposed E-TOU-C. The default pilot began in April 2018, and the following interim findings are reported by PG&E:

- Of those customers that were placed on the default TOU pilot rate, only 1.4% of that population unenrolled in the TOU rate and switched back to a tiered rate (while 1%

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<sup>86</sup> Exh. PGE-10, Attachment 3B at 49.

<sup>87</sup> Exh. PGE-10, Attachment 3B at 59.

<sup>88</sup> Exh. SCE-05, Appendix B at 80 (Final Report of Research Into Action entitled "California Statewide Opt-In Time-Of-Use Pricing Pilot: Customer Survey Findings").

<sup>89</sup> Exh. SCE-05, Appendix B at 83.



transitioned to a different TOU rate) by November 2018.<sup>90</sup> Overall, this suggests high customer satisfaction with the experience of a rate very similar to E-TOU-C.

- Default TOU pilot customer satisfaction with PG&E is similar to levels seen before the customers were transitioned to the default pilot TOU rate, buttressing a finding that the TOU rate is not leading to increased customer dissatisfaction with PG&E.<sup>91</sup>
- The preliminary load impact results for the default TOU pilot show an average weekday peak period load reduction of about 4% in the summer of 2018 for customers on the default pilot TOU rate and PG&E's other TOU rates.<sup>92</sup>

The above data from PG&E's opt-in and default TOU pilots give the Commission confidence that the E-TOU-C rate as proposed by PG&E will result in measurable benefits to the grid, and will be accepted and understood by residential customers.

#### **4.1.3. Estimated Bill Impacts and Energy Burdens of E-TOU-C**

PG&E presents revised estimates of the bill impact of moving customers from a tiered rate to E-TOU-C in exhibit PGE-17. Assuming no change in usage, approximately 30% of PG&E's non-CARE customers would see average monthly bill reductions on E-TOU-C while 70% of PG&E's non-CARE customers would see average monthly bill increases. Of those customers that may see bill increases with no change in usage, most would see increases of between \$0 and

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<sup>90</sup> PG&E Opening Brief at 12-13.

<sup>91</sup> PG&E Opening Brief at 13.

<sup>92</sup> Exh. PGE-11 at 5.

\$5 per month. About 30% of PG&E's non-CARE customers may see bill increases of between \$5 and \$20 per month on average after transitioning to E-TOU-C.<sup>93</sup>

For CARE customers that are not excluded from default TOU the results are similar. Assuming no change in usage, approximately 32.5% of PG&E's non-excluded CARE customers would see average monthly bill reductions on E-TOU-C while 67.5% of PG&E's non-excluded CARE customers would see average monthly bill increases. Of those customers that may see bill increases with no change in usage, a large proportion would see increases of between \$0 and \$5 per month. About 11% of PG&E's non-excluded CARE customers may see bill increases of between \$5 and \$20 per month on average after transitioning to E-TOU-C.<sup>94</sup>

This decision considers these bill impacts, and finds that the use of E-TOU-C as a default TOU rate for PG&E's residential customers is reasonable given the following:

- Two-thirds of PG&E's non-CARE customers are expected to either save money or see average monthly bill increases of less than \$5 given no change in usage patterns.
- The majority of CARE customers that are not excluded from default TOU are expected to save money or see average monthly bill increases of less than \$1 given no change in usage patterns.
- The bill impact estimates assume no change in usage, and therefore small changes in usage away from peak periods may mitigate estimated bill increases.

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<sup>93</sup> Exh. PGE-17 at 2-40 and 2-41.

<sup>94</sup> Exh. PGE-17 at 2-41.

PG&E also analyzed energy burdens<sup>95</sup> that result from default residential TOU. Energy burdens are calculated by dividing a customer's annual bill by annual income<sup>96</sup> to determine the share of a household's income that is used to pay its energy bill. SCE conducted a similar analysis that is discussed above.

PG&E's analysis shows that under either the tiered rate or E-TOU-C, 89% of non-CARE customers are estimated to have energy burdens of less than 5%. Between 7% and 8% of customers under either rate are estimated to have energy burdens of between 5% and 10%, about 2% of customers are estimated to have energy burdens between 10% and 15%, and approximately 1% of customers are estimated to have energy burdens in excess of 15%.<sup>97</sup> For CARE customers, the pattern is similar. 85% of CARE customers are estimated to have energy burdens of less than 5% under the tiered rate while 84% of CARE customers are estimated to have energy burdens in that range under E-TOU-C. On either rate, about 11% of CARE customers are estimated to have energy burdens of between 5% and 10%, about 3% of CARE customers are estimated to have energy burdens of between 10% and 15%, and approximately 2% are estimated to have energy burdens in excess of 15%.<sup>98</sup>

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<sup>95</sup> PG&E uses the term "electricity burden" in its testimony, presumably to isolate the burden of electricity prices as opposed to electricity and gas prices. This decision uses the term "energy burden" to refer to the burden of electricity prices as proposed by the utilities.

<sup>96</sup> PG&E uses data from Experian to estimate the household incomes of a sample of their residential customers based on several "individual and household-level variables" (Exh. PGE-17 at 2-48, fn. 84).

<sup>97</sup> Exh. PGE-17 at 2-48 and 2-49.

<sup>98</sup> Exh. PGE-17 at 2-51.

Despite the broad similarity in energy burdens under either the tiered rate or E-TOU-C, there is a slight tendency for estimated energy burdens to increase under E-TOU-C for both non-CARE and CARE customers. For example, under the tiered rate 7.3% of non-CARE customers are estimated to have energy burdens of between 5% and 10%, while under E-TOU-C 7.8% of non-CARE customers are estimated to have energy burdens in that range.<sup>99</sup> A similar trend is noted for CARE customers. Under the tiered rate 10.7% of CARE customers are estimated to have energy burdens of between 5% and 10%, while under E-TOU-C 11.2% of CARE customers are estimated to have energy burdens in that range.<sup>100</sup>

This decision considers these energy burden analyses and finds that the use of E-TOU-C as a default TOU rate for PG&E's residential customers is reasonable given that the difference in energy burdens under either the tiered rate or E-TOU-C is slight. Moreover, the energy burden analyses under E-TOU-C assume no change in a customer's usage and even small reductions in peak load usage may reduce the estimated energy burdens under the TOU rate. As described above, data from the opt-in and default pilots suggest that customers will in fact be able to reduce peak load usage.

#### **4.1.4. Cost Basis of E-TOU-C**

Per the Commission's rate design principles, there should also be an appropriate cost basis for the proposed default residential TOU rate.<sup>101</sup> PG&E offered evidence that the marginal generation and distribution cost differences

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<sup>99</sup> *Ibid.*

<sup>100</sup> Exh. PGE-17 at 2-53.

<sup>101</sup> D.15-07-001 at 27-28 (rate design principles #2 and #3 seek a cost-basis for utility rates).

between peak and off-peak periods in the summer justify a 6.3 cents/kWh peak differential for residential customers, and in winter a 1.7 cents/kWh differential. In the summer the total generation and distribution marginal cost differential for the peak period is 11.5 cents/kWh, meaning that the proposed differential of 6.3 cents/kWh leads to a muted price signal.<sup>102</sup> PG&E argues that the muted 6.3 cents/kWh differential in the summer ensures that E-TOU-C is a “TOU-Lite” rate that will promote customer acceptance with TOU generally, which justifies a deviation from a pure cost-based approach for setting rates.<sup>103</sup> As described above, data from PG&E’s default TOU pilot suggest that a default TOU rate with an approximate 6.3 cents/kWh peak differential in the summer would be well-received by PG&E’s residential customers.

The opposition of EDF and NRDC to the peak period premium employed by E-TOU-C and the cost basis for that premium is noted; but the Commission declines to increase the peak price premiums themselves at this time. The Commission notes that the average peak load reduction of 4% observed in the default pilot with a rate design nearly identical to E-TOU-C gives the Commission confidence that the benefits sought by EDF and NRDC will generally be realized by E-TOU-C.

#### **4.1.5. Analysis Required by Public Utilities Code Section 745(d)**

In order to approve E-TOU-C as a default TOU rate for PG&E’s residential customers, the Commission must dispose of its obligations under Section 745(d), which states that:

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<sup>102</sup> PG&E Opening Brief at 8, fn 13.

<sup>103</sup> D.15-07-001 at 136; Exh. PGE-10, Chapter 2 at 6-7.

The Commission shall not require or authorize an electrical corporation to employ default time-of-use rates for residential customers unless it has first explicitly considered evidence addressing the extent to which hardship will be caused on either of the following: (1) Customers located in hot, inland areas, assuming no changes in overall usage by those customers during peak periods. (2) Residential customers living in areas with hot summer weather, as a result of seasonal bill volatility, assuming no change in summertime usage or in usage during peak periods.

In D.17-09-036, the Commission explicitly considered evidence of the hardship presented by PG&E's default pilot TOU rates to both groups of customers defined in Section 745(d).<sup>104</sup> The default pilot TOU rate for PG&E considered in D.17-09-036 is very similar to proposed E-TOU-C, and the two rates utilize identical peak period and seasonal definitions. The table below compares the rates:

<b>Rate Element</b>	<b>PG&amp;E Default TOU Pilot Rate (E-TOU-C3)</b>	<b>E-TOU-C</b>
Peak Summer Price	37.5 ¢/kWh	32.6 ¢/kWh
Off-Peak Summer Price	31.1 ¢/kWh	26.2 ¢/kWh
Summer Peak Differential <sup>105</sup>	1.21	1.24
Peak Winter Price	28.8 ¢/kWh	29.2 ¢/kWh
Off-Peak Winter Price	27 ¢/kWh	27.5 ¢/kWh
Winter Peak Differential <sup>106</sup>	1.06	1.06

<sup>104</sup> D.17-09-036, Appendix A at 1-5.

<sup>105</sup> Does not include baseline credit adjustment. Baseline credits are nearly identical for the default TOU pilot rate (8 cents/kWh) and E-TOU-C (7.95 cents/kWh).

<sup>106</sup> Does not include baseline credit adjustment.

As can be seen above, the rates are not substantively different from each other, and have nearly identical peak price ratios in both summer and winter. Therefore, following the direction in D.17-09-036,<sup>107</sup> this decision takes notice of the materials considered in D.17-09-036 and finds the similarity of proposed E-TOU-C to PG&E's default TOU pilot rate allows the Commission to conclude that it has fulfilled its obligations under Section 745(d) as regards PG&E's residential customers.

#### **4.1.6. Conditional Approval of E-TOU-C**

The proposed rate design of E-TOU-C as outlined in exhibit JS-01-A is reasonable and conditionally approved as there is an appropriate cost basis for the rate, it is likely to result in measurable benefits to the grid, there are reasonable bill impacts associated with the rate, and it is likely to be accepted and understood by residential customers. The Commission's condition on the approval of the E-TOU-C rate design is that it must be modified as described below with respect to distribution cost elements.

The Commission's conditional approval of the E-TOU-C rate design means that PG&E's proposal to set a fixed peak period premium of 6.3 cents/kWh in the summer and 1.7 cents/kWh in the winter is also reasonable and is adopted. This does not mean that PG&E's approach is necessarily superior to the peak period ratio approach.

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<sup>107</sup> D.17-09-036 at 46-47 ("We will separately consider the bill impacts, electricity burden and bill volatility of the TOU rates that each IOU proposes to use in its full rollout of default TOU, if they are substantially different from the rates considered here. We determine that completing the Section 745(d) analysis with regard to the default pilot rates and the default TOU rates to be used in the full rollout satisfies the requirements of Section 745(d)").

The peak price differential may need to be changed in the future in response to changes in marginal costs faced by the residential class or to give effect to state policy goals related to peak period prices. In order to allow other parties, such as EDF and NRDC, the ability to propose higher differentials for the Commission's consideration, PG&E must include a revised peak differential proposal for E-TOU-C in its next GRC Phase 2 application for consideration by the parties to that proceeding as well as the Commission.

#### **4.1.7. E-TOU-C Must Include a Peak Marginal Distribution Cost Element**

NRDC argues that E-TOU-C should include a peak distribution cost element. As noted by NRDC, "[a]s currently designed, PG&E's proposed default TOU rates do not reflect temporal differences in marginal distribution costs... ." <sup>108</sup> NRDC asserts that redesigning E-TOU-C's peak period price to include a peak-related marginal distribution cost element would more accurately reflect PG&E's underlying costs as estimated by PG&E in its previous GRC Phase 2 proceeding, and comply with the Commission's direction in D.17-01-006. <sup>109</sup> With respect to specific rate design for a marginal distribution cost element, NRDC proposes that a system-average approach is reasonable given that PG&E does not have rates that are specific to particular feeders or circuits. <sup>110</sup>

PG&E opposes the inclusion of a peak-related distribution marginal cost element in E-TOU-C. PG&E argues that inclusion of a distribution marginal cost

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<sup>108</sup> NRDC Opening Brief at 3.

<sup>109</sup> NRDC Opening Brief at 4-5, citing instruction of D.17-01-006 to include examination of marginal distribution costs when setting future peak periods.

<sup>110</sup> NRDC Opening Brief at 5.



element in the peak price of E-TOU-C would inflate the peak differential such that E-TOU-C would no longer be a TOU-Lite form of rate acceptable to customers, and that it may create confusion for CCA customers if there is one peak period for PG&E's distribution costs and a different peak period for generation costs crafted by CCAs.<sup>111</sup>

The Commission agrees with NRDC that E-TOU-C should include a distribution marginal cost element in the peak period price. Such inclusion would better reflect the marginal costs faced by PG&E's residential customers than a rate that fails to include any distribution marginal cost element, and would therefore be more in accord with the rate design principle that seeks rates based on marginal costs.<sup>112</sup> Including a distribution-related peak price element would also be in accord with several of the Commission's recent rate design decisions, including the decision in PG&E's last GRC Phase 2 proceeding (D.18-08-013 in A.16-06-013). This decision takes notice of the findings and conclusions in D.18-08-013, including the following:

- PG&E complied with the principles outlined in D.17-01-006 by using marginal generation costs, as represented by adjusted net load, **and distribution contributions to peak demand** to determine appropriate TOU seasons and periods. (D.18-08-013 Conclusion of Law 16, emphasis added.)

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<sup>111</sup> PG&E Opening Brief at 8-9, 48; PG&E Reply Brief at 15-19. PG&E assumes that PG&E may default CCA customers to E-TOU-C with a distribution component while "the CCA maintained that customer on E-1." (PG&E OB at 48.) This decision's assumption is that if a CCA wished to avoid any TOU price signals for its customers, it would flatten the generation price differentials in E-TOU-C for its customers, resulting in an E-TOU-C rate for that CCA's customers with only a distribution peak price element.

<sup>112</sup> D.15-07-001 at 27-28 (rate design principle #2 seeks a marginal cost basis for utility rates).

- Significant reductions in price differentials between peak and off-peak periods and **the lack of time-differentiation for distribution charges** on any of the default agricultural rates in the agricultural rates settlement is not in accord with Commission policy and previous decisions. (D.18-08-013 Conclusion of Law 59, emphasis added.)
- The decision broke a settlement on rates for medium and large commercial customers for failing to incorporate certain peak marginal distribution costs in the peak prices faced by those customers, and noted that this approach was reasonable in light of the whole record of the proceeding, state policy objectives, and the law.<sup>113</sup>
- The decision's analysis that PG&E's proposed large commercial TOU rates collected significantly less distribution revenue through peak and part-peak charges than existing rates helped lead it to the conclusion that PG&E's rate proposals did not comply with California's energy policy or previous Commission decisions.<sup>114</sup>
- Where PG&E's proposals fail to time-differentiate distribution charges in default TOU rates, that would saddle customers with higher off-peak prices than justified and not reward customers that shift load for helping to avoid marginal distribution investments.<sup>115</sup>

The Commission therefore agrees with NRDC that E-TOU-C should include a distribution marginal cost element in the peak period price. As the Commission held in D.18-08-013, for many reasons it is unreasonable for PG&E to design TOU rates such that peak-related marginal distribution costs are not reflected. This conclusion applies to the residential class as much as it does to

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<sup>113</sup> D.18-08-013 at 84.

<sup>114</sup> D.18-08-013 at 45-47.

<sup>115</sup> D.18-08-013 at 49.

non-residential customer classes. There is no reason to exclude only residential customers from TOU rates with a peak-related marginal distribution cost element.

PG&E's argument that a distribution marginal cost element would create customer confusion in the event that a CCA creates a different peak period (or declines to create any peak period) is not persuasive. For several years PG&E pursued a mandatory transition of many of its bundled and unbundled non-residential customers to TOU rates with some form of a peak-related distribution marginal cost element. There is no information in the record that suggests this transition led to customer confusion.

Further, in D.18-08-013 a new peak period was created for many of PG&E's non-residential customers and at that time PG&E raised no objection to the inclusion of a distribution marginal cost element in the peak period prices based on the potential for CCA customer confusion. Furthermore, earlier in this decision the Commission approved the SCE rate design settlement resulting in default TOU rates for SCE's residential customers that contained a peak-related distribution cost element. No CCA objected to the SCE rate design settlement.<sup>116</sup>

#### **4.1.8. E-TOU-C Distribution Rate Design**

This decision reiterates its previous approval of PG&E's proposal for a 6.3 cents/kWh peak price differential in the summer and a 1.7 cents/kWh peak price differential in the winter. The distribution cost element must be included

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<sup>116</sup> Joint CCA Opening Brief at 3 ("The Joint CCAs do not take a position on the default TOU rate proposals at this time, but reserve the right to reply to issues addressed by other parties in their respective opening briefs"). While supporting the joint stipulation between PG&E, Cal Advocates, and CforAT, the Joint CCAs' support appears to center on the removal of the proposals for the DER-A and E-FLAT rates and is silent on the issue of distribution rate design.

in those differentials but must not result in higher differentials than those approved. Because the distribution marginal cost element must be included in that differential, it will be necessary to displace some of the generation revenue that would otherwise be collected through those peak prices with a distribution cost element. This decision does not mandate the precise detail of how this displacement should occur.

However, PG&E must revise its proposed design of E-TOU-C such that it includes at least one cent/kWh reflecting marginal distribution costs in the summer peak differential. This means that the summer peak price shall always be at least one cent/kWh more expensive with respect to distribution than the off-peak price, regardless of whether the electricity consumed is above or below baseline. PG&E's brief indicates that the full distribution marginal cost differential in the summer is 5.126 cents/kWh.<sup>117</sup> This means that the final design of E-TOU-C may include up to 5.126 cents/kWh of marginal distribution costs in the summer peak price if PG&E chooses to do so, but a minimum of one cent/kWh in the summer must be included. The peak price difference from the off-peak price, including generation and distribution cost elements, may not exceed 6.3 cents/kWh in the summer. In the winter, the minimum marginal distribution cost element included in the 1.7 cents/kWh peak price differential shall be 0.23 cents/kWh as this reflects the full marginal distribution cost for residential customers in the winter.<sup>118</sup>

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<sup>117</sup> PG&E Opening Brief at 8, fn. 13.

<sup>118</sup> PG&E Reply Brief at 14.

#### **4.1.9. Other Elements of E-TOU-C Rate Design**

Pursuant to the joint stipulation between PG&E, Cal Advocates, and CforAT, the following elements of E-TOU-C's rate design are approved as reasonable as they were not opposed by any party:

- No rate adder for anticipated revenue shortfalls is included as originally proposed by PG&E.
- The minimum bill amount shall remain at \$10/month for non-CARE customers.
- Movement of some revenue collection from summer to winter to avoid high disparities between summer and winter rates.<sup>119</sup>

#### **4.1.10. E-TOU-C as the Standard Turn-On Rate for Residential Customers**

In D.17-09-036, the Commission determined that the default TOU rate should become the standard rate at the start of the IDTM.<sup>120</sup> The amended scoping memo included for consideration in Phase IIB the issue of whether the default TOU should become the standard rate prior to the start of the IDTM period.<sup>121</sup>

Currently, PG&E's standard rate for residential services is Schedule E-1. PG&E proposes that its standard rate would become Schedule E-TOU-C in or around April 2020, which is prior to the October 2020 start date of PG&E's IDTM.

This decision finds that E-TOU-C should not become the standard rate for residential customers until the start of the IDTM in October 2020. Although PG&E may be operationally ready to make E-TOU-C the standard rate as of

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<sup>119</sup> PG&E Opening Brief at 6-7.

<sup>120</sup> D.17-09-036 at 38.

<sup>121</sup> Amended scoping memo at 7.

April 2020, PG&E does not demonstrate that residential customers would have received the necessary marketing, education, and outreach (ME&O) concerning TOU rates prior to the IDTM period. Both the statewide ME&O campaign and PG&E's ME&O plan with respect to default TOU are based on the assumption that PG&E's rollout will begin in October 2020. Moreover, PG&E's summer season begins in May. Given that customers may not have received the appropriate ME&O concerning TOU rates, the Commission does not find it advisable to change the standard rate to a TOU rate immediately before the summer months when bills are generally expected to be higher under TOU rates, particularly in the hot climate zones.<sup>122</sup> It is expected that customers will have been exposed to more ME&O regarding TOU rates by the time IDTM has begun.

Therefore, PG&E shall use E-TOU-C as the standard turn-on rate for eligible residential customers turning on or transferring service commencing with the IDTM start date. This order does not modify existing orders for PG&E to engage customers who start or transfer service in making a rate selection.<sup>123</sup>

#### **4.2. Current E-TOU-A**

PG&E proposes to eliminate rate schedule E-TOU-A. This rate has a peak period of 3:00 p.m. – 8:00 p.m. on non-holiday weekdays and is due to utilize updated peak period hours of 4:00 p.m. – 9:00 p.m. at the beginning of 2020 in compliance with D.15-11-013.<sup>124</sup> PG&E proposes to avoid updating E-TOU-A's peak period hours, and rather transition existing E-TOU-A customers to E-TOU-C around June 2020. Existing E-TOU-A customers would be provided

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<sup>122</sup> PG&E Opening Brief at 44, Figure 3-1.

<sup>123</sup> D.17-09-036 at 39.

<sup>124</sup> PG&E Opening Brief at 23.

with advance notice of the transition and a comparison of other available rates around April 2020. PG&E argues that this is reasonable as the peak periods of E-TOU-C and E-TOU-A are very similar.<sup>125</sup> E-TOU-A would be eliminated after all E-TOU-A customers are migrated to a new rate.<sup>126</sup>

This proposal modifies the terms of the settlement reached in PG&E's 2015 RDW proceeding (A.14-11-014) and adopted by D.15-11-013. The modification is considered reasonable as the peak period hours of E-TOU-C and the future E-TOU-A are very similar. Both rates also utilize a baseline credit, although E-TOU-A's current summer peak period premium of 7.6 cents/kWh is slightly higher than the proposed E-TOU-C summer peak period premium of 6.7 cents/kWh. Because the rate designs are so similar, existing E-TOU-A customers are unlikely to notice a difference between E-TOU-C and an updated E-TOU-A with a 4:00 p.m. – 9:00 p.m. peak period.

#### **4.3. Current E-TOU-B**

According to PG&E, approximately 70,000 customers currently take service on E-TOU-B. This opt-in TOU rate has a peak period from 4:00 p.m. – 9:00 p.m. on non-holiday weekdays and does not include a baseline credit. Its rate design incorporates slightly higher peak-to-off-peak differentials than proposed for E-TOU-C.<sup>127</sup>

PG&E originally proposed to transition current E-TOU-B customers to a new E-TOU-B rate with a peak period of 5:00 p.m. – 8:00 p.m.; but in briefs PG&E revises its proposal to allow current E-TOU-B customers to remain on the current

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<sup>125</sup> Exh. PGE-03, Chapter 3 at 55.

<sup>126</sup> PG&E Opening Brief at 23.

<sup>127</sup> PG&E Opening Brief at 17-18.

E-TOU-B rate, while closing the current E-TOU-B rate to new customers around May 2020.<sup>128</sup> Those customers enrolled in the current E-TOU-B before May 2020 would be allowed to stay on the legacy E-TOU-B rate with an untiered 4:00 p.m. – 9 p.m. peak period until the rate is eliminated in October 2025. This allows for NEM customers currently taking service on that rate to enjoy five years of legacy rate treatment as mandated by D.16-01-044.<sup>129</sup> Non-NEM customers would also be allowed to stay on the legacy E-TOU-B rate until October 2025.<sup>130</sup>

PG&E's revised proposal as it appears in their briefs is reasonable and is approved. Allowing existing E-TOU-B customers to remain on their opt-in TOU rate plan of choice adheres to the Commission's TOU rate design principles as laid out in D.17-01-006, namely that customers should have a menu of rate options available to them and that utilities should adhere to base TOU periods for a five-year period.<sup>131</sup> The treatment of NEM customers on the current E-TOU-B rate as proposed by PG&E is also in accord with D.16-01-044 and is therefore reasonable.

#### **4.4. Proposed New E-TOU-B**

Once the current E-TOU-B is closed to new customers around May 2020, PG&E proposes to modify the peak period hours of E-TOU-B to 5 p.m. – 8 p.m. to offer customers an additional opt-in TOU rate. All other features of E-TOU-B would remain the same, such as the lack of a baseline credit and a lack of peak

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<sup>128</sup> PG&E Opening Brief at 23-24.

<sup>129</sup> PG&E Opening Brief at 25.

<sup>130</sup> PG&E Opening Brief at 25-26.

<sup>131</sup> D.17-01-006 at 7-8.



hours on the weekend. PG&E argues that the proposed new E-TOU-B structure would appeal to a subset of customers that would prefer a shorter peak period that ends earlier in the evening. The new E-TOU-B rate would utilize a higher summer peak period premium than E-TOU-C of approximately 9.5 cents/kWh.<sup>132</sup>

This new structure would not apply to legacy E-TOU-B customers as described above. The new rate structure as proposed by PG&E is unopposed. Because the proposed 5:00 p.m. – 8:00 p.m. peak period aligns with PG&E's high cost hours, and because the creation of this new rate structure would enhance the menu of rate options available to customers, PG&E's proposal is reasonable and adopted by this decision. However, PG&E must apply a peak marginal distribution cost signal in E-TOU-B as well. As with the proposed default TOU rate, PG&E shall ensure that the new E-TOU-B rate includes at least one cent/kWh reflecting marginal distribution costs in the summer peak differential. This means that the summer peak price shall always be at least one cent/kWh more expensive with respect to distribution than the off-peak price. In the winter, the minimum marginal distribution cost element included in the peak price differential shall be 0.23 cents/kWh. As with the default TOU rate, the peak price differentials shall remain the same as proposed by PG&E in their testimony and briefs, with the marginal distribution peak price elements replacing an equal amount of marginal generation peak price elements.

PG&E and Cal Advocates jointly propose that the existing cap on enrollment for E-TOU-B be lifted to avoid operational difficulties during IDTM

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<sup>132</sup> PG&E Opening Brief at 18-19.

and to ensure all PG&E customers have access to the optional TOU rate during the IDTM period.<sup>133</sup> The proposal is unopposed. To avoid operational difficulties and ensure fair availability of customer rate options, the proposal is reasonable and should be adopted.<sup>134</sup>

#### **4.5. PG&E Tiered Rate Design – Minimum Bill**

PG&E proposes no changes to its tiered rate design in this proceeding except for the expansion of the minimum bill from \$10/month to \$15/month.<sup>135</sup> Per the joint stipulation, Cal Advocates agrees with PG&E's tiered rate proposal although the minimum bill expansion is not specifically mentioned.<sup>136</sup> While PG&E's brief and exhibit PGE-03-E indicate that the minimum bill will remain at \$10/month for tiered rate customers<sup>137</sup>, some of its testimony indicates otherwise<sup>138</sup> and for the sake of clarity this decision will proceed on the assumption that PG&E proposes to increase the minimum bill for its tiered rate customers.

Because Public Utilities Code Section 451 requires that all utility rates be just and reasonable, this decision must consider whether an increase of the minimum bill for PG&E's tiered rate customers from \$10/month to \$15/month is

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<sup>133</sup> PG&E Opening Brief at 20-21.

<sup>134</sup> The existing cap on E-TOU-B enrollment of 225,000 customers was agreed to as part of a settlement in A.14-11-014 and adopted by D.15-11-013.

<sup>135</sup> Exh. PGE-03, Chapter 2 at 14. PG&E also explored the idea of seasonally differentiating its tiered rate per D.15-07-001; but declined to make such a proposal.

<sup>136</sup> Exh. JS-01-A at 1.

<sup>137</sup> PG&E Opening Brief at 29; Exh. PGE-03-E at 2-14.

<sup>138</sup> Exh. PGE-17 at 2-39 and 2-40.

justified. The record is not clear on whether the increase would apply to CARE customers as well as non-CARE customers as PG&E's testimony only refers to the minimum bill in relation to schedule E-1.

In exhibit PGE-17, PG&E provides estimated bill impacts for non-CARE and CARE customers resulting from the proposed increase in the minimum bill to \$15/month. In PG&E's estimation, most customers would see a small benefit on average from an increase in the minimum bill.<sup>139</sup> However, the record is unclear as to whether these bill impacts were calculated using data from all current tiered rate customers or only those customers that were expected to remain on tiered rates after the IDTM period. This is additional to the lack of certainty as to whether PG&E is seeking to increase the minimum bill to \$15/month for its CARE customers as well as its non-CARE customers.

Without clarification of these ambiguities, the record is insufficient to determine the bill impacts that would result from an approval of PG&E's proposal. Given that, and the uncertainty regarding the proposal for CARE customers, it would not be reasonable for the Commission to approve this change to PG&E's tiered rate design at this time. PG&E's proposal is rejected without prejudice. PG&E shall maintain the minimum bill for its tiered rate customers as currently authorized. PG&E may seek to increase the minimum bill for its tiered rate customers in a future rate design proceeding, and PG&E is encouraged to provide clear record to allow for a Commission decision on any such proposal.

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<sup>139</sup> Exh. PGE-17 at 2-39.

#### **4.6. Proposed Changes to SmartRate**

PG&E offers residential customers a form of critical peak pricing called SmartRate. This pricing structure charges a customer 60 cents/kWh on top of their existing rate during the 2:00 p.m. – 7:00 p.m. period on up to 15 days a year (so-called event days). These customers also receive a static rate credit of 2.4 – 0.15 cents/kWh for all summer usage not falling within an event window. It is PG&E’s discretion to call the event days, and they are generally the hottest days of the summer. SmartRate customers receive one year of bill protection to alleviate initial customer concern about higher rates. The aim of SmartRate is to “shift load away from hours with particularly high generation costs.”<sup>140</sup>

PG&E proposes several changes to SmartRate in this proceeding. First, PG&E seeks to change the event hours from 2:00 p.m. – 7:00 p.m. to 5:00 p.m. – 8:00 p.m. PG&E argues that the revised hours better align with the highest cost hours faced by PG&E, and fall within the peak periods proposed for PG&E’s TOU rates in this proceeding.<sup>141</sup> This change is supported by Cal Advocates<sup>142</sup> and is not opposed by any party. Because the proposed new event hours fall in the range of high marginal cost hours previously identified in this decision and in D.18-08-013, the proposal is reasonable and is adopted.

Second, PG&E proposes to eliminate phone notifications of event days and instead exclusively utilize email and text notifications. PG&E claims that customers favor email or text notifications over phone notifications, and that

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<sup>140</sup> PG&E Opening Brief at 31.

<sup>141</sup> PG&E Opening Brief at 31-32.

<sup>142</sup> Exh. JS-01-A at 2.

eliminating phone notifications will reduce operational costs.<sup>143</sup> Cal Advocates supports the proposal.<sup>144</sup> The proposal is unopposed. Because the record supports that customers prefer non-phone forms of notification and that the proposal would reduce operational costs, the proposal is reasonable and is approved.

PG&E initially proposed to extend SmartRate bill protection to customers during their first year with the new 5:00 p.m. – 8:00 p.m. event hours; but PG&E has since withdrawn that proposal.<sup>145</sup>

Finally, PG&E wishes to change the way in which credits and charges are assigned to SmartRate customers. PG&E's proposal is to eliminate the static nature of SmartRate credits, where a straight credit per kWh is given regardless of the number of event days in a summer, and replace it with credits that increase with the number of event days that are called. This would mirror the SmartRate charge approach, where critical peak prices only apply if an event is called and hence more critical peak prices are incurred the more events are called. In PG&E's proposal, SmartRate credits would only be applied to customer usage in the billing cycles where at least one event day is called.

PG&E argues that the current fixed credit design should be changed because the total amount of fixed savings is reduced as more and more event days are called in a given summer. PG&E reports that some customers have registered complaints with PG&E's customer service representatives that high

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<sup>143</sup> Exh. PGE-03, Chapter 2A at 23-24.

<sup>144</sup> Exh. JS-01-A at 2.

<sup>145</sup> Exh. JS-01-A at 2.

numbers of event days can eat into their fixed SmartRate savings.<sup>146</sup> PG&E also alleges that hypothetical customers that track their SmartRate savings from one summer to the next would be disappointed to find their overall savings reduced if more event days are called, and therefore PG&E's proposed SmartRate changes would make these hypothetical customers more likely to stay on SmartRate.<sup>147</sup>

The argument that it is equitable to have the frequency of SmartRate program credits and charges both increase with the number of event days has merit. This decision finds that the equity argument is a sufficient basis to approve PG&E's proposal.

It should be noted that the combined effect of all of PG&E's proposals would significantly reduce the average bill savings received by SmartRate customers. Exhibit PGE-03-F reveals that under PG&E's proposal illustrative SmartRate customers would experience 46% - 47% less savings in an average summer compared to the current SmartRate program.<sup>148</sup> In abnormal summers where 15 event days are called,<sup>149</sup> PG&E's illustrative low and medium users see less savings of 6% and 12%, respectively. High users in summers with 15 event days would see an increase in savings of approximately 6% under PG&E's proposal.<sup>150</sup> In briefs, PG&E notes that much of the decreased savings results

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<sup>146</sup> PG&E Opening Brief at 33.

<sup>147</sup> Exh. PGE-03, Chapter 2A at 18-23; PGE-03-F.

<sup>148</sup> Exh. PGE-03-F at Table 2A-6. These reductions are for illustrative customers in a summer with 12 event days, which is approximately the average number of event days called since 2008. Exh. PGE-03 at Table 2A-5 shows that an average of 12.2 event days were called in each summer between 2008 and 2017.

<sup>149</sup> 15 event days were only called in three summers between 2008 and 2017 (Exh. PGE-03 at Table 2A-5).

<sup>150</sup> Exh. PGE-03-F at Table 2A-6.

from the decrease in revenue PG&E would receive by shortening the critical peak period from five to three hours.<sup>151</sup> This does not mean that customers would avoid the negative experience of seeing their benefits lowered significantly.

This decision finds that PG&E's SmartRate proposals should be approved in spite of this reduction in average benefits as the arguments for reducing the number of critical peak hours and their reassignment to later in the day are justified by the marginal cost data provided by PG&E. However, the Commission is concerned that the SmartRate program may prove to be less popular than in the past due to these changes and overall reductions in average savings. This may impact the overall goals of the SmartRate program to shift load away from hours with particularly high generation costs, in that the aggregate load shift may be less if fewer customers are participating in the program. PG&E shall monitor enrollment in SmartRate subsequent to the implementation of the changes approved by this decision, and shall alert the Commission through a Tier 1, information-only advice letter to the total enrollment in SmartRate as of October 2019, 2020, and 2021, comparing those numbers to SmartRate enrollment as of October 2018.

#### **4.7 Other PG&E Rate Design Issues**

The amended scoping memo includes several issues related to PG&E's original proposal for two additional residential rate options: E-FLAT and DER-A. Pursuant to the joint stipulation between PG&E, Cal Advocates, and CforAT, these two optional rates will not be introduced at this time.<sup>152</sup> Therefore, scoped

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<sup>151</sup> PG&E Opening Brief at 34-35.

<sup>152</sup> Exh. JS-01-A.

issues relating to those two rates are moot and are not addressed by this decision.

## **5. Implementation, Section 745, and ME&O Issues**

### **5.1. Timing and Schedule**

In D.18-05-011, the Commission authorized PG&E and SCE to begin transitioning their residential customers onto default TOU rates beginning in October 2020 subject to approval of the IOUs' specific rate design proposals and implementation plans for the transition.

#### **5.1.1. SCE Proposal**

SCE proposes to transition its customers over a 15-month period beginning in October 2020 and continuing until December 2021 as follows:<sup>153</sup>

- October 2020 through March 2021: SCE plans to transition approximately 2.7 million customers eligible for default TOU. The initial migration groups may start off slower to account for an expected learning curve associated with the new customer billing system.<sup>154</sup> SCE plans to increase the size of the migration groups, targeting an average of 456,000 customers being defaulted per month.
- April 2021 through September 2021: SCE plans to pause default TOU transitions during this period to avoid defaulting customers during summer months when electricity bills are typically the highest.
- October 2021 through December 2021: SCE plans to default approximately 0.6 million eligible customers targeting an average of approximately 190,000 customers per month.

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<sup>153</sup> Exh. SCE-04 at 12-13; Exh. SCE-04A at 2-4.

<sup>154</sup> SCE is currently undertaking a project to replace its billing system, the Customer Service Re-Platform (CSRP) project, which will be deployed in early 2020 followed by a post go-live stabilization period. (Exh. SCE-4 at 10 (Figure II-2).)



SCE intends to sequence the transitioning of the 35 districts within its service area on a monthly basis based on the average difference between summer and winter bills on the default TOU rate for all eligible customers within a district.<sup>155</sup> Customers with the highest average seasonal bill difference on the default TOU rate will be placed in the earlier transition groups and customers with the lowest average seasonal bill differences will be placed in a later transition group in 2021. SCE argues that the transition plan is intended to facilitate customer understanding and acceptance of default TOU rates because the plan will provide customers who are expected to see increases in bills time to learn about and acclimate to monthly bills, as well as time to experience the benefits of lower winter bills on the TOU rate for the longest possible time period.

SCE states that it may adjust the sequencing based on results of the default TOU pilots, as well as coordination with CCAs.<sup>156</sup> SCE intends to use the quarterly Progress on Residential Rate Reform (PRRR) reports filed in R.12-06-013 to share updates to the schedule.

#### **5.1.2. PG&E Proposal**

PG&E proposes to transition eligible residential customers starting in October 2020 over a period not to exceed 13 months. PG&E estimates that if no CCAs decide to participate, approximately 600,000 of PG&E's residential customers would be eligible for default. If all the CCAs operating in PG&E's

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<sup>155</sup> Exh. SCE-04A at 2.

<sup>156</sup> Exh. SCE-04A at 2-3.

service territory during the IDTM participate, PG&E estimates the number could be as high as 2.7 million residential customers.<sup>157</sup>

PG&E's IDTM transition process would occur in waves, by geographic territory and timing of bill impacts.<sup>158</sup> Most customers on Schedule E-1 would transition over a period of about 10 months, with an additional 3 months (December 2020, January 2021, and August 2021) during which only NEM customers would transition. NEM customers would transition over a 12-month period on a monthly basis starting on October 1, 2020 according to the month of their annual true-up. Depending on how many CCAs participate, PG&E estimates that the number of eligible non-NEM customers in each monthly wave could range from approximately 200,000 to 400,000 customers per month.

PG&E states that the transition plan is subject to change based on the full results of default pilot, lessons learned from SDG&E's and the Sacramento Municipal Utility District (SMUD)'s transitions, and ongoing conversations with the CCAs in PG&E's service territory. PG&E contends that the plan must necessarily be flexible given the large number of unknowns that remain. Therefore, PG&E proposes that the Commission approve a set of guiding principles rather than a specific rollout plan. The guiding principles are summarized as follows:<sup>159</sup>

- (1) Implement transition geographically by county;
- (2) Transition during months customers do not experience their highest bills to allow customers to learn the details

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<sup>157</sup> PG&E Opening Brief at 40, 44 (Figure 3-1) and 52-53 (Table 12).

<sup>158</sup> PG&E Opening Brief at 40.

<sup>159</sup> PG&E Opening Brief, Attachment A.

of the rate plan and how to adapt usage to avoid peak hours as much as possible;

- (3) Employ a short pause after the first few consecutive waves to allow fine-tuning of rollout operational systems; and
- (4) Transition a maximum of about 500,000 customers per month to maintain quality control because many PG&E operating systems are involved.

PG&E intends to continue its ongoing consultations with Energy Division, the TOU Working Group, and all the CCAs in its service territory, including disclosure of any significant changes to refine PG&E's current default TOU implementation plan. PG&E and Cal Advocates have also stipulated that in addition to presenting changes to the Working Group, PG&E will provide interested parties (served on the service list for this proceeding) and Energy Division an informal report on any significant changes in the implementation plan.<sup>160</sup>

PG&E contends that its recommended approach provides the necessary transparency, coordination, and oversight to ensure that the plan supports the overall goals of the Commission, while also ensuring the October 2020 launch can proceed as planned. PG&E states that it has an internal deadline of January 2020 to begin preparations for the first group of transitioning customers who are scheduled to receive their first set of notifications in mid-2020.

### **5.1.3. Discussion**

This decision finds SCE's and PG&E's proposed transition plans to be reasonable. The proposals are well thought-out, take into consideration

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<sup>160</sup> Exh. JS-01-A.

operational feasibility, and incorporate lessons from the pilots. Among other things, both proposals:

- (1) transition customers in waves by service district or county, which allows for targeted and better-coordinated ME&O;
- (2) consider the maximum number of customers that should be transitioned per month based on operational feasibility and to maintain quality control;
- (3) take into account customers' bill impacts in determining when customers should be defaulted so that customers are not transitioned during months when they would experience higher bills; and
- (4) pause transitions to either fine tune operations or to avoid defaulting customers during the summer months when bills are higher.

The Commission finds these to be reasonable principles to guide the default transition plans. At the same time, the Commission recognizes that these plans must necessarily be flexible given that circumstances may change between now and the start of the IDTM and even during the IDTM. For example, additional results from the default pilots or SDG&E's or SMUD's rollouts of default TOU may indicate that the IOUs should revise certain aspects of their plans. There may also be an unexpected circumstance in a geographic area that requires re-sequencing that area within the transition plan. Most significantly, the IOUs will need to coordinate with the CCAs in their service territories regarding the timing and implementation details of defaulting CCA customers.

CCA customers receive generation services from a CCA and distribution and transmission services from the IOU. As discussed above, the default TOU rates adopted for both SCE and PG&E include a time-differentiated distribution component. Because all CCA customers in PG&E's and SCE's service territories still receive distribution services from the IOU, CCA customers that are eligible

for default TOU will also be included in the full rollout of default TOU.

However, issues concerning whether and how these customers will be defaulted to a time-differentiated generation rate will need to be decided by each CCA provider. Coordination with CCAs will be essential. SCE estimates that it could have up to 27 CCAs in its service territory by the end of the IDTM.<sup>161</sup> PG&E estimates that CCAs will provide up to 80 percent of generation services in its service territory by the start of the IDTM.<sup>162</sup> Issues related to the timing and implementation of default TOU for CCA customers and coordination with the CCAs are discussed further below in the section addressing CCA issues.

Consistent with D.18-05-011, PG&E and SCE should start the mass transition of their residential customers to default TOU in October 2020. This decision finds PG&E's and SCE's proposed transition timelines of 13 and 15 months, respectively, to be reasonable. In order to ensure the successful transition of customers, this decision finds that the IOUs should have the flexibility to respond to and adjust their plans as changing circumstances may warrant. Therefore, although this decision finds the submitted transition plans to be reasonable, the IOUs are not precluded from revising these plans as necessary based on lessons learned or changing circumstances. In making any revisions to the transition plans, the IOUs should continue to take into account operational considerations and the four principles set forth above and ensure that the IOUs are able to provide adequate education, outreach, and customer support for each wave of the transition. Moreover, in light of the ME&O efforts

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<sup>161</sup> SCE Opening Brief at 33.

<sup>162</sup> PG&E Opening Brief at 50.

that are occurring before and during the IDTM period and to avoid an indefinite transition to default TOU, the IDTM period should not extend beyond an 18-month period.

The IOUs should provide regular updates regarding their rollouts of default TOU to Energy Division and present any significant changes to their submitted implementation plans in their quarterly PRRR reports as well as in Working Group meetings. The PRRR report should discuss any significant changes to the implementation plan that occurred in the previous quarter, as well as any future changes planned for the forthcoming quarter. A significant change would include but is not necessarily limited to the following:

- If a utility's plan is modified to transition more than 500,000 customers during a one-month period;
- If there is a pause in the transition other than the ones specifically proposed by SCE and PG&E in this proceeding;
- If modifications to SCE's plan include transitioning customers during the summer months;
- If modifications to PG&E's transition plan are inconsistent with the months acceptable for transition by baseline territory as set forth in Figure-3-1 of exhibit PGE-03;<sup>163</sup> and
- If the transition will extend beyond the 13 or 15 months currently planned by the utilities.

## **5.2. Customer Eligibility and Exclusions**

### **5.2.1. SCE Proposal**

SCE proposes to exclude the following customer groups from the transition to default TOU:<sup>164</sup>

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<sup>163</sup> Figure 3-1 is reproduced on p. 44 of PG&E's Opening Brief.

<sup>164</sup> SCE Opening Brief at 11 & 14.

- (1) Customers required to be excluded pursuant to Section 745(c)(1);
- (2) Customers lacking 12 months of interval usage data and associated customer education as required pursuant to Section 745(c)(4);
- (3) Customers taking service on SCE's complex NEM tariffs;<sup>165</sup>
- (4) Customers participating in the Multifamily Affordable Solar Housing (MASH) program and the Solar on Multifamily Affordable Housing (SOMAH) program; and
- (5) Customers enrolled on CARE/FERA in the hot climate zones.

Although SCE proposes to exclude CARE/FERA enrolled customers in the hot climate zones, it proposes to include CARE/FERA eligible customers in the default transition. Because it is proposing to include CARE/FERA eligible customers, SCE additionally proposes to increase awareness and enrollment of hot climate zone customers in CARE and FERA through a direct mailer campaign.

SCE estimates that approximately 1.5 million customers would be excluded from default TOU based on its proposed exclusions.<sup>166</sup> SCE states that the customers in the customer groups it proposes to exclude can be readily identified through its billing system.<sup>167</sup>

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<sup>165</sup> SCE lists these tariffs as: NEM Multiple Tariff Generating Facilities, NEM Aggregation, Schedule NEM-V Generating Facilities (Multi-Tenant and Multi-Meter Properties) and NEM Paired Storage. (SCE Opening Brief at 14.)

<sup>166</sup> Exh. SCE-06 at 4, Table II-1.

<sup>167</sup> SCE Opening Brief at 14-15.

### 5.2.2. PG&E Proposal

PG&E proposes to exclude the following customer groups from the transition to default TOU:<sup>168</sup>

- (1) Customers required to be excluded pursuant to Section 745(c)(1);
- (2) Customers without 12 months of interval usage data as required pursuant to Section 745(c)(4);
- (3) Customers already on an existing opt-in TOU rate;
- (4) Customers who are unable to see their own usage data;<sup>169</sup>
- (5) Customers who participated in the default pilot, including those who opted out of default TOU;
- (6) CARE/FERA enrolled and eligible customers in PG&E's hot climate zones;<sup>170</sup>
- (7) Customers taking service from a CCA that does not commit to participate in the transition program by October 2019; and
- (8) Customers enrolled in SOMAH.

PG&E estimates that approximately 2 million customers would be excluded from default TOU based on its proposed exclusions. PG&E states that most of the customers it proposes to exclude are easily identifiable using PG&E's system of records for each customer.<sup>171</sup> With respect to CARE/FERA-eligible

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<sup>168</sup> PG&E Opening Brief at 47-48.

<sup>169</sup> According to PG&E, these customers would include direct access customers, transition bundled service customers, master-metered premises, customers with more than 3 service agreements, customers with inadequate interval data, customers who cannot receive a rate comparison, and customers on a complex NEM rate or with legacy meters who are billed through PG&E's Advanced Billing Services. (PG&E Opening Brief at 48.)

<sup>170</sup> PG&E's hot climate zones are Baseline Territories P, R, S, and W.

<sup>171</sup> PG&E Opening Brief at 49.



customers, PG&E proposes to identify these customers using the top three deciles of its CARE propensity model, which was the methodology approved for PG&E's default pilot.<sup>172</sup>

### 5.2.3. Other Parties' Positions

PG&E's and SCE's proposed customer exclusions are unopposed except as follows:

- TURN and CforAT argue that SCE should exclude both CARE/FERA eligible and enrolled customers in the hot climate zones.
- CforAT recommends that extreme structural non-benefitters also be excluded from the default transition.<sup>173</sup>
- TURN and CforAT contend that the Commission should require both PG&E and SCE to identify in their customer notification materials that participation in or eligibility for certain programs would result in exclusion from default TOU.<sup>174</sup>
- TURN argues that the "standard turn-on rate" for the customer groups that must be excluded from default TOU, such as the customer groups enumerated in Section 745(c)(1) and CARE/FERA-eligible customers in the hot zones, must be the tiered rate rather than a TOU rate.<sup>175</sup>

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<sup>172</sup> *Ibid.*

<sup>173</sup> CforAT Opening Brief at 17.

<sup>174</sup> TURN Opening Brief at 21-23, CforAT Opening Brief at 13.

<sup>175</sup> TURN Opening Brief at 20 & 34-35.

#### **5.2.4. Discussion**

##### **5.2.4.1. Customers Required to be Excluded Pursuant to Section 745**

There is no dispute that SCE and PG&E should exclude customers that are statutorily required to be excluded pursuant to Sections 745(c)(1) and 745(c)(4).

Therefore, pursuant to Section 745(c)(1), SCE and PG&E shall exclude:

(1) customers who receive a medical baseline allowance pursuant to Section 739(c); (2) customers who request third-party notification pursuant to Section 779.1; and (3) customers who the Commission has ordered cannot be disconnected from service without an in-person visit from a utility representative.

Pursuant to Section 745(c)(4), SCE and PG&E shall exclude residential customers that have not been provided with at least one year of interval usage data from an advanced meter and associated customer education. These customers would include customers on legacy meters or with inadequate interval data.

In addition, Section 745(c)(4) requires electrical corporations to provide bill protection to existing residential customers that are defaulted to a TOU rate calculated based on a customer's previous rate schedule. SCE and PG&E shall also exclude any customer for whom it cannot calculate the required rate comparisons required pursuant to that statute.

##### **5.2.4.2. Customers Already on a TOU Rate**

PG&E proposes to exclude customers that are already on a TOU rate. PG&E also proposes to exclude those customers who participated in the default pilot, including those who opted out of the default pilot. Default TOU is aimed at customers that are not already on a TOU rate. Therefore, it is reasonable for customers already on a TOU rate to be excluded from the transition. It is also

reasonable to exclude all customers who participated in the default pilot, including those customers who opted out or unenrolled from the pilot. Those who are participating in the pilot are already on a TOU rate. Those who have opted out or unenrolled from the pilot have already opted out of a TOU rate and it is unnecessary to require these customers to opt out for a second time.

SCE does not explicitly request exclusion of customers that are already on a TOU rate. However, in providing estimates of excluded customers, it lists existing TOU customers and default pilot customers still on TOU rates pre-IDTM as excluded customer categories.<sup>176</sup> As with PG&E's customers, it is reasonable for SCE's customers that are already on a TOU rate (including default pilot participants) to be excluded from the default transition.<sup>177</sup> It is also reasonable for SCE to exclude customers that have opted out or unenrolled from the default pilot.

#### **5.2.4.3. CARE/FERA-Eligible Customers in Hot Climate Zones**

In D.17-09-036, the Commission directed PG&E and SCE to exclude CARE and FERA-eligible customers in their hot climate zones from the default TOU pilots.<sup>178</sup> The Commission directed that these exclusions shall also apply to

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<sup>176</sup> Exh. SCE-04, Appendix H.

<sup>177</sup> SCE explains that it will be closing several of its optional TOU rates and transferring non-grandfathered customers that are on these rates to the lowest-cost default TOU rate in October 2020. (SCE Opening Brief at 18.) Nothing in this decision is intended to prohibit SCE from proceeding with this plan. As discussed further below in the section concerning bill protection, the closure of these optional TOU rates and plan to transition these customers were decided in D.18-11-027 and this decision does not view these customers as being defaulted onto a TOU rate.

<sup>178</sup> D.17-09-036 at 55, OPs 1 & 2.

PG&E's and SCE's default TOU rates unless additional data and analysis in a formal Commission proceeding demonstrate good cause for change.<sup>179</sup>

PG&E proposes to continue to exclude both CARE and FERA enrolled and eligible customers in its hot climate zones from the full default TOU transition. Although enrolled customers are readily identifiable in PG&E's system of customer records, eligible customers are not. PG&E proposes to identify eligible customers using the top three deciles of its CARE propensity model, as was approved for PG&E's default pilot.<sup>180</sup>

PG&E's proposed exclusion of these customers and proposed method for identifying these customers are unopposed by any party and are consistent with D.17-09-036. Therefore, these proposals are approved.

SCE on the other hand proposes to exclude CARE and FERA enrolled customers in its hot climate zones but not CARE and FERA eligible customers. SCE proposes to additionally increase awareness and enrollment of hot climate zone customers in CARE and FERA through a direct mailer campaign. SCE argues that its proposal is similar to what was approved for SCE's default pilot and that increasing enrollment on CARE and FERA will provide a greater benefit to CARE and FERA-eligible customers than excluding them from default TOU.<sup>181</sup> SCE also argues that its proposal to default CARE and FERA-eligible customers in hot climate zones is supported by additional data and analysis.<sup>182</sup>

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<sup>179</sup> *Ibid.*

<sup>180</sup> *Id.* at 22.

<sup>181</sup> SCE Opening Brief at 11-12.

<sup>182</sup> *Id.* at 12.

Both TURN and CforAT oppose SCE's proposal to exclude only CARE and FERA enrolled customers in its hot climate zones arguing that SCE has failed to demonstrate that there is good cause to change the prior determination in D.17-09-036 that CARE and FERA-eligible customers in hot climate zones be excluded from being defaulted to TOU. Although SCE argues that its current proposal is similar to what was approved for its default pilot, TURN points out that the resolution adopting SCE's default pilot, Resolution E-4847, was issued months before the Commission issued D.17-09-036.<sup>183</sup>

CforAT also argues that the data that SCE puts forth in support of its proposal does not demonstrate good cause for change. SCE contends that data from its default pilot supports that CARE/FERA-eligible customers in its hot zones would see annual bill increases under the default pilot TOU rates that were more similar to those expected for non-eligible customers than to those expected for CARE/FERA-enrolled customers.<sup>184</sup> CforAT notes that SCE's analysis relies heavily on comparisons of percentage changes in bills, whereas the dollar impacts for CARE/FERA-eligible customers would be greater than for CARE/FERA enrolled customers (who are excluded from default). Given that the income levels of these customer groups are comparable, CforAT argues that the data presented by SCE does not support a finding that there is good cause for these vulnerable customers to be defaulted to TOU rates.<sup>185</sup>

SCE has failed to demonstrate that there is good cause for changing the determination in D.17-09-036 that both enrolled and eligible CARE/FERA

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<sup>183</sup> TURN Opening Brief at 20.

<sup>184</sup> SCE Opening Brief at 13.

<sup>185</sup> CforAT Opening Brief at 16.

customers in the hot climate zones should be excluded from the transition to default TOU. SCE has failed to justify treating CARE/FERA eligible customers differently than enrolled customers. In D.16-09-016, the Commission determined that the definition of “economically vulnerable” customers should include customers who are eligible but not enrolled in CARE and FERA.<sup>186</sup> The Commission confirmed that the customer’s income level should be the defining feature of determining whether a customer is “economically vulnerable” rather than whether the customer is enrolled in a specific program.

The Commission finds unpersuasive the data presented by SCE that CARE/FERA eligible customers are more similar to non-CARE/FERA customers than CARE/FERA enrolled customers. As noted by CforAT, SCE’s bill impact analysis relies on percentage changes in bills. Given that the underlying bills for CARE/FERA-eligible customers are undiscounted and therefore higher than the bills for CARE/FERA-enrolled customers, it is unsurprising that the bill impacts in percentage terms would be greater for CARE/FERA enrolled customers. The actual dollar impacts for CARE/FERA-eligible customers are in fact greater than for CARE/FERA-enrolled customers.<sup>187</sup>

SCE also argues that data from the default pilot indicates that payment arrangements for CARE/FERA-eligible customers in hot zones are more similar to customers who will be defaulted than to CARE/FERA enrolled customers in hot zones who will be excluded from default.<sup>188</sup> The data presented by SCE does demonstrate that payment arrangement events for CARE/FERA-eligible

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<sup>186</sup> D.16-09-016 at 9.

<sup>187</sup> Exh. SCE-06 at 10, Tables II-2 and II-3; CforAT Opening Brief at 15-16.

<sup>188</sup> Exh. SCE-06 at 11.

customers fall somewhere between the statistics for CARE/FERA-enrolled customers and for non-eligible customers. However, SCE does not provide any explanation as to why these statistics would differ for two customer groups with comparable income levels. In the absence of such an explanation, this data is not a sufficient basis for treating enrolled and eligible customers differently.

Therefore, consistent with D.16-09-016 and D.17-09-036, SCE shall exclude CARE/FERA-eligible customers as well as enrolled customers in its hot climate zones from being defaulted to TOU.<sup>189</sup> As with SDG&E and PG&E, propensity modeling should be used to identify CARE/FERA-eligible customers. SCE used propensity modeling to conduct bill impact analyses of CARE/FERA-eligible customers.<sup>190</sup> SCE shall use this same methodology to identify and exclude CARE/FERA-eligible customers in its hot climate zones from default TOU.<sup>191</sup> Pursuant to this methodology, the customers in the top three deciles of either CARE or FERA propensity model scores are defined as CARE/FERA-eligible.

SCE argues that increasing enrollment on CARE and FERA will provide a greater benefit to CARE and FERA-eligible customers than excluding them from default TOU. However, the fact that these customers will be excluded from default TOU does not mean that SCE should not provide outreach regarding the

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<sup>189</sup> TURN also argues that any such customers included in SCE's default pilot would have to be excluded from the full rollout. (TURN Opening Brief at 21.) The customer exclusions for SCE's default pilot were determined in Resolution E-4847. The default pilot has already been implemented, and therefore, this decision does not modify the customer exclusions adopted for purposes of the default pilot. For purposes of the full rollout, as discussed above, all default pilot participants will be excluded.

<sup>190</sup> Exh. SCE-06 at 9.

<sup>191</sup> A summary of this methodology is set forth in Exh. CforAT-08.

CARE and FERA program to these customers. SCE should continue its CARE/FERA outreach efforts to potentially eligible customers.

#### **5.2.4.4. Master-Metered Premises**

PG&E proposes to exclude master-metered premises from default TOU. PG&E explains that master-metered premises are billed for the aggregate load of numerous dwellings on-site and that the individual household units do not have their own individual meters or PG&E accounts.<sup>192</sup>

SCE does not explicitly request to exclude master-metered premises from default TOU. However, in information provided in a data request response to TURN, SCE indicated that Domestic Master-Metered (DM) residential customers in multifamily accommodations were on a “non-eligible rate” for default TOU.<sup>193</sup>

In master-metered properties, the residents who are the end users of the electricity are usually not the account holders. Therefore, the TOU price signals will not be directly provided to the end user of the electricity. Consistent with the exclusions approved for the default pilots and for SDG&E’s default transition, it is reasonable for PG&E and SCE to exclude master-metered premises from default TOU.<sup>194</sup>

#### **5.2.4.5. Customers With More Than 3 Service Agreements**

PG&E proposes to exclude customers with more than three service agreements.<sup>195</sup> PG&E argues that customers with many service agreements tend

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<sup>192</sup> Exh. PGE-03 at 3-30.

<sup>193</sup> Exh. SCE-06 at 4, fn. 15.

<sup>194</sup> Resolution E-4846 at 14; Resolution E-4847 at 12; D.18-12-004 at 43 & 45.

<sup>195</sup> PG&E Opening Brief at 48.



to be entities that could be seen as functioning in a manner similar to a landlord.<sup>196</sup> PG&E argues that in such a situation, the recipients of PG&E's communications are not usually the end user of the electricity who would need to receive the price signal in order to shift load under TOU.<sup>197</sup>

There is insufficient justification for excluding customers with more than three service agreements. PG&E does not present evidence that demonstrates that such customers are functioning in a manner similar to a landlord or that where there are such customers, the end users of electricity would not receive the appropriate TOU price signals. As noted by PG&E, these customers were not excluded from the default pilot. In addition, SCE has not proposed to exclude these customers and no such exclusion was adopted for SDG&E.

#### **5.2.4.6. Complex NEM, MASH, and SOMAH Customers**

Both PG&E and SCE propose to exclude customers taking service on "complex" NEM tariffs from default TOU. PG&E proposes to exclude customers taking service on the following NEM tariffs: virtual NEM, NEM Aggregation, NEMBIO (biogas), and NEMFC (fuel cell).<sup>198</sup> PG&E argues that given the nature of complex NEM, these customers cannot easily respond to the TOU price signals.<sup>199</sup> PG&E also proposes to exclude SOMAH customers from the transition.<sup>200</sup> PG&E argues that it would need to make complex and costly

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<sup>196</sup> Exh. PGE-03 at 3-30.

<sup>197</sup> Exh. PGE-03 at 3-30.

<sup>198</sup> Exh. PGE-03 at 3-31, fn. 51.

<sup>199</sup> *Id.* at 3-31.

<sup>200</sup> *Ibid.*

revisions to its automated bill protection program in order to provide bill protection for this small group of customers. PG&E also notes that the Commission did not require tenants participating in SOMAH to take service under a TOU rate.

SCE proposes to exclude customers taking service on the following NEM tariffs: NEM Multiple Tariff Generating Facilities, NEM Aggregation, Schedule NEM-V Generating Facilities (Multi-Tenant and Multi-Meter Properties) and NEM Paired Storage.<sup>201</sup> SCE also proposes to exclude customers participating in the MASH and SOMAH programs.<sup>202</sup> SCE argues that the incremental cost of automated bill protection for these complex tariffs is not warranted given the small number of customers taking service on these tariffs.<sup>203</sup> SCE also notes that except for customers participating in the SOMAH program, any customers receiving permission to operate after July 31, 2017 are already required to take service on a TOU rate.

SCE's and PG&E's proposals to exclude customers on their complex NEM tariffs (as listed above) and the MASH<sup>204</sup> and SOMAH programs are reasonable. Pursuant to Section 745(c)(4), customers that are defaulted onto a TOU rate must be provided with no less than one year of bill protection. Consistent with the Commission's decision for the default pilots, this decision finds that the incremental cost of providing automated bill protection to the small number of

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<sup>201</sup> SCE Opening Brief at 14.

<sup>202</sup> *Ibid.*

<sup>203</sup> Exh. SCE-04 at 27-28.

<sup>204</sup> All customers participating in the MASH program are either on a multi-metered premises (which are to be excluded from default TOU) or on a virtual NEM tariff.

customers on these tariffs and programs who are still taking service on a tiered rate is not justified.<sup>205</sup> Moreover, the bill for a NEM customer is based on the customer's energy usage as well as generation credits but the generation credit for complex NEM tariffs such as NEM Aggregation and virtual NEM are not based on direct customer behavior but rather on allocation methodologies.

Therefore, as pointed out by PG&E, these customers would not easily be able to respond to TOU price signals.

#### **5.2.4.7. CCA Customers**

PG&E proposes to exclude customers taking service from a CCA that does not commit to participate in the transition program by October 2019. SCE does not list CCA customers as an excluded customer group.

A CCA customer receives generation services from a CCA but continues to receive distribution and transmission services from the IOU. This decision directs both SCE's and PG&E's distribution rates to be time-differentiated, and therefore, CCA customers should not be excluded from being defaulted onto a time-differentiated distribution rate. However, since a CCA customer's generation rates are set by the CCA, the issue as to whether a CCA's customer generation rate will be defaulted to TOU will depend on each CCA's decision regarding whether to participate in default TOU. Issues regarding the timing and implementation of default TOU for CCA customers are discussed further below.

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<sup>205</sup> ALJ's Ruling Admitting Data Request Responses into the Evidentiary Record, April 17, 2019, Attachments A and B. With the exception of a few customers on multi-metered tariffs, neither PG&E nor SCE have customers on the NEM successor tariff that are on tiered rates. Pursuant to D.16-01-044, with the exception of a few grandfathered customers who may maintain their tiered rates for a period of time, customers taking service on the NEM successor tariff are already required to be on a mandatory TOU rate. (D.16-01-044 at 110 (Finding of Fact 35).)

#### **5.2.4.8. Direct Access/Transition Bundled Service Customers**

PG&E proposes to exclude customers taking service on direct access (DA) or on Transition Bundled Service. SCE does not list DA and Transition Bundled Service (TBS) customers as excluded customer categories.

DA customers receive generation services from an independent energy service provider (ESP) but continue to receive distribution and transmission services from the IOU. As with CCA customers, DA customers in SCE's and PG&E's territories should not be excluded from being defaulted onto a time-differentiated distribution rate. Because DA customers receive generation services from an ESP, DA customers will not be defaulted onto a time-differentiated generation rate unless the ESP decides to default the customer to a TOU rate.

TBS charges apply to DA customers who elect TBS pursuant to the DA switching exemption rules or DA and CCA customers who take bundled service prior to the end of the mandatory six-month notice period required to elect bundled service.<sup>206</sup> TBS customers are on a temporary basis subject to TBS charges, which are based on complex calculations reflecting short-term procurement costs. The complexity of calculating the TBS charges would make it challenging for the IOUs to calculate the rate and bill comparisons that the IOUs are required to provide to customers defaulted onto TOU rates pursuant to Section 745. Therefore, this decision agrees with PG&E that it would be "prohibitively complex"<sup>207</sup> to transition these customers to a TOU rate and find it

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<sup>206</sup> PG&E Electric Schedule TBCC; SCE Schedule PC-TBS.

<sup>207</sup> Exh. PGE-03 at 3-29, fn. 48.

reasonable for both PG&E and SCE to exclude these customers from default TOU.

#### **5.2.4.9. Extreme Non-Benefitters**

CforAT proposes that the Commission exercise its discretion under Section 745(c)(1) to additionally exclude from default TOU customers who are extreme structural non-benefitters.<sup>208</sup> CforAT defines extreme structural non-benefitters as customers who would experience “an annual projected structural bill increase of \$50 or 10% (whichever is lower) for CARE customers and \$100 or 15% (whichever is lower) for non-CARE customers.”<sup>209</sup> CforAT argues that it is more efficient to exclude these customers and allow them to opt into a TOU rate rather than have the utilities invest time and resources in conducting enhanced outreach to this group of customers. CforAT also argues that such an exclusion would support the Commission’s “best rate” standard by leaving these customers on the rate that is their best financial option while informing them of rate choices and would reduce the risk of customer backlash.

CforAT’s proposal is opposed by SCE, PG&E, and EDF. These parties argue that CforAT’s proposal is overbroad, would undermine the goals of TOU, and is not warranted.<sup>210</sup> SCE and PG&E propose to include and provide enhanced outreach to these customers during the transition.

The Commission finds that CforAT has failed to justify excluding these customers from default TOU. Excluding these customers would undermine the goals of TOU and CforAT does not present a persuasive reason as to why these

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<sup>208</sup> CforAT Opening Brief at 17.

<sup>209</sup> CforAT Opening Brief at 17.

<sup>210</sup> SCE Opening Brief at 16-17; EDF Opening Brief at 20; PG&E Reply Brief at 21-23.

customers should be excluded. The record demonstrates that the majority of these customers are NEM customers and are not customers that would be categorized as economically vulnerable.<sup>211</sup> The results from the default pilots suggest that customers in this group had high awareness of the transition to TOU and exercised their option to opt out of TOU at a higher rate than other customer groups.<sup>212</sup> Default pilot survey results from PG&E show that many customers in this group still chose to proceed with the transition and try out the TOU rate with the understanding that they could choose a different rate at any time and would receive bill protection.<sup>213</sup> As acknowledged by CforAT, there is no evidence of a backlash from this customer group during the pilots.<sup>214</sup>

EDF cautions against overbroad exclusions that rely heavily on structural bill impacts without regard for ME&O and enhanced customer assistance that would enable the benefits of TOU rates.<sup>215</sup> CforAT's proposed exclusion is based on a customer's structural bill impacts, which assumes no change in usage. However, some of these customers may be able to make behavior changes to shift usage, which would result in lower than anticipated bills.

Based on the foregoing, extreme structural non-benefiters should not be excluded from the default transition. Rather, as proposed by SCE and PG&E,

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<sup>211</sup> SCE Opening Brief at 16; PG&E Reply Brief at 21.

<sup>212</sup> In PG&E's default pilot, approximately 44% of extreme non-benefiters declined to be transitioned compared to an average rate of 24% of customers overall. (PG&E Reply Brief at 22-23.) In SCE's original default pilot selection, 36% of non-NEM and 47% of NEM extreme non-benefiter customers chose to opt out or select another rate compared to only 12% of default pilot customers overall. (SCE Opening Brief at 16.)

<sup>213</sup> PG&E Reply Brief at 22-23.

<sup>214</sup> CforAT Opening Brief at 20.

<sup>215</sup> EDF Opening Brief at 20.

these customers should receive appropriate ME&O so that they can make an informed decision about whether to try a TOU rate.<sup>216</sup> These customers may opt out of a TOU rate and many may choose to do so. However, some of these customers may opt to try a TOU rate especially during the period when they could receive bill protection while trying the rate.

#### **5.2.4.10. Methods for Identifying Excluded Customers**

With the exception of CARE/FERA-eligible customers in hot climate zones, all of the customer categories to be excluded should be readily identifiable via SCE's and PG&E's billing records. As discussed above, PG&E and SCE are directed to use their respective propensity models to identify and exclude CARE/FERA-eligible customers in their hot climate zones.

#### **5.2.4.11. Customer Notice of Exclusions**

TURN and CforAT contend that the Commission should require both PG&E and SCE to identify in their customer notification materials that participation in or eligibility for certain programs would result in exclusion from default TOU.

PG&E disagrees that such notification is necessary and cautions that it in fact could complicate the already extensive notifications. PG&E argues that it is more straightforward and quicker for the customer to avoid the transition by using one of the opt-out methods to avoid being automatically transitioned to a default TOU rate.<sup>217</sup>

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<sup>216</sup> Exh. SCE-04 at 95; PG&E Opening Brief at 76.

<sup>217</sup> PG&E Reply Brief at 34.

The Commission finds it unnecessary to require the IOUs' pre-default notifications to notify customers regarding the programs that would result in customers being excluded from default TOU. TOU is not a mandatory rate. Therefore, it is not necessary for a customer to be in an excluded customer category to be excluded from the transition. Any customer can voluntarily opt out of the transition, even if the customer is not in an excluded customer category. Rather than being notified that participation in a specific program may result in exclusion from default TOU, it is more important for customers that may be eligible for such a program to receive the appropriate outreach so they can be enrolled and receive the benefits of the program.

The pre-default notifications need to convey a lot of information regarding TOU rates and the default transition. Rather than require the IOUs to provide information regarding exclusions in the pre-default notifications, the Commission directs PG&E and SCE to make clear in the pre-default notifications the right of customers to opt out of a TOU rate. In addition, PG&E and SCE shall continue to provide outreach to customers regarding the programs set forth in Section 745(c)(1) and the CARE and FERA programs.<sup>218</sup>

#### **5.2.4.12. New and Transferred Customers**

As discussed above, at the start of their respective IDTM periods in October 2020, SCE shall use TOU-D-4-9PM and PG&E shall use E-TOU-C as the standard turn-on rate for residential customers starting or transferring service.

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<sup>218</sup> SCE states that it intends to conduct additional outreach to raise awareness category of Section 745(c)(1) categories among eligible customers. (Exh. SCE-04 at 97-98.) PG&E's pre-default notifications also include information regarding customer assistance programs. (Exh. PGE-10 at 4-7.)



Section 745(c)(1) specifies certain customer groups that “shall not be subject to default time-of-use rates without their affirmative consent.” TURN argues that a “default rate” is equivalent to the term “standard turn-on rate,” and thus, that the “standard turn-on rate” for the customer groups enumerated in Section 745(c)(1) and for CARE/FERA-eligible customers in the hot zones must be the tiered rate unless the customer affirmatively chooses the TOU rate.<sup>219</sup>

There is a difference between an IOU defaulting an existing customer onto a TOU rate and an IOU offering a TOU rate as the standard rate for new and transferred customers. If eligible for default, an existing IOU customer may be migrated onto a TOU rate without taking any action or contacting the utility. However, it will be necessary for all new and transferred customers to make contact with the utility to initiate service at a new location. At that time, these customers should be notified that they have rate options and be given the opportunity to make a rate choice.

With respect to the customer groups enumerated in Section 745(c)(1), the statute is clear that these customers “shall not be subject to default time-of-use rates without their affirmative consent.” Therefore, PG&E and SCE shall ensure that customers that fall into one of these groups are not placed on a TOU rate without their affirmative consent.

However, the Commission does not find that the provisions of Section 745(c)(1) would apply to a new customer that starts service after the IDTM period. At the time a new customer initiates service, a customer is not yet enrolled in any program that would result in the customer being excluded from

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<sup>219</sup> TURN Opening Brief at 20 & 34-35.

being subject to a default TOU rate pursuant to Section 745(c)(1) (*i.e.*, Medical Baseline participant, customer requesting third-party notification, customer meeting criteria for in-person visit required for disconnection,) nor is it known to the IOU whether the customer would be eligible or qualify for these programs.<sup>220</sup> As acknowledged by TURN, an IOU could, therefore, place a new customer who has not affirmatively selected a rate onto a TOU rate without technically violating the statute.<sup>221</sup> Therefore, the Commission does not interpret the statute as applying to new customers initiating service because such customers are not participants in any utility programs at the time service is initiated. At the time of initiating service for a new location, new customers should be notified of their rate options and be given the opportunity to make a rate choice.

With respect to excluded customer categories other than those specified in Section 745(c)(1), including CARE and FERA eligible and enrolled customers in hot climate zones, there is no requirement that these customers “not be subject to default time-of-use rates without their affirmative consent.” Although the Commission finds for various reasons that these customers should be excluded from being transitioned to a default TOU rate, the Commission finds it reasonable for the standard turn-on rate for new and transferred customers that fall into these customer groups to be the default TOU rate.

Therefore, as of October 2020, SCE shall use TOU-D-4-9PM and PG&E shall use E-TOU-C as the standard turn-on rate for all residential customers starting or transferring service except that customers that are participants in the

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<sup>220</sup> TURN Opening Brief at 3; PG&E Reply Brief at 26-27.

<sup>221</sup> TURN Opening Brief at 3.

utility programs specified in Section 745(c)(1) shall not be placed on a TOU rate without their affirmative consent.

### **5.3. Bill Protection**

Section 745(c)(4) requires that a residential customer who is defaulted to a TOU rate be “provided with no less than one year of bill protection during which the total amount paid by the residential customer for electric service shall not exceed the amount that would have been payable by the residential customer under that customer’s previous rate schedule.” In D.16-09-016 and D.17-09-036, the Commission provided additional directions regarding bill protection requirements.

#### **5.3.1. SCE Proposal**

Consistent with D.16-09-016 and D.17-09-036, SCE intends to provide bill protection to customers who are defaulted onto or opt into a default TOU rate from a tiered rate during the IDTM period (except for NEM successor tariff customers).<sup>222</sup> SCE also proposes to provide bill protection to customers who opt into a default TOU rate during the gap period between the end of the default pilot in March 2019 and the start of the IDTM in October 2020.<sup>223</sup> SCE contends that this will reduce confusion and promote fairness among customers.

In addition, SCE proposes to provide bill protection to existing TOU customers (other than NEM successor tariff customers) who opt in or are transitioned to SCE’s default TOU rates during the IDTM.<sup>224</sup> SCE closed several of its optional residential TOU rates to new customer enrollments in February

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<sup>222</sup> SCE Opening Brief at 17.

<sup>223</sup> *Id.* at 18.

<sup>224</sup> *Ibid.*

2019 and intends to transfer non-grandfathered customers in October 2020 to the lowest-cost default TOU rate. SCE contends that offering bill protection to these non-grandfathered customers will help provide a more positive experience.

SCE intends to calculate bill protection by determining the difference between a customer's TOU bill and what the customer's bill would have been for that time frame under SCE's Schedule D tiered, non-TOU rate then in place.<sup>225</sup>

### **5.3.2. PG&E Proposal**

PG&E sees bill protection as a key to increasing customer acceptance of the default transition. PG&E proposes to provide bill protection to all E-1 customers (tiered customers) who are defaulted to its E-TOU-C default rate.<sup>226</sup> PG&E also proposes to provide bill protection to all customers (excluding customers on a NEM successor tariff or the SOMAH program) who opt into the E-TOU-C rate between the end of the default pilot and the end of the IDTM period.<sup>227</sup> PG&E argues that providing bill protection to a wider variety of circumstances than is strictly required by Section 745 will minimize customer confusion, maintain consistency for the customer experience and contact center messaging, and provide the least-cost IT option that also reduces contact center training costs.

PG&E intends to provide bill protection for a period of 12 months from the customer's enrollment on E-TOU-C or until the customer un-enrolls from the rate, whichever occurs first. PG&E proposes to calculate the bill protection amount based on a comparison of what the customer would have paid on Schedule E-1 over the same time period to the amount the customer paid on

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<sup>225</sup> *Id.* at 17, fn. 81.

<sup>226</sup> PG&E Opening Brief at 61.

<sup>227</sup> *Ibid.*

E-TOU-C.<sup>228</sup> Section 745(c)(4) requires that bill protection be calculated in reference to the customer's "previous rate schedule." PG&E argues that this provision of Section 745(c)(4) does not apply to customers not on an E-1 rate or to new or transferred customers since these customers would be opting in to E-TOU-C rather than being defaulted.

### 5.3.3. Other Parties' Positions

TURN generally supports the key elements of bill protection as proposed by SCE and PG&E, including eligibility, the method of calculating bill protection, and most implementation details.<sup>229</sup> TURN, however, objects to three elements of the proposed policies:

- (1) The utilities' proposals to use the current "tiered rate" to calculate the bill protection credit, even if the customer's "previous rate schedule" was an optional TOU rate;
- (2) SCE's proposal to first transition customers to a "seasonally differentiated tiered" rate and then use that rate as the basis for calculating any bill protection credit; and
- (3) PG&E's use of the term "risk-free" in its marketing materials to describe the TOU transition.

CforAT supports TURN's positions regarding bill protection and bill comparisons.<sup>230</sup>

Cal Advocates supports PG&E's and SCE's bill protection proposals.<sup>231</sup> Cal Advocates also supports PG&E's proposal to provide bill protection to new

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<sup>228</sup> *Id.* at 62.

<sup>229</sup> TURN Opening Brief at 23.

<sup>230</sup> CforAT Opening Brief at 20.

<sup>231</sup> Cal Advocates Opening Brief at 14.

or transferred customers who opt into the default TOU rate during the IDTM period and recommends that SCE also provide bill protection to these customers.<sup>232</sup>

#### **5.3.4. Discussion**

##### **5.3.4.1. Defaulted Customers**

Section 745(c)(4) clearly requires that customers defaulted onto a TOU rate be provided with no less than one year of bill protection. Consistent with this requirement, PG&E shall provide bill protection to all customers defaulted onto E-TOU-C during the IDTM. Since two default TOU rates are approved for SCE, SCE shall provide bill protection to all customers defaulted onto either TOU-D-4-9PM and TOU-D-5-8PM during the IDTM.

##### **5.3.4.2. Customers Opting Into TOU**

Although Section 745(c)(4) does not require that customers who opt into a TOU rate be offered bill protection, in D.17-09-036, the Commission determined that customers who opt into the default TOU rate during the IDTM should also receive bill protection with the exception of customers already on a TOU rate, NEM Successor Tariff customers, and PG&E's customers billed through PG&E's Advanced Billing System.<sup>233</sup> SCE proposes to offer bill protection to all customers except for NEM successor tariff customers who opt into the default TOU rate from the tiered rate from the end of the default pilot in March 2019 through the end of the IDTM period. SCE also proposes to provide bill protection to existing TOU customers (other than NEM successor tariff customers) who opt in or are transitioned to SCE's default TOU rates during the

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<sup>232</sup> Exh. Cal Advocates-01 at 5-3.

<sup>233</sup> D.17-09-036 at 56 (Ordering Paragraph 7).

IDTM. PG&E proposes to offer bill protection to all customers excluding customers on a NEM successor tariff or the SOMAH program who opt into the default TOU rate between the end of the default pilot and end of the IDTM period.

In D.17-09-036, the Commission determined that customers already taking service on a TOU rate should not be provided with bill protection because bill protection is intended to smooth the transition to TOU for customers without experience on TOU rates.<sup>234</sup> This decision reaffirms the Commission's prior determination. There is no statutory requirement for bill protection to be provided to these customers. Bill protection costs are ultimately borne by customers who benefit from TOU. It is not reasonable for the TOU cost savings experienced by these customers to be reduced to pay for bill protection costs for current TOU customers to try the default TOU rate. Moreover, it is not logical to provide bill protection to these customers based on comparison to the tiered rate as proposed by both PG&E and SCE since the tiered rate would not be these customers' previous rate schedule.

Pursuant to D.18-11-027, SCE closed several of its optional residential TOU rates to new customer enrollments in February 2019 and will transfer non-grandfathered customers in 2020 to the lowest-cost default TOU rate.<sup>235</sup> SCE

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<sup>234</sup> *Id.* at 43.

<sup>235</sup> SCE Opening Brief at 18. In D.18-11-027, the Commission approved a settlement agreement, which agreed to close to new customers and eventually eliminate several optional TOU rates. The Settling Parties agreed to transition existing (non-grandfathered) customers to an available TOU rate schedule for which they are eligible after changes associated with the CSRP projects are complete (approximately fourth quarter of 2020)." (Motion of SCE and Settling Parties for Adoption of Residential and Small Commercial Rate Design Settlement Agreement, filed in

*Footnote continued on next page*

argues that offering bill protection to these non-grandfathered customers will help provide a more positive experience. Utilities regularly transition customers to other rates due to rate changes and closures without providing bill protection. SCE does not put forth a compelling reason why bill protection should be offered in this instance. Moreover, the closure of these optional TOU rates and plan to transition these customers were decided in D.18-11-027 and SCE should have raised the issue of bill protection for these customers in A.17-06-030, the proceeding in which the decision was issued.

Given the purpose of bill protection, and consistent with D.17-09-036, it is reasonable for PG&E and SCE to provide bill protection to customers who opt into one of the default TOU rates from the tiered non-TOU rate (except for NEM successor tariff customers) between the end of the default pilots and the end of the IDTM period. This would ensure that customers eligible for default receive the same consumer protection if they were to opt in to a TOU rate ahead of their default date. It is also reasonable to provide bill protection to current customers on a tiered rate who are excluded from default TOU (such as Medical Baseline customers or CARE/FERA customers in the hot climate zones)<sup>236</sup> but want to opt in and try the default TOU rate before and during the IDTM period.

#### **5.3.4.3. New and Transferred Customers**

PG&E also proposes to provide bill protection to new or transferred customers who select the default TOU rate (with the exception of customers on a NEM successor tariff or the SOMAH program) between the end of the default

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A.17-06-030, July 30, 2018, at 8-9.) The Commission finds SCE's plan to transition these non-grandfathered customers to the lowest cost default TOU rate to be reasonable.

<sup>236</sup> Although excluded, some of these customers may benefit more on a TOU rate than the tiered rate.



pilot and the end of the IDTM period.<sup>237</sup> Cal Advocates supports this proposal, arguing that it promotes fairness, avoids confusion, and allows for simpler and consistent messaging.<sup>238</sup>

SCE opposes providing bill protection to new and transferred customers.<sup>239</sup> SCE notes that under Section 745(c)(4), bill protection is calculated in comparison to a customer's "previous rate schedule" and that new and transferred customers do not have a previous rate schedule to which to compare the TOU rate.

In D.17-09-036, the Commission determined that the bill protection provisions of Section 745(c)(4) do not apply to new and transferred accounts because these customers do not have a "previous rate schedule" to make the requisite comparison to calculate the bill protection amount. In D.18-12-004, the Commission reaffirmed that bill protection should not be provided for new and transferred customers in SDG&E's territory.<sup>240</sup> The Commission emphasized that bill protection is intended as a customer protection measure for existing tiered customers that are defaulted to a TOU rate and that new and transferred customers will not be defaulted to a TOU rate but will be affirmatively choosing a rate.<sup>241</sup> For these same reasons, the Commission finds that bill protection need not be offered to new and transferred customers in SCE's and PG&E's territories. As with current TOU customers that may opt into the default rate, it is not

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<sup>237</sup> PG&E Opening Brief at 61.

<sup>238</sup> Cal Advocates Opening Brief at 14.

<sup>239</sup> SCE Opening Brief at 19.

<sup>240</sup> D.18-12-004 at 58.

<sup>241</sup> *Ibid.*

reasonable for those who may benefit from TOU to bear the costs of bill protection for these customers.

#### **5.3.4.4. Mechanics of Bill Protection**

Consistent with the requirements of Section 745(c)(4), PG&E and SCE shall provide bill protection for a period of 12 months from the customer's enrollment on the default TOU rate or until the customer unenrolls from the default TOU rate, whichever occurs first. Bill protection shall be limited to the default TOU rates being offered by each IOU (E-TOU-C for PG&E, TOU-D-4-9PM and TOU-D-5-8PM for SCE) and shall not be offered for any optional TOU rates. Any communications regarding bill protection should make clear which rates will be offered bill protection.

The bill comparison amount shall be based on the customer's previous rate schedule, which as described above, should be the tiered rate in every instance. Given this decision's finding that bill protection shall only be offered to customers who transition from the tiered rate to the default TOU rate, TURN's argument that bill protection for customers on existing optional TOU rates must be calculated using the customer's actual prior TOU rate schedule is moot. Moreover, this decision does not adopt TURN's proposal that bill protection be calculated using historic rates. TURN's proposal was based on SCE's proposal to seasonally differentiate its tiered rate, which this decision rejects. Consistent with the approach approved in the default pilots, the bill comparison shall be based on the tiered rate in effect during the bill protection period since that is the

tiered rate that would have been the available alternative to the default TOU rate during the period in question.<sup>242</sup>

#### **5.3.4.5. Marketing of Bill Protection**

TURN objects to PG&E's use of the term "risk-free" in its marketing materials to describe the TOU transition.<sup>243</sup> TURN contends that use of this term could significantly mislead consumers and cause customer dissatisfaction with the rate transition.

PG&E argues that TURN's arguments are unsupported by facts or the record and should be rejected. PG&E states that headlines such as "try it risk-free" and "risk-free bill protection" were developed based on insights obtained during customer surveys.<sup>244</sup> PG&E also contends that customer research supports that customers do not have a negative reaction or feel misled by the term "try it risk-free" in the context of bill protection.<sup>245</sup>

TURN's argument that use of the term "risk-free" will significantly mislead customers is speculative. TURN acknowledges that it is "admittedly hard to know how ... customers will interpret the phrase 'risk-free.'"<sup>246</sup> In contrast, PG&E's customer research shows that use of the term did not cause negative reaction and that those who understood the term viewed it positively.

The Commission finds that use of the term "risk-free" is not necessarily objectionable so long as PG&E also includes appropriate disclosures regarding

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<sup>242</sup> See also Cal Advocates Reply Brief at 3-4.

<sup>243</sup> TURN Opening Brief at 26.

<sup>244</sup> PG&E Reply Brief at 37-38.

<sup>245</sup> *Id.* at 38-39.

<sup>246</sup> TURN Opening Brief at 28.

the mechanics of bill protection, such as the fact that bill protection will only be provided for the E-TOU-C rate for the first year that a customer is on the rate and that bill protection will only be provided at the end of a 12-month period or when the customer opts out of the E-TOU-C rate. PG&E's pre-default notifications currently contain this information.<sup>247</sup> PG&E shall continue to evaluate whether the term "risk-free" causes customer confusion, modify its ME&O materials as needed, and report on any changes to its ME&O tactics in its PRRR reports and to the Working Group.

#### **5.4. ME&O Plans**

##### **5.4.1. SCE Proposal**

SCE states that the objective of its ME&O plan is "to get the right customers on the right rate so that load shift is maximized, system costs are reduced and customers have the opportunity to save money by reducing electricity usage at appropriate times."<sup>248</sup> SCE also agrees that "customers who cannot shift load without significant adverse impacts, or who should not shift load due to unique health reasons, should be aware of the tiered-rate option."<sup>249</sup>

SCE explains that most of its plan was previously submitted in SCE ALs 3500-E and 3500-E-A, which the Commission approved with modifications in Resolution-4895, and SCE ALs 3531-E and 3531-E-A relating to SCE's default TOU pilot, which the Commission approved in Resolution E-4847.<sup>250</sup>

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<sup>247</sup> See, e.g., TURN/CforAT-02 at Bates 17, 19, 21.

<sup>248</sup> Exh. SCE-04 at 92.

<sup>249</sup> Exh. SCE-04 at 92.

<sup>250</sup> Exh. SCE-04 at 91.

SCE's plan consists of a three-phased approach to leverage the right communication channels at the right time throughout the TOU transition:

(1) Awareness and Understanding Phase; (2) Action; and (3) Retention.<sup>251</sup>

SCE intends to leverage multi-channel, integrated marketing campaigns to increase awareness of rate options. SCE's strategies include multi-media advertising campaigns, which will be aligned with the statewide ME&O campaign, direct communications to customers via mail and email, customized rate comparisons, a social media campaign, weekday TOU text alerts, outbound calls to extreme non-benefitters, communications regarding energy management tools, additional outreach to raise awareness of excluded customer categories, and leveraging its network of community-based organizations.<sup>252</sup>

#### **5.4.2. PG&E Proposal**

PG&E states that the overarching objectives of its ME&O program are to: "generate awareness of, understanding of and engagement with, energy management and rate plans with PG&E customers."<sup>253</sup> PG&E's primary marketing strategies include the following three components: a statewide campaign to provide the context for TOU rate plans and emotion connection for TOU plans; PG&E/Public Relations/Media; and direct customer communications.<sup>254</sup>

PG&E previously submitted a comprehensive 3-year marketing plan for residential default TOU for 2017-2019. The Commission approved an ME&O

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<sup>251</sup> Exh. SCE-04 at 93-97.

<sup>252</sup> See generally Exh. SCE-04, Chapter XII.

<sup>253</sup> Exh. PGE-03 at 4-2.

<sup>254</sup> Exh. PGE-03 at 4-11-4-12; PG&E Opening Brief at 73, Table-13.

plan for PG&E in Resolution E-4882. This plan was modified in PG&E ALs 5263-E and 5263-E-A, which were approved by the Energy Division via letter dated December 28, 2018 with an effective date of April 29, 2018. The approved plan includes various residential electric rate reform activities, including: a timeline and budgets for direct communications, a public relations and media strategy, descriptions of certain customer groups, community-based outreach, methodologies for surveys to evaluate metrics, and coordination with the state ME&O program. PG&E will primarily engage with customers through direct outreach and will leverage the statewide marketing campaign for mass media.<sup>255</sup>

#### **5.4.3. Other Parties' Positions**

Cal Advocates recommends that the Commission authorize PG&E and SCE to refine and improve their ME&O plans, including customer notification and scripts, in response to evolving best practices, stakeholder input from the ME&O Working Group, and recommendations from the independent ME&O evaluator.<sup>256</sup> Cal Advocates states that the scope of SCE's and PG&E's ME&O plans are consistent with the ME&O plans that were previously approved and include modifications and refinements that stem from lessons learned.<sup>257</sup>

EDF notes that the ME&O plans do not incorporate metrics that would measure and evaluate whether and how customers are actually shifting or reducing load in response to TOU rates. EDF argues that the Commission should direct the IOUs, in consultation with the Working Groups, to develop

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<sup>255</sup> Exh. PGE-03 at 4-17

<sup>256</sup> Cal Advocates Opening Brief at 15.

<sup>257</sup> Cal Advocates Opening Brief at 16.

meaningful goals and metrics for customer-level response to load-shifting.<sup>258</sup> EDF contends that this information is valuable to understand the extent that ME&O, price responsiveness, and ratepayer programs for energy efficiency, distributed energy resources, and demand response translate into specific actions by customers.

#### **5.4.4. Discussion**

The Commission reviewed and approved default TOU ME&O plans for PG&E in Resolution E-4882, as modified by approved PG&E ALs 5263-E and 5263-E-A, and for SCE in Resolution E-4895, as modified by approved SCE ALs 3777-E and 3777-E-A. The Commission also reviewed and approved ME&O tactics for PG&E's default pilot in Resolution E-4846 and for SCE's default pilot in Resolution E-4847. The ME&O plans submitted by both PG&E and SCE in this proceeding are consistent with and build upon these previously approved plans. These ME&O plans were informed by much customer research and surveys, results from the opt-in pilots, lessons from other TOU initiatives, including SMUD's rollout of TOU, and input from the ME&O Working Group.

With a few exceptions, parties generally do not oppose the IOUs' overall ME&O plan and strategies. Specific areas of dispute with regard to the content or form of specific ME&O materials (*e.g.*, notices regarding customer exclusions, bill protection, opt-out methods) are addressed elsewhere in this decision.

This decision finds PG&E's and SCE's ME&O plans to be reasonable and does not find that modifications are warranted except as specified elsewhere in this decision with respect to certain ME&O materials. The results from the IOUs'

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<sup>258</sup> EDF Opening Brief at 22.

pilot ME&O efforts to date are encouraging and show increasing levels of customer awareness and understanding.<sup>259</sup> Surveys of default pilot customers show increases in awareness of time of use rates, their understanding of the ability to choose different plans, and how to manage their bills on their new rates.<sup>260</sup>

PG&E and SCE should continue to refine and improve their ME&O plans as necessary throughout the IDTM period based on additional customer research, customer feedback, and results from the pilots or the rollout. Any adjustments, however, should be consistent with the adopted vision metrics for rate reform ME&O adopted by the Commission in D.17-12-023<sup>261</sup> and the individual metrics adopted in the resolutions approving each utility's ME&O plan. The IOUs shall also continue to collaborate with the ME&O Working Group during the IDTM period and continue to report on their ME&O efforts in their quarterly PRRR reports so that the Commission and stakeholders may continue to monitor these efforts.

PG&E does not propose any changes to the ME&O budget of \$46.7 million approved in Resolution E-4882. This budget should continue to serve as a general guideline for PG&E's ME&O efforts.

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<sup>259</sup> PG&E Opening Brief at 74-75.

<sup>260</sup> See PG&E's Quarterly Report of Progress on Residential Rate Reform filed on January 31, 2019 in R.12-06-013; SCE's Fourteenth Quarterly Report on Progress on Residential Rate Reform filed on February 1, 2019 in R.12-06-013.

<sup>261</sup> In D.17-12-023, the Commission adopted the Vision Metrics of: Engagement, Rate Choice, and Action, to serve as a guiding vision for ME&O for residential rate reform at both the statewide and IOU territory level. (D.17-12-023 at 61 (Ordering Paragraph 1).)



In SCE AL 3500-E, SCE estimated costs of \$39.4 million for its default TOU ME&O plan for the 2017-2019 period. In Resolution E-4895, the Commission authorized SCE to track these costs in its Residential Rate Implementation Memorandum Account (RRIMA). The Commission noted that the budget would be subject to revision in SCE's pending 2018 RDW application.<sup>262</sup> SCE now estimates an ME&O budget of \$41.7 million for 2018-2022.<sup>263</sup> SCE is authorized to use this budget for the 2018-2022 period to serve as a general guideline for its ME&O efforts and to continue to track these ME&O costs in its RRIMA. In the event that SCE's IDTM period is extended beyond the 15-month period currently contemplated, SCE may continue to track these costs through 2023.

Consistent with what was adopted in the resolutions approving their ME&O plans, PG&E and SCE shall report budget deviations greater than \$250,000 and the rationale for the deviation in a PRRR report in advance of the anticipated changes and discuss these changes in the ME&O Working Group. The Commission expects that when the memorandum accounts are reviewed, these reports will provide insight into the reasonableness of any budget deviations.

EDF suggests that information on whether customers are shifting load would be very valuable. The Commission agrees that this information would be valuable. However, without the ability to determine a control group, it is difficult to do specific measurement of load shift from defaulted customers. As

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<sup>262</sup> Resolution E-4895 at 27.

<sup>263</sup> Exh. SCE-05 at 37 (Table VII-6). The \$41.7 million budget includes costs for SDG&E's ME&O efforts, market research, and measurement and evaluation costs. SCE also estimates an additional \$42.3 million for SCE's share in statewide marketing costs for 2018-2021.

default TOU continues, changes may appear in utility-wide load profiles and it may be possible to do comparisons between jurisdictions before and after default TOU. This topic may be explored further in the California Energy Commission's Integrated Energy Policy Report and utility forecasts. The Commission encourages EDF and other organizations who wish to research this topic to do so and to collaborate with the utilities where possible. In qualitative terms, the vision metrics approved in D.17-12-023 include a metric to measure the number of customers who report doing at least 1 significant peak reduction action 12 months after default.

### **5.5. Rate Conversation Scripts**

In D.17-09-036, the Commission determined that the default TOU rate will become the "standard turn-on rate" for new and transferred customers at the start of the IDTM when the IOU begins defaulting existing customers onto TOU rates.<sup>264</sup> Beginning at the start of the IDTM, the IOUs must engage customers who start or transfer service in making a rate selection. Customers that decline to make a rate selection will be placed on the standard TOU rate. In the interest of enabling customers to choose the rate that is best for them, D.17-09-036 ordered PG&E, SCE, and SDG&E to complete development and testing of rate conversation scripts in time for the start of the IDTM and that the content of the scripts would be considered in the IOUs' RDWs.<sup>265</sup>

#### **5.5.1. SCE Proposal**

SCE proposes the following content for its conversation scripts:<sup>266</sup>

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<sup>264</sup> D.17-09-036 at 56 (Ordering Paragraph 6).

<sup>265</sup> D.17-09-036 at 39.

<sup>266</sup> SCE Opening Brief at 20.

- SCE will ask the customer if he or she has time to participate in a rate conversation. If the customer answers “yes,” the call center representative (CSR) will ask one to six lifestyle questions (*e.g.*, regarding air conditioner use and pool ownership), which will help the CSR make a rate recommendation.
- SCE’s script will include information on each rate plan for the CSR to utilize when explaining recommended rate options.
- CSRs will explain that customers can change their rate plan if they do not think it is beneficial, and after that, would not be able to switch their rate again for another 12 months.
- SCE supports TURN/CforAT’s recommendation to provide information to new and moving customers that the customer will be put on SCE’s standard turn-on rate unless they select a different option.

SCE contends that this content is informed by its opt-in and default pilots, conversations with the Arizona Public Service (APS), and its intent to put customers on the right rate for them. SCE intends to conduct further testing and to share the results of that testing as well as its final script with the ME&O Working Group for feedback.

#### **5.5.2. PG&E Proposal**

PG&E presented a copy of the rate conversation talking points that are currently used by its CSRs to help new and transferring customers select their rate plan.<sup>267</sup> These talking points include the following content:<sup>268</sup>

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<sup>267</sup> Exh. PGE-09.

<sup>268</sup> PG&E Opening Brief at 63-64.

- Rather than make a rate plan recommendation to the customer, PG&E provides the customer with information so that the customer can make their own informed choice.
- PG&E's script describes the available rates to the customer in a way that includes elements of APS' lifestyle questions, such as the size of the home, pool ownership, and amount of electrical and gas appliances.
- Starting in or around April 2020, PG&E intends to use a modified script that notifies that customers that PG&E will enroll the customer on E-TOU-C if the customer does not make a rate choice.
- The script recommends that the customers monitor their usage and run a rate comparison online within three to six months to make sure they are on the right rate for them. PG&E also provides the rate comparison information on the phone or via print out mailed to the customer if the customer does not have internet capabilities.

PG&E points out that the talking points are intended to serve as a guideline for CSRs interacting with customers, which will continue to be improved and evolve based on feedback from CSRs and customers. PG&E proposes to present any modifications to the Working Group through the PRRR process, including the reasons for the changes.

### **5.5.3. Other Parties' Positions**

Cal Advocates argues that the Commission should require PG&E and SCE to provide their customers who are starting or transferring service with notice of the medical baseline, ESA, CARE, and FERA programs and offer to provide additional information about these programs.<sup>269</sup> PG&E, Cal Advocates, and CforAT have stipulated that PG&E will include a brief statement regarding the

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<sup>269</sup> Cal Advocates Opening Brief at 14-15.

existence of the CARE, FERA, medical baseline, and ESA programs and an invitation to receive more information regarding these programs.<sup>270</sup> SCE intends to promote CARE and FERA upon completion of an online turn-on and before the start of the turn-on call and is investigating ways to incorporate medical baseline into this process.<sup>271</sup> However, SCE does not intend to include ESA in these scripts because it contends that ESA is not a rate and SCE wants to limit customer confusion in understanding rate options.<sup>272</sup>

CforAT contends that the rates must be described in a neutral manner without framing that would promote one option over another and without requiring a customer to take independent action (such as visiting a website to get essential information about the various rate options). CforAT contends that without clear guidance from the Commission, the IOUs will present only information that would encourage a new customer to accept a TOU rate without regard to whether the Commission would view that as their best rate. In particular, CforAT makes the following recommendations:<sup>273</sup>

- (1) The IOUs' script should inform customers up front that they will be placed on the identified default rate unless they select a different option;
- (2) Customers who are moving within the IOU service territory should be informed that they must affirmatively select their current rate in order to maintain it at their new location; and

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<sup>270</sup> Exh. JS-01-A.

<sup>271</sup> Exh. SCE-06 at 30.

<sup>272</sup> SCE Opening Brief at 21-22.

<sup>273</sup> CforAT Opening Brief at 25-26.

- (3) Customers should have access to details about various rate options without being required to independently visit a website to obtain such information.

CforAT also argues that the Commission must adopt a process to allow for meaningful review of the content of these rate scripts to ensure that the IOUs are prepared to properly engage with customers and fully inform them of their rate options. CforAT recommends that the Commission review these scripts via an Advice Letter and Resolution process.<sup>274</sup>

#### **5.5.4. Discussion**

The rate conversation scripts required by D.17-09-036 are intended to be a guide for the IOUs' CSRs in engaging customers who start/transfer service in making a rate selection. The utilities' proposed content for these scripts to be generally acceptable for this purpose. During these rate conversations, SCE and PG&E should make clear that a new or transferring customer has rate options. The CSRs should be adequately trained to provide details regarding a customer's various rate options.

The Commission finds reasonable SCE's and PG&E's proposals to use "lifestyle" attributes or questions to describe rates or make rate recommendations. Both PG&E and SCE have consulted with APS and these lifestyle questions are similar to questions APS asks of its customers. SCE has also tested this approach and found it to be beneficial in helping customers understand their rate options.<sup>275</sup> PG&E's proposal is also based on testing of

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<sup>274</sup> CforAT Opening Brief at 26.

<sup>275</sup> Exh. SCE-06 at 29.

various versions of the script tool.<sup>276</sup> The Commission expects the utilities to monitor the success of this approach and to continue to refine and revise the scripts as necessary based on feedback from the customers and CSRs.

Contrary to CforAT's contentions, the utilities' proposed content for the scripts do not demonstrate that the utilities would encourage a new customer to accept a TOU rate without regard to whether that rate would be the customer's best rate. Moreover, it is unclear what motive the utilities would have to actively place customers on rates to which they are ill-suited, thereby risking customer anger and backlash. In D.17-12-023, the Commission adopted several Vision Metrics, which will be used to assess the effectiveness of the IOUs' ME&O plans.<sup>277</sup> One of these metrics is the Rate Choice Vision Metric, which will measure progress toward the goal of ensuring that customers know how to respond to TOU rates and that customers know that other rate options are available.<sup>278</sup> The Commission explicitly declined to adopt Retention as a Vision Metric, which would have focused on measuring the number of customers who stay on the default TOU rate.<sup>279</sup>

CforAT recommends that the utility should inform customers up front that they will be placed on the default TOU rate if no specific rate is selected. CforAT does not present any explanation as to why it is necessary or effective for this information to be provided up front. On the other hand, PG&E raises concerns that adding this statement early in the script might discourage customers from

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<sup>276</sup> PG&E Opening Brief at 63-64.

<sup>277</sup> D.17-12-023 at 13-18.

<sup>278</sup> *Id.* at 15.

<sup>279</sup> *Id.* at 15-16.

taking the time to listen to the available rate options.<sup>280</sup> The Commission finds it unnecessary to dictate at what point during the conversation this statement should be made. Moreover, if a customer has already selected a rate during the course of the conversation, it would be unnecessary for the CSR to then mention that the customer will be placed on the default TOU rate if no selection has been made.

PG&E proposes to use a modified script that informs customers that the default TOU rate is the “standard turn-on rate” starting in or around April 2020. Because this decision reaffirms the determination in D.17-09-036 that the default TOU rate will be the “standard turn-on rate” at the start of the IDTM, PG&E should not inform customers that the default TOU rate is the “standard turn-on rate” until the start of the IDTM in October 2020.

The Commission does not find it necessary to require SCE or PG&E to inform customers who are moving within the IOU service territory that they must affirmatively select their current rate in order to maintain it at their new location. The previous rate may not be the best rate for the new location.<sup>281</sup> Rather, the CSR should be prepared to discuss the available and best rate options for the new location. If customers ask questions about their previous rate, this information should be provided.

The Commission finds reasonable the stipulation in Exh. JS-01-A that PG&E will provide a brief statement regarding the existence of the CARE, FERA, medical baseline, and ESA programs and an invitation to receive more

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<sup>280</sup> PG&E Reply Brief at 29.

<sup>281</sup> See Exh. SCE-06 at 29.



information regarding these programs. The Commission also finds reasonable SCE's proposal to provide information regarding CARE, FERA, and medical baseline upon completion of an online turn-on or before the start of the turn-on call or during a rate conversation depending on a customer's responses.<sup>282</sup> Given that enrollment in the CARE, FERA, and medical baseline programs can have a greater impact on a customer's overall bill than the selection of a rate structure,<sup>283</sup> it makes sense for information regarding these programs to be provided before or during a discussion regarding a customer's rate options.

Cal Advocates recommends that information regarding the ESA program also be provided during the rate conversation. Although PG&E has agreed to provide a brief statement regarding the existence of this program, SCE prefers not to include this information in the script. SCE argues that ESA is not a rate and SCE wants to limit customer confusion in understanding rate options.<sup>284</sup>

The primary purpose of the rate conversation should be to help customers start service and provide information regarding available rate options to select the best rate for them. Although the scripts may be leveraged to provide additional information, a rate conversation cannot comprehensively address all of a utility's services and programs. Nor would it necessarily be effective to inundate a customer with information or to drag out a rate conversation. PG&E notes that the script is already complex and takes on average about nine minutes to complete.<sup>285</sup> Longer calls may in fact increase customer dissatisfaction and

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<sup>282</sup> Exh. SCE-06 at 30.

<sup>283</sup> Exh. Cal Advocates-01 at 6-7.

<sup>284</sup> SCE Opening Brief at 21-22.

<sup>285</sup> PG&E Opening Brief at 65.

detract from the primary goal of enabling customers to understand their rate options.<sup>286</sup> Therefore, the Commission does not necessarily require the CSRs to mention the ESA program during every rate conversation. The CSRs, however, should be trained regarding the existence of the program and qualifying criteria and be prepared to answer questions and provide information regarding the program. If it appears that a customer may be eligible for the program or demonstrates an interest in the program, the utilities should be prepared to provide that customer with information regarding the program whether by phone, website, mail, or other means.

The Commission agrees with CforAT's recommendation that customers should have access to details about various rate options without being required to independently visit a website to obtain such information. Both SCE and PG&E have expressed support for this recommendation.<sup>287</sup> Information via a website may be preferred for many customers but SCE and PG&E should also be prepared to provide information regarding rate options via alternative means if requested, such as over the phone or through printed materials mailed to the customer.

Subject to the guidance provided above, this decision finds acceptable the utilities' proposed content for their rate conversation scripts. It is not intended for the CSRs to recite these scripts verbatim, and therefore, it is not necessary to require the utilities to submit actual scripts for additional approval. As necessary, the utilities should continue to improve and refine their talking points

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<sup>286</sup> Exh. SCE-06 at 30.

<sup>287</sup> SCE Opening Brief at 21; PG&E Opening Brief at 64.

based on customer and CSR feedback. However, any modifications should be consistent with Commission directives and guidance regarding the content of the scripts. If there are significant changes to the content of the rate conversation scripts presented in this proceeding, the utilities shall present these changes in their respective PRRR reports, including the reasons for the changes.

### **5.6. Annual Rate Comparisons**

Pursuant to Section 745(c), the Commission may require or authorize an electrical corporation to employ default time-of-use rates for residential customers subject to several conditions, including the following condition set forth in Section 745(c)(5):

Each electrical corporation shall provide each residential customer, not less than once per year, using a reasonable delivery method of the customer's choosing, a summary of available tariff options with a calculation of expected annual bill impacts under each available tariff.

In D.15-07-001, the Commission required the IOUs to send paper rate comparisons to customers twice per year beginning in 2016.<sup>288</sup> Noting that these mailers should be part of an overall ME&O strategy in order to avoid customer confusion or even backlash, an ALJ Ruling issued on September 5, 2017 in R.12-06-013 suspended the semi-annual rate comparison mailer requirement pending further Commission instruction and consideration of an overall ME&O strategy.

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<sup>288</sup> D.15-07-001 at 142.

### 5.6.1. Party Positions

Both SCE and PG&E propose that the requirement to send out annual rate comparison mailers remain suspended until the Fall of 2022.<sup>289</sup> The utilities argue that reinstating the rate comparisons prior to Fall 2022 could result in customer confusion given the number of communications customers will be receiving as a part of the transition to default TOU. SCE states that its customers will receive rate comparisons prior to default and a bill protection letter at the end of the bill protection period, which will act as another rate comparison to the tiered rate.<sup>290</sup> PG&E states that it will provide its customers with individualized rate comparisons as part of the default rollout and will provide defaulted customers with on-bill messaging describing how they are doing compared to the tiered rate and a letter showing how they did over their first 12 months compared to the tiered rate.<sup>291</sup> PG&E also states that any interested customer can always perform a rate comparison online or ask for one from a customer service representative.

TURN argues that a rate comparison showing expected bills under all available rate tariffs is not only a statutory requirement but also a primary method of providing customers with essential information to enable customers to make a meaningful rate choice.<sup>292</sup> TURN does not oppose using the “bill protection” analysis as a substitute for the rate comparisons in 2021 but only if there are not expected significant rate changes that have been implemented.

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<sup>289</sup> SCE Opening Brief at 24-25; PG&E Opening Brief at 66.

<sup>290</sup> SCE Opening Brief at 24-25.

<sup>291</sup> PG&E Opening Brief at 66.

<sup>292</sup> TURN Opening Brief at 33.

TURN argues that if there are significant changes to the authorized rates that were in place during the prior year, which are used to calculate bill protection, the utilities should be required to provide a separate rate comparison to customers in 2021 based on calculations using current tariffs.

#### **5.6.2. Discussion**

Once the transition to default TOU has begun, Section 745(c)(5) requires that the IOUs provide “each residential customer” with a rate comparison that shows “a summary of available tariff options with a calculation of expected annual bill impacts under each available tariff.” This statute requires that the rate comparison be provided no less than once per year. Moreover, this requirement is not limited to defaulted customers but rather applies to “each residential customer.”

SCE’s and PG&E’s proposals to suspend the rate comparisons until the Fall of 2022 do not comply with the requirements of Section 745(c)(5). Given that the default transition will begin in October 2020 for both utilities, each residential customer taking service prior to October 2020 (including excluded customers or customers opting out of TOU) must be provided with a rate comparison by at least October 2021 in order to ensure that all residential customers receive the rate comparison no less than once per year. New residential customers who establish service at a new location after October 2020 must receive at least one rate comparison within one year of establishing service at that location.

With respect to customers participating in the default transition, the utilities’ arguments regarding the potential for customer confusion given the number of communications customers will be receiving as a part of the transition to default TOU are well taken. It is reasonable for either the bill protection closeout letter or other rate comparison provided to these customers during the

default transition to serve as the rate comparison required pursuant to Section 745(c)(5). However, this rate comparison must comply with the statutory requirements of Section 745(c)(5) and must provide a summary of available tariff options with a calculation of expected annual bill impacts under each available tariff. As argued by TURN, if the bill protection analysis does not provide the expected annual bill impacts under each available tariff but rather historic bill impacts or bill impacts based on outdated tariffs, the bill protection analysis would not be compliant with Section 745(c)(5).

The utilities' timing of these rate comparison summaries shall ensure that each residential customer (including defaulted and non-defaulted customers) receives the required rate comparison on at least an annual basis once the transition to default TOU has begun, which means that customers who have established service prior to October 2020 must receive at least one summary by October 2021 and new customers who establish service at a new location after October 2020 must receive at least one summary within one year of establishing service at that location. Pursuant to Section 745(c)(5), the utilities may deliver these rate comparison summaries in any reasonable format of the customer's choosing and shall not provide the summary to customers who notify the utility that they choose not to receive the summary.

## **5.7. Opt-Out Methods**

### **5.7.1. Party Positions**

Section 745(c)(6) requires all customers to have the option to not receive service on a TOU rate and incur no additional charges as a result of opting out of a TOU rate. Both PG&E and SCE propose to implement the following channels for customers to exercise their right to opt out of default TOU: (1) Interactive Voice Response (IVR) script and menu; (2) website; and (3) customer call center

channels.<sup>293</sup> SCE also intends to allow customers to opt-out via a postage paid postcard (also known as a business reply card or BRC).<sup>294</sup>

TURN states that its review of the default pilot notification materials and dedicated website confirm that the option to opt out is conspicuously and plainly described and that the available channels for customers to exercise their option to opt out are reasonable.<sup>295</sup> TURN states that its only significant concern is PG&E's decision not to provide a BRC as a method for customers to opt out.<sup>296</sup> TURN notes that SCE provided a BRC during its default pilot and that almost 50% of the 76,119 customers who opted out to a tiered or optional TOU rate did so using the BRC.<sup>297</sup> Therefore, TURN argues that PG&E should be required to provide a BRC with the default notification materials.

PG&E contends that a BRC is unnecessary because customers successfully used other opt-out channels during the default TOU pilot.<sup>298</sup> PG&E notes that with its existing opt-out approach and channels, it had the highest overall number of opt-outs of all three IOUs.<sup>299</sup> PG&E contends that its customer

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<sup>293</sup> SCE Opening Brief at 22; PG&E Reply Brief at 35.

<sup>294</sup> SCE Opening Brief at 22.

<sup>295</sup> TURN Opening Brief at 32; Exh. TURN/CforAT-1 at 24.

<sup>296</sup> TURN Opening Brief at 32. In their joint testimony, TURN and CforAT had also recommended that the IOUs develop an experiment that would allow customers to use text messaging to transfer rate plans. (Exh. TURN/CforAT-1 at 9.) Neither TURN nor CforAT followed up with this recommendation in their briefs. In any event, there is inadequate evidence supporting this proposal, especially in light of the concerns raised by SCE and PG&E regarding authentication of the text messages, which were never addressed by TURN or CforAT. (Exh SCE-06 at 20, App. B at B-9; PG&E Reply Brief at 43.)

<sup>297</sup> Exh. TURN/CforAT-01 at 22.

<sup>298</sup> PG&E Reply Brief at 35.

<sup>299</sup> *Id.* at 36.

research indicates that a BRC is not an optimal vehicle for response if the alternatives of a website and call center are available. PG&E also notes that SCE and SDG&E indicated they experienced complexities with the BRCs and that the Sacramento Municipal Utility District is not using a BRC for its upcoming full rollout of default TOU.<sup>300</sup> If ordered to include a BRC, PG&E states that it would need to modify its notification timing and conduct further testing to allow sufficient time to implement and process the BRCs.

### **5.7.2. Discussion**

The Commission finds PG&E's and SCE's proposed opt-out methods to be reasonable. Despite TURN's concerns, the Commission does not find it necessary to require PG&E to provide customers with a BRC as a method for opting out. As acknowledged by TURN, PG&E had the highest number of opt-outs of all the IOUs during the default pilots even though it did not provide a BRC as a method for opting out. Therefore, the results of the default pilots suggest that customers will be able to successfully opt out using the methods proposed by PG&E. Moreover, given that PG&E has not used or planned to use a BRC, imposing this requirement would involve additional testing, operational planning, and costs. SCE has indicated that its experience with the BRC caused operational complexities and confused customers.<sup>301</sup>

## **5.8. Role of ME&O Working Group**

### **5.8.1. Party Positions**

In D.15-07-001, the Commission ordered PG&E, SCE, and SDG&E to develop an ME&O program for residential rate reform topics. To assist in these

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<sup>300</sup> *Id.* at 36-37.

<sup>301</sup> Exh. SCE-04 at 100, fn. 108.



efforts, D.15-07-001 ordered the formation of an ME&O Working Group to examine ME&O for residential rate changes generally, and how ME&O for rate changes interact with other residential programs.<sup>302</sup>

Both SCE and PG&E have stated their intent to continue to collaborate and consult with the ME&O Working Group to refine and improve their ME&O plans throughout the default transition period.<sup>303</sup> Parties are generally supportive of the ME&O Working Group continuing to have an advisory role to provide feedback, recommendations, and new ideas on the utilities' ME&O plans.<sup>304</sup> Parties note that the ME&O Working Group has been a useful forum and that its efforts have resulted in substantive improvements.<sup>305</sup>

Although TURN agrees with a continued role for the Working Group, TURN argues that the Working Group is purely a consultative body, which does not make binding decisions, and that the Commission should evaluate certain materials that relate most directly to critical consumer protection policies.<sup>306</sup> TURN recommends that at a minimum, Energy Division Staff should present its recommendations to the Commission based on the Working Group discussions and allow for public notice and opportunity to comment.<sup>307</sup> TURN also

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<sup>302</sup> D.15-07-001 at 299.

<sup>303</sup> SCE Opening Brief at 25; PG&E Opening Brief at 79.

<sup>304</sup> See e.g., TURN Opening Brief at 37; Cal Advocates Opening Brief at 15; CforAT Reply Brief at 8.

<sup>305</sup> Cal Advocates Opening Brief at 15-16; CforAT Reply Brief at 8.

<sup>306</sup> TURN Opening Brief at 36.

<sup>307</sup> On February 1, 2019, SCE filed in R.12-06-013 a Working Group Status Report on behalf of the ME&O Coordinating Consultant. This report contained summaries of the tasks being undertaken by the Working Group and recap summaries of the meetings. Parties in R.12-06-013 were also provided with the opportunity to comment on the report.

recommends that an appropriate process to address compliance with consumer protection requirements is for the utilities to submit the final communications for approval by the Energy Division or the Commission via an advice letter filing.<sup>308</sup>

CforAT similarly argues that review of ME&O materials by the Working Group is not a sufficient basis for ensuring that important consumer protections are effectively implemented. CforAT argues that an additional process is needed to address disputes when the informal Working Group process is insufficient and recommends the use of an advice letter and resolution process.<sup>309</sup>

SCE and PG&E argue that TURN and CforAT's proposed process of requiring an advice letter and resolution would be burdensome, time-consuming, and risk impairing the Working Group. SCE and PG&E point out that this process would not ensure timely resolution or allow for real-time adjustments to communications. SCE also notes that the IOUs would have no incentive to continue to participate in the Working Group or if they do participate, to collaborate in good faith on the development of the IOUs' communications.

SCE argues that there is no demonstrated need for a formal escalation procedure. In the event that the Commission adopts a formal procedure, SCE states that the process should be narrowly tailored to ensure that issues are resolved expeditiously and that the Working Group is not impaired. SCE proposes that an aggrieved party first address its issues with Energy Division

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<sup>308</sup> TURN Opening Brief at 37 and 39.

<sup>309</sup> CforAT Opening Brief at 26.

staff and if still unsatisfied, ask the assigned ALJ or the Director of Energy Division to set up a hearing for the issues to be heard.

In the event that the Working Group is unable to come to a consensus or resolve an issue, Cal Advocates also recommends that the Commission require the IOUs to present the issue through an escalation process.<sup>310</sup> Cal Advocates recommends a process whereby a letter would be sent to the Assigned Commissioner and ALJs and served on the service list, requesting an informal law and motion-like hearing for parties to discuss the issue. Parties would then be bound by the assigned Commissioner or ALJs' ruling deciding the issue. Cal Advocates argues that this process would ensure that the Working Group continues to be a collaborative and productive forum.

SCE and PG&E state their willingness to support Cal Advocates' proposed escalation process with some modifications.<sup>311</sup> SCE supports the proposal provided that the onus to send the letter lies with the party seeking to escalate an issue rather than on the IOU. PG&E generally supports the concept of the proposal but believes that the Energy Division Staff (and if necessary escalated to the Energy Division's Executive Director) will be able to continue to resolve such issues as it has in the past and that it is not necessary to escalate the issue to the ALJ.

### **5.8.2. Discussion**

At the time the Commission directed the formation of the ME&O Working Group, the primary purpose of the Working Group was to aid in the development of the IOUs' ME&O programs for residential rate reform. The

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<sup>310</sup> Cal Advocates Opening Brief at 16.

<sup>311</sup> SCE Reply Brief at 18; PG&E Reply Brief at 24.

ME&O Working Group was intended to provide an opportunity for parties to discuss and learn about ME&O. Since its formation, the ME&O Working Group has played an important role in the development of rate reform ME&O plans and strategies. All parties commenting on the role of the Working Group note that it has been a useful forum.

The Commission expects that the Working Group will continue to be a valuable forum for collaborative discussions and refinement of the IOUs' ME&O plans. However, the Commission has previously explained that the Working Group is not a forum to litigate the specifics of an ME&O plan.<sup>312</sup> In fact, litigating these issues in the context of the Working Group process would run counter to the purpose of the Working Group. The IOUs have developed and presented ME&O plans to the Commission for approval via advice letters and in these consolidated proceedings.<sup>313</sup> Specifics of the IOUs' ME&O plans and communications have been and are appropriately litigated in these forums.

In several decisions and resolutions, the Commission adopted directives and guidelines regarding the IOUs' ME&O plans.<sup>314</sup> The purpose of the Working Group is to provide input to the IOUs and act as an advisory body as the IOUs implement their ME&O plans and the Commission's directives. As acknowledged by TURN, the Working Group does not make binding decisions. Given that the Working Group is not intended to be a forum for litigation and

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<sup>312</sup> D.17-12-023 at 49.

<sup>313</sup> See, e.g., PG&E Advice Letters (ALs) 4949-E and 4949-E-A; SCE ALs 3500-E and 3500-E-A; SDG&E ALs 2992-E and 2992-E-A.

<sup>314</sup> See e.g., D.17-12-023; D.18-12-004; Resolution E-4882 (PG&E); Resolution E-4895 (SCE); Resolution E-4910 (SDG&E).

does not make binding decisions, it is unnecessary to adopt a formal escalation procedure in the event that there are differing opinions among the members of the Working Group.

It is not reasonable or practical to require the IOUs to submit their final communications or rate conversation scripts to the Commission for approval. The Commission does not expect that these would be static documents but that the IOUs would continue to revise and improve these communications based on results and customer feedback. If a communication is being received negatively, the IOUs should be able to make real-time adjustments without having to wait for formal Commission approval.

The IOUs should make adjustments to their ME&O plans as necessary but the overall plans and communications should be consistent with Commission directives and guidelines, including the vision metrics for rate reform ME&O adopted in D.17-12-023.<sup>315</sup> Moreover, an IOU would be in violation of the law and subject to enforcement action if it fails to implement the consumer protections required by statute or Commission directive.

The IOUs should continue to report on their ME&O efforts in their quarterly PRRR reports filed in R.12-06-013 so that the Commission, stakeholders, and the public may continue to monitor these efforts. Since the Working Group has been a useful forum for providing input on the ME&O plans, the IOUs should continue to collaborate with the Working Group during the IDTM period. Energy Division Staff also attend the Working Group meetings. Energy Division should continue to monitor the Working Group

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<sup>315</sup> D.17-12-023 at 61 (Ordering Paragraph 1).

meetings and report to the Commission if Commission directives are not being followed. If participants of the Working Group believe that an IOUs' ME&O plans are not in compliance Commission directives, they may also raise these issues to Energy Division.

### **5.9. Number of Rate Changes**

PG&E's and SCE's respective versions of Electric Rule 12 provide that a customer may request only one rate schedule change in any 12-month period.<sup>316</sup> PG&E and SCE propose that customers that are automatically transitioned to a TOU rate be permitted to make two rate changes for the 12-month period following the automatic transition.<sup>317</sup> Under these proposals, the rate change of a customer who has been automatically transitioned to a default TOU rate would not count as a rate change for purposes of Rule 12. These proposals are supported by TURN and CforAT.<sup>318</sup>

The Commission finds that being defaulted onto a TOU rate should not be considered a customer-initiated rate schedule change for the purposes of Electric Rule 12. The Commission also adopts the utilities' proposals to provide defaulted customers with the option to make two rate changes in the twelve-month period following their default date. It is reasonable for customers to have the ability to try out different rate options during the IDTM period. Moreover, pursuant to Section 745(c)(6), a customer defaulted onto a TOU rate must retain the option to go back onto the tiered rate.

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<sup>316</sup> PG&E Electric Rule 12.C; SCE Electric Rule 12.D.

<sup>317</sup> PG&E Opening Brief at 67; Reporter's Transcript (RT), Vol. 3 at 361:27-362:18.

<sup>318</sup> Exh. TURN/CforAT-01 at 30.

In addition, given that customers that opt into one of the default TOU rates (E-TOU-C for PG&E, TOU-D-4-9PM and TOU-D-5-8PM for SCE) from the tiered rate will be provided with bill protection, customers that opt into one of the default TOU rates before or during the IDTM period should also retain the option to opt back onto the tiered rate even if this would result in more than one rate change during a twelve-month period. As noted above, these are customers that may choose to opt into the default TOU rate ahead of their default date or may be vulnerable customers that are excluded from default TOU but nevertheless choose to opt into one of the default TOU rates.

## **5.10. Cost Recovery**

### **5.10.1. SCE**

SCE's Residential Rate Implementation Memorandum Account (RRIMA) was established to record verifiable incremental costs associated with the TOU pilots, TOU studies, ME&O costs, and other reasonable expenditures to implement the rate reforms approved in D.15-07-001. SCE requests modification of Preliminary Statement Part N.61., RRIMA, to include costs associated with the mass transition of residential customers to default TOU rates except for costs associated with bill protection.<sup>319</sup> Consistent with the treatment authorized for SCE's default pilot in Resolution E-4847, SCE proposes to record the costs of bill protection in its Base Revenue Requirement Balancing Account (BRRBA), which includes both generation and distribution sub-accounts.<sup>320</sup> SCE proposes to recover any generation revenue shortfalls from all of its residential generation customers and any distribution revenue shortfalls from all of its residential

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<sup>319</sup> Exh. SCE-04 at 117.

<sup>320</sup> *Ibid.*

distribution customers. SCE proposes that all other costs associated with the RRIMA be recovered through distribution rates. SCE states that it will seek review and recovery of the costs recorded in the RRIMA and BRRBA in its annual Energy Resource Recovery Account (ERRA) review proceeding.

SCE's proposals to continue to record all default TOU implementation costs except bill protection costs in RRIMA and bill protection costs in the appropriate generation or distribution subaccounts in the BRRBA are consistent with how such costs have been previously treated and are unopposed. Therefore, these proposals are approved. In the event that SCE's IDTM period is extended beyond the 15-month period currently contemplated, SCE may continue to record default TOU implementation costs in RRIMA and BRRBA through 2023. As previously authorized by the Commission, SCE may seek annual review and recovery of the costs recorded in the RRIMA and in its ERRA review proceeding. SCE may seek review of the recorded BRRBA costs in its ERRA review proceeding and seek recovery of the balance in BRRBA in SCE's year-end consolidated rate change advice letter. The burden will be on SCE to demonstrate that these expenditures were incremental, verifiable, and reasonable.<sup>321</sup> With the exception of costs related to the rate comparison tool discussed below, the issue of whether recovery of these costs should be allocated to generation or distribution rates is not within the scope of this proceeding but rather should be considered in the proceeding in which SCE seeks recovery of the costs.<sup>322</sup>

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<sup>321</sup> D.15-07-001 at 298.

<sup>322</sup> Amended scoping memo at 10-11.



### **5.10.2. PG&E**

PG&E states that it is recording in its Residential Rate Reform Memorandum Account (RRRMA) the incremental costs of implementing the rate design reforms and proposals in this proceeding and other proceedings in accordance with the requirements of D.15-07-001 and the settlement agreement regarding such costs in PG&E's 2017 GRC approved in D.17-05-013.<sup>323</sup> Costs incurred in 2018 and 2019 to implement the rate design proposals will be recorded and recovered subject to the cap on such costs adopted in D.17-05-013 and costs incurred in 2020 and subsequent years as well as any costs that exceed the 2017-2019 cap will be sought, reviewed, and recovered in PG&E's 2020 GRC.

This decision makes no modifications to the terms adopted in D.17-05-013. PG&E may continue to record costs for 2017 and beyond related to residential rate reform implementation, including default TOU, in its RRRMA and to collect and recover these costs pursuant to the terms approved in D.17-05-013.

## **6. CCA Issues**

### **6.1. CCA Transition Plans**

#### **6.1.1. Party Positions**

SCE currently has 6 CCAs in its service territory and could have up to 27 CCAs by the end of the IDTM.<sup>324</sup> SCE argues that it understands the need to customize certain items but does not have the bandwidth to negotiate individual rollout plans and communications with each CCA. Therefore, SCE intends to treat CCAs holistically where possible.<sup>325</sup> SCE would like to have plans in place

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<sup>323</sup> Exh. PGE-03 at 6-1.

<sup>324</sup> SCE Opening Brief at 33.

<sup>325</sup> SCE Opening Brief at 33.

with each of its CCAs no later than six months prior to the CCA's scheduled default period. SCE also supports an initial timeframe of October 2019 for CCAs to communicate their respective decisions.<sup>326</sup> SCE notes that the sooner the CCAs communicate whether they will be participating in the transition, the less costly it will be to accommodate the CCAs and the less likely that SCE will face delays.

SCE proposes a 15-month IDTM period and a one- to two-month rollout period for a particular CCA's customers.<sup>327</sup> SCE contends that a longer rollout time would complicate the overall default scheduling plan. SCE is willing to attempt to accommodate a three-month rollout period on a case-by-case basis. SCE proposes to continue to resolve and report on CCA transition plans through the ME&O Working Group, SCE's CCA meetings, and the PRRRs.

PG&E plans to implement its full transition over a 13-month period in order to accommodate timing preferences for each of the CCAs in its territory.<sup>328</sup> PG&E notes that there are many uncertainties regarding the CCAs' respective plans for implementing default TOU rates for the customers in PG&E's service territory.<sup>329</sup> Therefore, PG&E recommends that the Commission approve a contingency plan for this uncertainty. This contingency plan would authorize PG&E to delay its proposed implementation of default TOU for a CCA's customers if that CCA:

- (1) Has not notified PG&E by October 2019 of its intent to participate in the default TOU transition;

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<sup>326</sup> SCE Reply Brief at 24.

<sup>327</sup> SCE Opening Brief at 26-27.

<sup>328</sup> The latest version of the implementation plan is presented in Table 12 on page 52 of PG&E's Opening Brief.

<sup>329</sup> PG&E Opening Brief at 54.

- (2) Intends to approve a default TOU generation rate that has peak periods that differ from the 4:00 p.m. to 9:00 p.m. peak period common across the IOUs;
- (3) Intends to approve a default TOU generation rate that has on-off peak differentials that are substantially steeper than PG&E's; or
- (4) Does not plan to offer bill protection.<sup>330</sup>

If any of these four conditions are present for a CCA, PG&E proposes to revise the schedule to delay the rollout of TOU for that CCA until it has completed the transition of PG&E bundled customers and the customers of other CCAs which mirror PG&E's rates and offer bill protection.<sup>331</sup> PG&E would file an informational report either in the PRRR report or if the timing does not align with the quarterly PRRR report, as a standalone report that would be distributed to the service list with the revised schedule.

PG&E argues that its contingency plan is warranted because differences between the IOU's and CCA's offerings could cause widespread customer confusion and dissatisfaction and will make operations more complex.<sup>332</sup> PG&E asserts that delay prudently protects the default TOU transition from adverse customer reaction and operational risks.<sup>333</sup>

According to SDG&E, Solana Energy Alliance (SEA) is currently the only CCA in SDG&E's service territory and is not currently planned to participate in

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<sup>330</sup> PG&E Opening Brief at 54.

<sup>331</sup> In its opening brief, PG&E states that transition should be delayed at least three months after the end of IDTM while in its reply brief, it states that the transition should be delayed to a mutually agreed time. (PG&E Opening Brief at 54; PG&E Reply Brief at 51.)

<sup>332</sup> PG&E Opening Brief at 56-58.

<sup>333</sup> PG&E Opening Brief at 58.

the transition to default TOU. The other CCAs that may be impacted by SDG&E's transition would potentially be active in 2020 at the earliest. Therefore, SDG&E proposes to implement default TOU rates for active CCAs within its service territory upon implementation of its new CIS system, which is scheduled to begin in 2021.<sup>334</sup> SDG&E proposes that residential CCA customers in its service territory be transitioned over a period of at least one month.<sup>335</sup>

The Joint CCAs state that it is imperative that the Commission ensure that the rollout of residential TOU rates appropriately accommodates and incorporates CCA programs and their customers. They note that the CCA governing boards are ultimately responsible for determining the generation rates and rate structure for CCA programs and consist of elected officials who are held accountable by their ratepayers.<sup>336</sup> The Joint CCAs argue that the Commission should not restrict their ability to individualize programs or to depart from an IOU's rate structure and that to do so would infringe upon the CCA's statutory authority to set its own rates.<sup>337</sup>

The Joint CCAs request that the Commission adopt October 2019 as an initial timeframe for CCA programs to communicate their respective decisions regarding default TOU.<sup>338</sup> The Joint CCAs expect that most if not all CCA programs should be able to communicate their plans by this date; however, they also acknowledge that not all CCA programs will have the capacity or ability to

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<sup>334</sup> SDG&E Opening Brief at 5-6.

<sup>335</sup> SDG&E Opening Brief at 4.

<sup>336</sup> Joint CCAs Opening Brief at 9.

<sup>337</sup> Joint CCAs Opening Brief at 18.

<sup>338</sup> Joint CCAs Opening Brief at 13.

meet the October 2019 deadline.<sup>339</sup> For example, new CCA programs forming in 2020 would not be able to provide notice of their intent by this date. The Joint CCAs request that the Commission direct the IOUs to allow for the option for all CCA programs to transition to default TOU generation rates regardless of the timing issues associated with making such a decision in time for the IDTM.<sup>340</sup>

The Joint CCAs recommend that each CCA program enter into a memorandum of understanding (MOU) with the IOU, which would be served on the service list for the proceeding and provided to Energy Division, that reflects the implementation details for that CCA program for default TOU. The Joint CCAs argue that it is important to formally memorialize the implementation details in an MOU that is publicly available. The Joint CCAs state that PG&E's Guiding Principles can be used a starting point for the MOUs but that the Commission should not impose the constraints requested by PG&E.<sup>341</sup> The Joint CCAs also argue that flexibility is needed and that the IOUs and CCAs should be able to make future adjustments as necessary and provide these changes to stakeholders via a new MOU.<sup>342</sup>

With regard to the timeline for the rollout, the Joint CCAs state that the CCA programs should be provided a default option of 3 months or shorter by

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<sup>339</sup> Joint CCAs Opening Brief at 15.

<sup>340</sup> Joint CCAs Opening Brief at 31.

<sup>341</sup> Joint CCAs Opening Brief at 10.

<sup>342</sup> Joint CCAs Opening Brief at 15.

mutual agreement.<sup>343</sup> The Joint CCAs state that a one- to two-month period will likely be sufficient for most CCA programs.<sup>344</sup>

Cal Advocates recommends that the Commission adopt a flexible approach and require the IOUs to continue working with CCAs to determine a mutually agreeable TOU rollout timeframe for each CCA and to refine their implementation plans accordingly. Cal Advocates supports the IOUs notifying the parties and the Commission of any changed implementation strategies via informal reports on an as-needed basis or through the PRRR reports.<sup>345</sup>

### **6.1.2. Discussion**

#### **6.1.2.1. Commission Jurisdiction over CCAs**

CCAs are entities formed by cities, counties, and/or other specified public agencies to serve the energy requirements of their local residents and businesses.<sup>346</sup> Pursuant to Section 366.2(a)(5), a CCA is solely responsible for all generation procurement activities on behalf of the CCA's customers while the IOU retains responsibility for providing distribution and transmission services. While the Commission regulates some aspects of a CCA's program,<sup>347</sup> it is well-established that the Commission does not regulate the rates or terms and conditions of a CCA's services to its customers.<sup>348</sup>

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<sup>343</sup> Joint CCAs Opening Brief at 20.

<sup>344</sup> Joint CCAs Opening Brief at 20.

<sup>345</sup> Cal Advocates Opening Brief at 17-18.

<sup>346</sup> Pub. Util. Code § 331.1.

<sup>347</sup> For example, as load-serving entities, CCAs are required to comply with requirements for resource adequacy, the renewables portfolio standard, and integrated resource planning. (Pub. Util. Code §§ 380, 399.15, 454.54.)

<sup>348</sup> D.05-12-041 at 9-10; *see also* SCE Opening Brief at 37; PG&E Reply Brief at 46.

As several parties note, the IOUs' primary relationship with the CCAs is as a billing agent.<sup>349</sup> Pursuant to Section 366.2(c)(9), IOUs are required to "provide all metering, billing, collection, and customer service to retail customers that participate in community choice aggregation programs." In their capacity as billing agent, the IOUs are required to "cooperate fully" with CCAs.<sup>350</sup> The Commission has explained that "cooperate fully" is "reasonably interpreted to mean that utilities shall facilitate the CCA program and a CCA's efforts to implement it to the extent reasonable and in ways that do not compromise other utility services."<sup>351</sup>

Because CCAs are solely responsible for providing generation services to their customers, each CCA has the discretion to determine with respect to its own customers, among other things: (1) whether its customers should be defaulted to TOU generation rates; (2) what the peak periods and price differentials should be for any default TOU generation rate; (3) whether to provide bill protection to any customers defaulted onto a TOU generation rate; and (4) whether any customer groups should be excluded from a default TOU generation rate. As discussed below, Section 745 does not apply to CCAs, and therefore, does not govern any CCA's decision to default its customers to TOU generation rates. Moreover, the Commission does not have the authority to exercise jurisdiction over these aspects of a CCA's provision of generation services to its customers except insofar as they would affect the IOU's system or service to its customers.

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<sup>349</sup> SCE Opening Brief at 37; PG&E Opening Brief at 51; Joint CCAs Opening Brief at 8.

<sup>350</sup> Pub. Util. Code § 366.2(c)(9).

<sup>351</sup> D.05-12-041 at 61 (Conclusion of Law 8).

This Commission does have jurisdiction over the terms and conditions under which the IOUs provide services to CCAs and retail customers.<sup>352</sup> The IOUs must be able to continue to provide safe and reliable service to their own customers. The Commission has the authority to adopt rules to ensure that the utility provides adequate service to the CCA and its customers while simultaneously protecting the utility's customers and the utility's system.

**6.1.2.2. Timeline for CCAs to Communicate  
Intent Regarding Default TOU**

Because PG&E's and SCE's distribution rates will be time-differentiated, insofar as customers of a CCA still receive distribution services from PG&E and SCE, CCA customers will be participating in the IOUs' transition to default TOU distribution rates. At the same time, because the CCA regulates rates for generation service, it is for each CCA to determine whether its customers should be transitioned to a default TOU generation rate.

Nothing in this decision is intended to restrict the ability of a CCA to determine the generation rates for its customers. However, a CCA cannot unilaterally implement a rate without the IOU's assistance and there may be legitimate operational considerations that prevents the IOU, as the billing agent, from implementing a CCA's chosen generation rates and rate structure in the timeframe desired by the CCA. This is especially true during the period when the IOUs will be mass migrating their residential customers onto default TOU rates.

SDG&E's rollout of default TOU to its bundled customers started in March 2019 and is scheduled to be complete in December 2019. PG&E and SCE

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<sup>352</sup> Pub. Util. Code § 366.2(c)(9).



will begin their mass transitions of residential customers to default TOU starting in October 2020 over a period not to exceed 18 months. The utilities have been preparing for these transitions since 2015 and a tremendous amount of planning, study, and testing, have occurred in anticipation of these rollouts. The rollout of residential default TOU is a significant and unprecedented undertaking that will involve many of the utilities' systems and operations, including business processes and systems, information technology and billing systems, and customer service.<sup>353</sup>

In addition, SDG&E is planning to replace its customer billing system immediately following the completion of its rollout of default TOU and SCE is planning to replace its customer billing system immediately preceding its transition. During the process of these billing system upgrades, both utilities will have limited operational capability to implement major changes involving their billing systems. In fact, the timing of the utilities' own rollouts of default TOU are based on considerations of the timing of these billing system upgrades.<sup>354</sup>

SDG&E currently has one CCA, SEA, in its territory. SEA will not be participating in SDG&E's transition to default TOU.<sup>355</sup> No new CCAs are anticipated to begin providing service in SDG&E's territory until at least 2020, which is after the date that SDG&E is scheduled to complete its default transition. By 2020, SDG&E should have already defaulted its eligible residential customers to a TOU rate. Because there is no need for SDG&E to coordinate with

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<sup>353</sup> PG&E notes that the IDTM rollout will likely entail a larger monthly volume of customer rate transitions than PG&E has ever before handled in one month. (PG&E Opening Brief at 41.)

<sup>354</sup> D.18-05-011 at 13, 14-15.

<sup>355</sup> The distribution component of SDG&E's default TOU rate is not time-differentiated.

any CCA to rollout default TOU in that CCA's territory during the IDTM period, it is not necessary to approve any transition plans for CCAs in SDG&E's territory.

A CCA's decision regarding whether to participate in default TOU during the IDTM period and associated implementation decisions will necessarily impact PG&E's and SCE's overall default transition plan and transitioning of the utilities' customers (both bundled customers and distribution customers that are also CCA customers) to default TOU. As noted by several parties, coordination between the IOUs and CCAs is a necessity to avoid customer confusion, address operational constraints, and ensure a smooth rollout. A CCA's timely commitment to participate will enable the IOUs to finalize their overall plans for the sequencing of their various service areas and help to avoid delays in the IOUs' own rollouts. A CCA that does not timely commit or timely provide the necessary implementation details regarding its transition will potentially impact the IOU's overall plan because it may cause the need to re-sequence other areas.

To provide the IOUs with sufficient notice to prepare for any CCA's transition and to enable the IOUs to finalize their own transition plans for the IDTM period, a deadline for CCAs to communicate their intent to transition their customers during the IDTM period should be established. All parties commenting on this issue agree that October 2019 is a reasonable deadline.

This decision now addresses three hypothetical pathways for CCA implementation of default generation TOU for its customers that may occur after the October 2019 deadline, and instructs PG&E and SCE on how to address each pathway.

- (1) Pathway 1: CCA Transition Plans Finalized at Least Six Months Prior to Pre-Default Notifications Being Sent

The IOUs must have sufficient time to implement a CCA's chosen default TOU rate and associated implementation details. Prior to defaulting a CCA's customers, the IOU must coordinate with the CCA and be operationally prepared, which would include: preparing and programming customer notifications into its systems (including pre-default notifications sent 90 days prior to default), ensuring that all customers to be defaulted are transitioned to interval billed status, ensuring that all rates and implementation details are programmed in the billing system, and ensuring that there will be adequate customer support for each wave of the transition.

Given the operational planning and customer notifications that will be required prior to a customer being defaulted, this decision finds it reasonable for a CCA to provide rate and other implementation details to the IOU such that a final transition plan for that CCA is in place at least six months prior to the date that the IOU's first pre-default notifications are scheduled to be sent to the CCA's customers.<sup>356</sup> These rate and implementation details include: (1) information regarding the peak periods and price differentials for the CCA's default TOU generation rate; (2) whether the CCA intends to provide bill protection to any customers defaulted onto a TOU generation rate; and (3) whether the CCA intends to exclude any customer groups from a default TOU generation rate.

PG&E and SCE shall prioritize the transitions of CCAs that timely meet the October 2019 notice of intention deadline and timely provide rate and implementation details such that a final transition plan can be in place no later than six months prior to the date that a CCA's customers are scheduled to be sent

their first pre-default notifications. The CCAs that intend to participate in default TOU are encouraged to provide rate and implementation details to the IOU as soon as practicable to ensure a timely transition process.

(2) Pathway 2: CCA Unable to Comply with October 2019 Notice of Intention Deadline but Able to Finalize Transition Plan Six Months in Advance of Pre-Default Notifications

If a CCA is unable to comply with the October 2019 notice of intention deadline, but does submit rate and implementation details such that a transition plan is finalized at least six months prior to the date that the IOU's first pre-default notifications are scheduled to be sent to the CCA's customers, PG&E and SCE should make a good faith effort to accommodate that CCA's transition to default TOU generation rates at the same time as the IOU's transition to default TOU distribution rates during the IDTM period.

As noted by the Joint CCAs, there may be legitimate reasons why some CCAs cannot make the October 2019 notice of intention deadline (*e.g.*, because a CCA has not yet formed). Moreover, since the CCA customer will still be defaulted onto a time-differentiated distribution rate at the scheduled time during the IDTM period, it is in both the CCA's and IOU's interests to coordinate and default the customer onto both generation and distribution TOU rates simultaneously, which would allow for coordinated ME&O and help to avoid customer confusion.

(3) Pathway 3: CCA Does Not Meet the Six-Month Deadline, Or Changes Rate and Implementation Details Within the Six-Month Notice Period

In the event that a CCA does not timely finalize with the IOU the necessary rate and implementation details at least six months prior to the date that the IOU's first pre-default notifications are scheduled to be sent to the CCA's

customers, the CCA should be aware that the IOU may not be able to accommodate that CCA's transition to default TOU during the IDTM period. This would also apply if the CCA finalized rate and implementation details with the IOU by the six-month deadline but then substantially alters those rate and implementation details before the start of default TOU for its customers.

As recognized by the Joint CCAs, there are practical challenges associated with adjusting ME&O and program plans, especially after the transition has begun.<sup>357</sup> In this hypothetical pathway, it is reasonable for the IOU to accommodate the CCA's request at a mutually agreeable time when it would be operationally feasible to do so and would not compromise the IOU's own rollout of default TOU rates.

#### **6.1.2.3. CCA Participation Shall Not Affect Default TOU for Distribution Rates**

As explained above, PG&E and SCE shall complete transitioning their eligible residential customers onto TOU generation and distribution rates no later than 18 months after the start of IDTM. Therefore, regardless of whether a CCA commits to participate in default TOU or not, all of PG&E's and SCE's eligible customers, including CCA customers, shall be defaulted to a time-differentiated distribution rate during this time period. To the extent that a CCA intends to default its customers onto TOU generation rates, the Commission strongly encourages the CCA to coordinate with the IOUs to default its customers simultaneously during the IDTM period in order to minimize customer confusion. This would also allow the CCA to take advantage of the

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<sup>357</sup> Joint CCAs Opening Brief at 15.

groundwork laid for the IOUs' transitions, including the ME&O regarding TOU that all CCA customers will be exposed to during the IDTM period.

**6.1.2.4. Timeframe for Implementing Default TOU for CCAs with Different TOU Offerings**

PG&E proposes that the timeframe for defaulting a CCA that does not choose to mirror PG&E's rates<sup>358</sup> or to offer bill protection should be delayed to a mutually agreed time after PG&E has completed the transition of bundled customers and the customers of CCAs whose rates do not differ significantly from PG&E's rates and who would receive bill protection. PG&E argues that such a delay is needed to prevent customer confusion and avoid potential negative backlash from PG&E and CCA default TOU customers, which could spillover and impact TOU implementation for all customers.<sup>359</sup>

As stated above, a CCA has the authority to determine generation rates and whether to provide bill protection for its customers. As required by law, and subject to the conditions set forth in this decision, the IOUs shall cooperate fully with a CCA that decides to transition its customers to default generation TOU rates. This includes providing the necessary services required pursuant to Section 366.2 to facilitate implementation of a CCA's determinations regarding the TOU rate and rate structure, whether to provide bill protection, and customer exclusions.

PG&E is correct that there is the potential for customer confusion if a CCA's offerings differ significantly from the IOU's offerings. However, PG&E's

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<sup>358</sup> For purposes of this decision, a rate that does not mirror the IOU's TOU rate is a rate with different peak hours and/or a significantly steeper differential between on and off-peak hours.

<sup>359</sup> PG&E Reply Brief at 51 & 56.

assertion that this could result in a customer backlash that could spill over to impact the transition in other territories is speculative. In some cases (*e.g.*, if a CCA chooses not to offer bill protection or offers a default TOU rate with the same peak periods but a steeper differential between on and off peak hours) differences between offerings can and should be addressed through appropriate ME&O.<sup>360</sup> The IOU and CCA would have to coordinate messaging to help minimize customer confusion and certain customer notices may have to be modified.

If a CCA provides the IOU with its notice of intent to participate in default TOU by October 2019, this provides a lead time of nine months before customer notifications will have to be sent out for the first wave of customers to be defaulted in October 2020. For CCAs whose customers would be defaulted in later waves, there would be even more time to prepare. This decision finds that the deadlines established for CCAs to provide their notice of intent to participate and to provide rate and implementation details should provide a reasonable lead time for the IOUs to modify customer notifications. PG&E already contemplates that its ME&O may need to be adjusted throughout the IDTM period. Therefore, the fact that customer notices may have to be adjusted alone is not a sufficient basis for the IOU to delay the CCA's implementation of default TOU.

#### **6.1.2.5. Reporting on CCA Transition Plans**

As explained in the Timing and Schedule Section above, the IOUs should have the flexibility to revise their transition plans as necessary based on lessons

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<sup>360</sup> It would not be in any CCA's interests to offer rates and services that would be unacceptable to its customers. CCAs are comprised of local governmental entities that are subject to numerous laws that protect CCA customers and promote accountability by the CCAs. (D.05-12-041 at 10-11; Joint CCAs Opening Brief at 9.)

learned or changing circumstances while taking into account operational considerations and certain guiding principles. The IOUs should also present any significant changes to their submitted implementation plans in their quarterly PRRR reports as well as in Working Group meetings. Consistent with the recommendations of SCE, PG&E, and Cal Advocates, this decision finds that the same approach should be adopted with respect to any changes to the implementation plans related to implementation of default TOU for a CCA.

This decision does not adopt the Joint CCAs' recommendation that the IOUs be required to enter into an MOU with each CCA, which would be served on the service list for this proceeding. Although the implementation details between an IOU and CCA should be documented, this decision finds the Joint CCAs' recommended approach to be unnecessary. The Joint CCAs do not recommend that the MOU be a formal legally binding document or subject to a formal comment or approval process.<sup>361</sup> Furthermore, every party commenting on this issue acknowledges the need for the IOUs and CCAs to have the flexibility to make modifications and adjustments as necessary.

SCE argues that it does not have the bandwidth to negotiate individual rollout plans and communications with the upwards of 27 CCAs that SCE could potentially have in its service territory by the end of the IDTM period.<sup>362</sup> PG&E, on the other hand, agrees that PG&E and the individual CCAs should memorialize and document implementation details.<sup>363</sup> PG&E also agrees that, to the extent that implementation with an individual CCA deviates from the

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<sup>361</sup> Joint CCAs Opening Brief at 13; Joint CCAs Reply Brief at 13.

<sup>362</sup> SCE Opening Brief at 33.

<sup>363</sup> PG&E Reply Brief at 49.



consistent approach developed in collaboration with other CCAs, these differences should be documented and resolved and that this document could be shared with the service list, Working Group, or quarterly report recipients as appropriate.<sup>364</sup>

Both SCE and PG&E intend to treat CCAs consistently where possible. Given the number of CCAs that will be potentially involved and the limited timeframe to prepare for the transitions, SCE's and PG&E's planned approach of treating the CCA programs consistently where possible is reasonable. However, it will still be necessary for SCE and PG&E to coordinate with each CCA that chooses to default its customers onto TOU generation rates. Since CCA customers will also be participating in the transition as distribution customers of the IOU, the IOUs may also need to coordinate with CCAs that choose not to default their customers onto TOU generation rates.

Although a formal MOU that is served on the service list for the proceeding is not necessary, given that some degree of coordination with each CCA will be needed, the Commission agrees with the Joint CCAs and PG&E that there should be some documentation of the implementation details to ensure that there is a common understanding among the relevant parties.<sup>365</sup>

No party argues that Commission approval of these implementation details are required. The IOUs and CCAs also assert that they require flexibility to modify and adjust their implementation plans as needed. Therefore, it is

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<sup>364</sup> PG&E Reply Brief at 49.

<sup>365</sup> To the extent that multiple CCAs agree on a consistent approach, the IOUs could use a master document to document this approach for these CCAs. This decision also does not preclude an IOU and CCA from entering into an MOU.

unnecessary for the service list to be served with every iteration of these plans. As with all other significant changes to the IOUs' transition plans, it is sufficient for the IOUs to report on any significant changes with respect to CCA implementation in their quarterly PRRR reports and in the Working Group so that the Commission and other stakeholders can continue to monitor the default transitions.

Furthermore, the annual Residential Electric Rate Summit is scheduled to be held in November 2019. The deadline for CCAs to provide notice of their intent to participate in the transition to default TOU during the IDTM is October 2019. Therefore, at the summit, the utilities should provide an update on CCA participation in default TOU. CCA representatives should also be invited to participate in the summit.

Both the IOUs and CCAs report that they have been collaborating and coordinating on default TOU implementation. The IOUs and CCAs should continue to work collaboratively and cooperatively to resolve issues. To the extent that an IOU and CCA are not able to resolve an issue, the Commission already has an informal dispute resolution process in place, which is intended to provide a forum to "facilitate the smoother operation of the CCA where its policies, practices, and decisions may affect the utility and its customers."<sup>366</sup> The IOUs and CCAs may utilize this process if they are unable to reach a consensus on matters pertaining to default TOU implementation.<sup>367</sup>

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<sup>366</sup> Resolution E-4907 at 8 quoting D.05-12-041, Ordering Paragraph 8.

<sup>367</sup> This process is set forth on page 9 of Resolution E-4907.

## **6.2. Applicability of Section 745 to CCAs**

### **6.2.1. Party Positions**

Section 745 sets forth certain requirements that must be met before the Commission requires or authorizes an electrical corporation to employ default TOU rates for its residential customers. Among other things, Section 745 requires that a residential customer defaulted onto a TOU rate schedule be provided with no less than one year of bill protection.

SCE, the Joint CCAs, and Cal Advocates argue that Section 745 only applies to electrical corporations and does not apply to CCAs.<sup>368</sup> Since the Commission does not have the authority to set generation rates for CCA customers, these parties argue that the Commission does not have the authority to require that bill protection be provided for the generation portion of the CCA customer's bill.

SCE and Cal Advocates also argue that the IOU could not simply extend generation bill protection service to CCA customers. SCE states that it would be unclear whether the IOU would be providing bill protection against the IOU's tiered rate or CCA's tiered rate and that costs could be unfairly shifted between bundled and CCA customers.<sup>369</sup> Cal Advocates also raises concerns that such an approach would result in unlawful cost shifting and additionally argues that the Commission would not be able to enforce Section 451, which requires that a public utility's charges be just and reasonable, since the Commission does not set a CCA's generation rate.<sup>370</sup>

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<sup>368</sup> SCE Opening Brief at 36; Cal Advocates Opening Brief at 19.

<sup>369</sup> SCE Opening Brief at 37.

<sup>370</sup> Cal Advocates Opening Brief at 19-20.

PG&E also concurs that Section 745 applies to the implementation of default TOU by “electrical corporations” and that CCAs are not “electrical corporations.”<sup>371</sup> PG&E argues that, on the other hand, the plain meaning of Section 745(c)(4) is clear that the Legislature intended for residential customers defaulted to TOU rates to be eligible for bill protection for the “total amount” on the electric bill.<sup>372</sup> Although the Commission does not have the authority to approve or regulate the rates, tariffs, or terms of service of CCAs, PG&E argues that the Commission does have the authority to order the CCAs to revise the “consumer protection” elements statutorily required by their respective CCA implementation plans and determine whether each CCA should provide bill protection to their default TOU customers consistent with the bill protection required by Assembly Bill 327.<sup>373</sup>

The Joint CCAs do not request that the IOUs provide bill protection to CCA customers for the generation portion of the bill.<sup>374</sup> However, if the Commission were to order the IOUs to collect bill protection for CCA customers, the Joint CCAs recommend that the bill protection costs for both generation and distribution charges be collected from distribution fees.

### **6.2.2. Discussion**

Section 745 sets forth the conditions that must be met before “the commission may require or authorize an electrical corporation to employ default

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<sup>371</sup> PG&E Opening Brief at 59.

<sup>372</sup> PG&E Opening Brief at 58-59.

<sup>373</sup> PG&E Opening Brief at 59-60.

<sup>374</sup> Joint CCAs Opening Brief at 7.

time-of-use rates for residential customers.”<sup>375</sup> There is no dispute that Section 745 applies only to electrical corporations. There is also no dispute that a CCA is not an electrical corporation. There are various Public Utilities Code sections that distinguish a CCA from an electrical corporation.<sup>376</sup> Section 745 does not reference CCAs or load-serving entities more broadly. Therefore, there is nothing in Section 745 that would govern a CCA’s determinations with respect to defaulting its customers onto TOU rates.

Because the IOUs are electrical corporations subject to Section 745, to the extent that a CCA’s customers are also IOU customers for distribution service, the IOU would still need to fulfill the requirements of Section 745 for the distribution component of the CCA customer’s bill. However, contrary to PG&E’s arguments, Section 745 cannot reasonably be interpreted as requiring the IOU to pay for bill protection for the generation component of the CCA customer’s bill. Section 745(c)(4) requires an electrical corporation to provide bill protection such that “the total amount paid by the residential customer for electric service shall not exceed the amount that would have been payable by the residential customer under that customer’s previous rate schedule.” A reasonable interpretation of this statute is that the “total amount” is in reference to electric service provided by the electrical corporation because the provisions of Section 745(c), including Section 745(c)(4), are only applicable to an electrical corporation’s employment of default TOU rates for its residential customers. Any bill protection for the generation component of a CCA customer’s bill would

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<sup>375</sup> Pub. Util. Code, § 745(c).

<sup>376</sup> See, e.g., Pub. Util. Code §§ 218 (defining electrical corporation), 331.1 (defining CCA), 380(k) (separately listing an electrical corporation and CCA as examples of load-serving entities).

relate to a CCA's employment of default TOU rates, which is not governed by Section 745.

As explained above, this Commission does not have the authority to adjust the generation rates or terms and conditions of a CCA's service to its customers. The Commission has also previously explained that it has a limited role with respect to consumer protections for CCA customers except to the extent that elements of a CCA's program would affect utility operations, rates and services to other customers, or the safety and reliability of the electric system generally.<sup>377</sup> The fact that a CCA program may not offer bill protection for its customers would not implicate any of these issues.

On the other hand, as noted by SCE and Cal Advocates, if the IOUs were directed to provide bill protection for CCA customers on the generation component of their bills, this could result in unlawful cost-shifting between bundled and CCA customers in violation of Section 365.2. Moreover, as noted by Cal Advocates, since the Commission does not approve generation rates for CCAs, the Commission would not be able to ensure that any bill protection costs collected by the IOUs based on a CCA's generation rates were just and reasonable as required pursuant to Section 451.

Based on the foregoing, this decision finds that the IOUs should not be required to provide bill protection for a CCA's generation rates. Rather, the IOUs shall coordinate with the CCAs to implement any decision a CCA may make with regard to bill protection.

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<sup>377</sup> D.05-12-041 at 9-10, 19-20.

### **6.3. CCA Rate Comparison Tools**

#### **6.3.1. Tool Functionality**

##### **6.3.1.1. Party Positions**

SCE states that it intends to offer several options to CCAs for a rate comparison tool:<sup>378</sup>

- (1) Any CCA may leverage SCE's bundled rates as a proxy for its rates;
- (2) For CCAs that do not wish to use SCE's bundled rates as a proxy, SCE's vendor is able to model their rates for inclusion in SCE's tool provided that those rates have the same TOU periods as SCE;<sup>379</sup> or
- (3) If an individual CCA chooses not to offer rates with the same TOU periods as SCE, SCE may only display its own distribution rates in the rate comparison tool. In this situation, SCE proposes that the CCA negotiate with SCE's vendor to build its own tool since SCE would be unable to model and include such rates in SCE's tool in time for the IDTM.

Both PG&E and SDG&E also propose to provide rate comparisons to CCA customers using the utility's generation rates as a proxy for the CCA's generation rates provided that the CCA's rates mirror the IOU's rates.<sup>380</sup> Cal Advocates supports this approach.<sup>381</sup> PG&E, SDG&E, and Cal Advocates argue that the IOU's rates would provide a close approximation for a CCA's rates in instances where the CCA's TOU rate structure closely mirrors the IOU's TOU rate

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<sup>378</sup> SCE Opening Brief at 27-28.

<sup>379</sup> The cost for this option would depend on the number of different CCAs participating. SCE estimates that for 24 entities, it would cost \$3.38 million to add these CCA enhancements to the rate comparison tool. (Exh. SCE-5 at 28-29.)

<sup>380</sup> Exh. PGE-03 at 5-6; SDG&E Opening Brief at 4.

<sup>381</sup> Cal Advocates Opening Brief at 18.

structure.<sup>382</sup> Similar to SCE, PG&E proposes that the CCAs contract and work directly with vendors to model any new CCA rate structures.<sup>383</sup>

Section 745(c)(5) requires the IOUs to provide rate comparisons to all residential customer based on a summary of available tariffs. The Joint CCAs argue that this requirement also extends to the tariffs available under CCA service since the IOUs are currently the exclusive billing agents for CCA programs pursuant to Section 366.2(c)(9).<sup>384</sup> Therefore, the CCAs argue that the IOUs are required to provide rate comparison tools to CCA customers.

The Joint CCAs argue that it is important to ensure that the rate comparison tool provides the same functionality for CCA customers as for bundled customers because a large number if not majority of customers in California will be served by a CCA program in the near future. The Joint CCAs also argue that CCAs can have different rate structures and rate levels such that using IOU rates as a proxy would not be appropriate.<sup>385</sup>

The Joint CCAs recommend that the IOUs work directly with the vendors to ensure that that the rate comparison tool reflects all available tariffs, including the CCAs' tariffs.<sup>386</sup> The Joint CCAs assert that this will be more efficient than each CCA contracting with the vendors because, among other things: the IOU as the billing agent will have many of the billing determinants, some of which are

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<sup>382</sup> Exh. PGE-03 at 5-6 to 5-7; SDG&E Opening Brief at 4; Cal Advocates Opening Brief at 18.

<sup>383</sup> Exh. PGE-10 at 5-5.

<sup>384</sup> Joint CCAs Opening Brief at 8.

<sup>385</sup> Joint CCAs Opening Brief at 23.

<sup>386</sup> Joint CCAs Opening Brief at 24.



sensitive and not publicly available; and each CCA would not need to establish a new contract with risks of unfair bargaining power.<sup>387</sup>

#### **6.3.1.2. Discussion**

The Joint CCAs argue that the IOUs are required to provide rate comparison tools to CCA customers pursuant to Section 745(c)(5), which requires an electrical corporation to provide a rate comparison to each residential customer no less than once a year if the Commission requires or authorizes default TOU for residential customers, and Section 366.2(c)(9), which requires the IOUs to continue to provide metering, billing, collection, and customer service to CCA customers. Contrary to the arguments of the Joint CCAs, there is no statutory requirement for the IOUs to provide a rate comparison tool to CCA customers for generation rates provided by the CCA.

As explained above, Section 745 only applies to electrical corporations and their employment of default TOU rates for residential customers. The Joint CCAs argue that Section 745(c)(4) does not require the IOUs to provide bill protection to CCA customers for generation services provided by the CCA and at the same time argue that Section 745(c)(5) requires the IOUs to provide rate comparisons to all customers, including to CCA customers for generation services provided by the CCA. Since Section 745(c) imposes conditions for the IOU's employment of default TOU for its customers, it is more reasonable to consistently interpret the provisions of Section 745(c), including Sections 745(c)(4) and (c)(5), as imposing requirements on the IOU with respect

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<sup>387</sup> Joint CCAs Opening Brief at 24.

to its own customers, which are the customers that would be impacted by the IOU's rollout of default TOU.

Pursuant to Section 745(c)(5), an IOU would be required to provide a rate comparison to CCA customers for the electric services that the IOU provides (*i.e.* distribution services). However, there is no such requirement that the IOU provide this rate comparison for services provided by other retail providers such as CCAs or ESPs.<sup>388</sup> Moreover, Section 745(c)(5) merely requires that a rate comparison be provided to customers no less than once a year, it does not specifically require a rate comparison tool.

The IOUs are also not required to provide this rate comparison tool in their role as a billing agent for the CCAs pursuant to Section 366.2(c)(9). A rate comparison tool does not fall under the categories of "metering, billing, collection, and customer service," which are the services the IOU is required to provide to CCA customers pursuant to that statute. The IOUs currently provide these services to CCAs pursuant to utility tariffs, which establish the rates and terms and conditions for these services.<sup>389</sup> There is no specific provision of the IOUs' CCA tariffs that would apply to the provision of a rate comparison tool for CCA customers.

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<sup>388</sup> If the Legislature intended for the IOUs to provide these rate comparisons to CCA customers, it could have explicitly instructed that the IOUs do so. For example, in Section 366.2(c)(15)(B) the Legislature required the IOUs to provide certain notifications to CCA customers upon request of the CCA.

<sup>389</sup> PG&E Electric Schedule E-CCA; SCE Rule 23. Section 366.2(c)(20) states, in part: "All reasonable transaction-based costs of notices, billing, metering, collections, and customer communications or other services provided to an aggregator or its customers shall be recovered from the aggregator or its customers on terms and at rates to be approved by the commission."

Although there is no requirement for an IOU to provide a rate comparison tool for a CCA's generation rates, PG&E, SCE, and SDG&E propose to provide a rate comparison tool to CCA customers using the utility's generation rates as a proxy for the CCA's generation rates provided that the CCA's rates mirror the IOU's rates. The Commission finds this proposal to be reasonable. PG&E explains that the objective of the rate comparisons during the default TOU period is to support customers through the transition by providing information that will help customers determine if they should transition to TOU, stay on their current tiered rate plan, or choose an alternate plan.<sup>390</sup> To the extent that a CCA's rate structures mirror the IOU's rate structures, using the IOU's generation rates as a proxy would still provide the CCA customer with a reasonable approximation of what type of rate plan would be more economically beneficial.<sup>391</sup>

This is the approach that has been taken to date. During the default pilots, PG&E, MCE, and Sonoma Clean Power agreed to use PG&E's bundled rates as a proxy for each of the CCA's specific rates.<sup>392</sup> With agreement of the CCA, customers of 12 CCAs in PG&E's territory also currently have the rate comparison tool available to them using the bundled rate as a proxy.<sup>393</sup> SDG&E also implemented such an approach for SEA in October 2018.<sup>394</sup>

The Joint CCAs argue that CCAs can have different rate structures and rate levels such that using IOU rates as a proxy would not be appropriate. There

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<sup>390</sup> Exh. PGE-10 at 5-2.

<sup>391</sup> Cal Advocates Opening Brief at 18; Exh. SCE-04 at at 42; Exh. PGE-03 at 5-11-5-12, Table 5-4.

<sup>392</sup> Exh. PGE-03 at 5-3.

<sup>393</sup> RT, Vol. 6 at 819: 9-25.

<sup>394</sup> Exh. SDGE-17 at TC-2.

is no evidence that a CCA currently offers or in the near future intends to offer rate structures that differ from the IOUs' rate structures.<sup>395</sup> If, in the future, a CCA's rate structures and rate levels differ to such an extent that the IOU rates would not be a reasonable proxy, the CCA is not precluded from developing its own rate comparison tool or working with the IOU to model its specific rates in the IOU's tool. However, in the event that a CCA wishes to have different rate structures or rate levels modeled, the Commission does not find it reasonable to require the IOU to contract with vendors on the CCA's behalf. As discussed above, this task does not fall under the duties required of the IOU as the billing agent for the CCA program. This does not preclude an IOU or CCA from entering into an agreement for the IOU to provide this service. The cost responsibility for such CCA cost modeling is discussed further below.

The Joint CCAs also argue that use of the IOU rates as a proxy would not provide data that would enable both bundled and CCA customers to accurately evaluate the full range of potential rate options between IOU and CCA rate designs.<sup>396</sup> However, as noted above, the primary purpose of the tool is to support customers through the default transition and there is no requirement that the IOUs provide such a tool for the purpose of comparing service providers. The Commission has separately required the IOUs and CCAs to prepare and distribute joint comparisons of their rates, services, and generation mix to assist customers in making educated choices about their electric

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<sup>395</sup> RT, Vol. 6 at 870: 3-9; Exh. PGE-14; Exh. PGE-15. No CCA has stated that it intends to rollout a rate that does mirror an IOU's during the IDTM period.

<sup>396</sup> Exh. MCE-06 at 13-14.

provider.<sup>397</sup> No party in this proceeding had proposed that the requirements for this joint comparison be modified.

### **6.3.2. Cost Allocation**

#### **6.3.2.1. Party Positions**

SCE proposes that the costs of its rate comparison tool be recovered through distribution rates paid by all customers but that additional programming costs for the modeling of a CCA-specific rate that has different TOU periods than SCE be paid solely by that individual CCA's customers.<sup>398</sup> SCE argues that the majority of the rate tool costs are foundational and will benefit all customers and that the options of using SCE's rates as a proxy or modeling rates with the same TOU periods would build upon the tool's existing functionality. SCE contends that its proposal is supported by longstanding Commission precedent that incremental costs incurred for the benefit of an individual CCA's customers should be borne by that individual CCA alone.<sup>399</sup>

PG&E argues that the costs of customized bill comparison tools for individual CCAs could be significant and operationally complex. PG&E recommends that the CCAs use the same bill comparison tools available to PG&E bundled customers. PG&E recommends that if an individual CCA insists on PG&E modeling a separate, customized bill comparison tool for that CCA, the incremental costs of that tool be allocated directly to that CCA.<sup>400</sup>

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<sup>397</sup> D.12-12-036 at 18-21, Attachment 1 at A1-3-A1-4.

<sup>398</sup> SCE Opening Brief at 29.

<sup>399</sup> SCE Opening Brief at 30.

<sup>400</sup> PG&E Opening Brief at 80.

SDG&E argues that any additional costs for the rate comparison tool should be recovered through distribution rates.<sup>401</sup>

Cal Advocates agrees that the costs for the tool should be collected via distribution rates since all customers benefit from the tool.<sup>402</sup> However, Cal Advocates argues that any incremental costs to refine the tool to accommodate a CCA that offers TOU rates that differ significantly from an IOU's rates should not be collected via distribution rates but should be borne by that CCA.<sup>403</sup> Cal Advocates argues that not all CCAs may wish to refine the tool, and therefore, may not want to share in such costs because features designed for a specific CCA will not benefit customers not located within that CCA's territory.

The Joint CCAs argue that all costs for modeling generation rates (both IOU and CCA rates) in the rate comparison tool should be allocated to all customers.<sup>404</sup> Since the IOUs propose to collect a generation-related charge for modeling generation fees through delivery rates, the Joint CCAs argue that the Commission must allow for reciprocal cost recovery for modeling CCA generation rates. The Joint CCAs contend that to do otherwise would be to discriminate among service providers as well as bundled and unbundled customers.

The Joint CCAs argue that the costs to model any generation rate are incremental. The Joint CCAs note that PG&E cannot separate the costs of the rate comparison tool from the rest of the software service contract with

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<sup>401</sup> SDG&E Opening Brief at 5.

<sup>402</sup> Cal Advocates Opening Brief at 18.

<sup>403</sup> Cal Advocates Opening Brief at 18-19.

<sup>404</sup> Joint CCAs Opening Brief at 26.

Oracle/Opower, and therefore, the incremental costs for administering the tool for bundled customers cannot be determined. The Joint CCAs contend that the Commission, therefore, has no other option but to allocate these costs to all customers through transmission and distribution rates.<sup>405</sup>

#### **6.3.2.2. Discussion**

This decision finds the IOUs' proposals to allocate the costs of their rate comparison tools to distribution rates to be reasonable since all customers benefit from the tool. Because both PG&E and SCE will have time-differentiated distribution rates, all eligible customers, including CCA customers, will be participating in the default transition and can use the tool to compare tiered versus TOU rates. To the extent that a CCA's rates sufficiently mirror the IOU's rates, the tool could also be used with the IOU's rates as a proxy to provide the CCA's customers with a reasonable approximation of what type of rate structure would be recommended. As described above, this is the approach currently agreed to by several CCAs.

Moreover, PG&E's rate comparison tool is part of a suite of online tools, which support customers in their efforts to manage energy and usage costs.<sup>406</sup> All of these tools are currently available to bundled and unbundled customers.<sup>407</sup> The rate-related features are integrated throughout the platform and the individual costs of the rate comparison tool cannot be separated from the rest of the platform.<sup>408</sup>

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<sup>405</sup> Joint CCAs Opening Brief at 27.

<sup>406</sup> Exh. PGE-03 at 5-2 – 5-3.

<sup>407</sup> RT, Vol 6. at 819.

<sup>408</sup> RT, Vol. 6 at 783.

The distribution component of SDG&E's default TOU rate is not time-differentiated. However, SDG&E has already begun its default transition. The only CCA currently in SDG&E's territory is SEA and no other CCAs are expected to begin providing service in SDG&E's territory before the end of the IDTM period. As of October 2018, SEA customers have been able to use the rate comparison tool using SDG&E's rates as a proxy. Therefore, the tool currently benefits all customers SDG&E's territory.

This decision also agrees with SCE, PG&E, and Cal Advocates that any incremental costs for modeling CCA-specific rates should be the sole responsibility of the individual CCA that incurs those costs. The Joint CCAs fail to demonstrate that bundled customers or customers of CCAs other than customers of that individual CCA would benefit from this incremental modeling. Given that the costs of incremental modeling will only benefit a particular CCA's customers, this decision finds that these costs should be recovered solely from customers of that CCA. This is consistent with statutory requirements and longstanding Commission precedent, which require costs incurred on behalf of a CCA to be assumed solely by that CCA and its customers and not to be shifted to bundled customers.<sup>409</sup>

An IOU and CCA may enter into an agreement for the IOU to contract with vendors on the CCA's behalf. However, consistent with how the IOU provides other services to CCAs,<sup>410</sup> any additional costs incurred by the IOU as a

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<sup>409</sup> Pub. Util. Code, § 365.2; D.04-12-046 at 10-11.

<sup>410</sup> See, e.g., Pub. Util. Code, § 366.2(c)(20); PG&E Electric Schedule E-CCA; SCE Rule 23.



result of providing this service to a CCA shall be recovered solely from that CCA's customers and not from bundled customers or customers of other CCAs.

As noted by the Joint CCAs, the incremental costs of modeling the IOUs' generation rates are not presented in the record of this proceeding. If in the future a CCA develops its own rate comparison tool and evidence is presented regarding the separate and incremental costs for the IOU to model generation rates, this may warrant eliminating cost responsibility for future IOU generation modeling costs for customers of that particular CCA. However, if these CCA customers benefit from the functionalities associated with the generation modeling costs, then these customers should continue to bear responsibility for the costs of the tool.

#### **6.4. ME&O for CCAs**

##### **6.4.1. Party Positions**

The Joint CCAs believe that the best customer experience is through joint communications from both the relevant CCA program and the incumbent IOU, which include specifics regarding the offerings of both the CCA and IOU.<sup>411</sup> If the IOUs are concerned about potential confusion of CCA customers, the Joint CCAs argue that one potential solution would be to defer ME&O for particular CCA program areas and their customers.<sup>412</sup> Although the Joint CCAs generally prefer unified marketing campaigns where separate ME&O would not be required, they recommend as an alternative that the Commission allow CCAs to draw on ME&O funds collected from their customers by the IOU in order to

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<sup>411</sup> Joint CCAs Opening Brief at 24-25.

<sup>412</sup> Joint CCAs Opening Brief at 25.

develop a separate CCA campaign.<sup>413</sup> These funds would be subject to Commission oversight via an advice letter process. The CCAs argue that such an approach has been taken by the Commission in other areas.<sup>414</sup>

SCE states that it has coordinated with and intends to continue to coordinate with CCAs in its service territory through coordination meetings with the CCAs and via regular ME&O Working Group meetings. SCE plans to inform CCA customers about the rollout to default TOU using the same approach it plans to use for its bundled service customers. SCE agrees with the Joint CCAs on the three high-level guidelines for CCA communications: (1) use dual logos; (2) incorporate generalized messaging; and (3) good faith collaboration.<sup>415</sup>

SDG&E's transition to default TOU has already begun. The only CCA in SDG&E's service territory, SEA, does not currently plan to participate. SDG&E states that it is not opposed to working in good faith with future CCAs in its service territory and to work closely with such CCAs in implementing ME&O plans. Moreover, if a CCA's ME&O efforts reduces or eliminates SDG&E's ME&O costs related to CCAs, SDG&E does not object to reducing or eliminating the associated ME&O costs when cost avoidance is quantifiable.<sup>416</sup>

PG&E agrees that its ME&O program and messaging should accurately and feasibly accommodate CCA preferences and describe and message CCA default TOU rate plans.<sup>417</sup> PG&E also agrees that the costs of default TOU

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<sup>413</sup> Joint CCAs Opening Brief at 28.

<sup>414</sup> Joint CCAs Opening Brief at 28-30.

<sup>415</sup> SCE Opening Brief at 32.

<sup>416</sup> SDG&E Opening Brief at 6.

<sup>417</sup> PG&E Reply Brief at 54.

ME&O should be allocated and collected in the distribution rates of PG&E and CCA customers.<sup>418</sup>

#### **6.4.2. Discussion**

A CCA customer is both a customer of the CCA for generation service and a customer of the IOU for distribution service. As emphasized throughout this decision, coordination and collaboration between the IOUs and CCAs are essential during the default transition period to avoid customer confusion and ensure a smooth rollout. This is also true with respect to ME&O. In order to avoid customer confusion, the IOUs and CCAs should work together to ensure their messaging and ME&O tactics are coordinated and complementary. To the extent possible, a unified ME&O campaign is preferred. This would ensure that ME&O is consistent and coordinated, reduce ME&O costs, simplify operations, and likely result in a better customer experience.

The IOUs and CCAs report that they have been coordinating on ME&O and other issues with respect to default TOU. The Commission expects that this coordination will continue to ensure a smooth rollout and the best possible experience for customers. The CCAs are encouraged to take advantage of all the customer research and testing that the IOUs have conducted in preparation for default TOU. The IOUs shall continue to report on the rollout of default TOU for CCAs in their quarterly PRRR reports and in Working Group meetings.

The Joint CCAs also recommend that if there is not a unified IOU-CCA marketing campaign, that the Commission allow CCAs to draw on ME&O funds collected from their customers by the IOU in order to develop a separate CCA

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<sup>418</sup> PG&E Reply Brief at 55.

campaign. The Joint CCAs' proposal is unwarranted. Although the Commission previously authorized budgets for the IOUs' ME&O plans for default TOU, the IOUs were merely authorized to track these costs in their respective memorandum accounts and the IOUs may only recover recorded costs that are incremental, verifiable, and reasonable.<sup>419</sup> Cost allocation for future ME&O costs has yet to be determined. The issue of cost allocation of ME&O costs is not within the scope of these consolidated proceedings but rather will be decided in the proceeding in which the IOU seeks recovery of the costs.<sup>420</sup>

## **7. GHG Savings Related to Default Residential TOU**

The Commission directed the IOUs in D.15-07-001 to provide estimates of the cost savings and avoided greenhouse gas (GHG) emissions that would result from the introduction of residential default TOU.<sup>421</sup> It is important to note that D.15-07-001 did not seek to delay or otherwise condition implementation of default residential TOU for want of estimates of GHG and cost impacts. Rather, the decision sought to fill in gaps in the record of R.12-06-013 as it stood in July 2015 as to the expected impacts of default residential TOU on GHG emissions and utility costs.<sup>422</sup>

Therefore, this decision finds that while the estimates provided in this proceeding resolve some outstanding questions regarding the potential impact of

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<sup>419</sup> Resolution E-4882 at 36 (Finding 10); Resolution E-4895 at 46 (Ordering Paragraph 8); Resolution E-4910 at 42 (Ordering Paragraph 42); D.15-07-001 at 298. PG&E has been authorized to collect default TOU implementation costs on an annual basis through its Annual Electric True-Up advice letter filing, however, these collected costs are subject to true-up to PG&E's actual recorded costs. (D.17-05-013 at 246 (Ordering Paragraph 1.a.).)

<sup>420</sup> Amended scoping memo at 10-11.

<sup>421</sup> D.15-07-001 at 162-163.

<sup>422</sup> *Ibid.*

default residential TOU on GHGs and utility costs, the estimates themselves have no bearing on whether and how to implement default residential TOU. Because there is still some dispute amongst the parties on the best way to calculate these estimates, they are described in this decision as a range of potential benefits rather than used as a basis for a finding that a particular estimate is correct. The Commission hopes that these estimates may be useful considerations in other proceedings that attempt to calculate the marginal GHG emissions from electricity generation.

In December 2017 the IOUs served testimony that addressed estimated utility cost savings and GHG reductions that would result from default residential TOU. On August 17, 2018 an ALJ ruling directed the IOUs to consult with the Commission's Energy Division and interested parties on the methodologies used to create the GHG estimates, and to explore the development of consistent methodologies to use across all of the IOUs' GHG estimates. The ALJ ruling further directed each IOU to serve supplemental testimony on the GHG methodology recommended by the Commission's Energy Division and to present revised GHG estimates based on an agreed common methodology.

The IOUs served their supplemental testimony on GHG estimates in September 2018. This testimony superseded the IOUs' original testimony on GHG estimates, but did not supersede the original testimony on cost savings estimates as served in December 2017. In the supplemental testimony, the IOUs presented revised estimates of avoided GHG emissions due to default residential TOU based on four sets of assumptions:

1. The "Itron" scenario
2. The "Modified Itron" scenario

3. The “Unmodified Avoided Cost Calculator” scenario
4. The “High Spread” scenario

Each scenario calculates the marginal GHG content of California electricity supply differently. This means that each scenario calculates different estimated avoided GHGs even if the illustrative TOU rate used is the same. The main difference is that each scenario makes a different assumption about how many GHGs are produced by the most efficient and least efficient electrical generator on California’s grid. In particular, the Modified Itron scenario and the High Spread scenario take an innovative approach of assuming that a mixture of natural gas and renewable resources may be on the margin in some hours of the year.

Other parties such as TURN and Cal Advocates also served testimony on this issue in November and December 2018.<sup>423</sup> In its testimony Cal Advocates presented an additional methodology known as “High Spread 2.”<sup>424</sup>

The details of the IOU scenarios and their differences from one another can be found in the supplemental testimony provided by the IOUs.<sup>425</sup> To avoid prolixity those details are not repeated here. While the IOUs support the High Spread scenario and base their GHG estimates on it, there is insufficient record provided to determine if the High Spread scenario is any more accurate than the Unmodified Avoided Cost Calculator or Itron scenario.<sup>426</sup> This decision therefore

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<sup>423</sup> Exh. TURN-02; Exh. TURN-05; Exh. Cal Advocates-02 at 23-26.

<sup>424</sup> Cal Advocates Opening Brief at 20.

<sup>425</sup> See Exh. PGE-07 and Exh. SCE-05.

<sup>426</sup> Notably, TURN continues to raise objections to the basic methodology of the “all-gas model” that is used under all four scenarios in this proceeding. (Exh. TURN-02 at 18-19.) This decision makes no specific finding regarding this criticism by TURN.

takes no position on whether the High Spread scenario should be relied on instead of the Unmodified Avoided Cost Calculator scenario (or any other scenario) in other Commission proceedings.

The results of the various scenarios are described below. Under any scenario, PG&E, SDG&E, and SCE report that default TOU for residential customers will lead to some measure of GHG reductions.<sup>427</sup> PG&E includes two sets of figures, one that assumes all CCA customers in its territory will participate in default TOU, and another that assume all CCA customers in its territory will not participate in default TOU. All figures are marginal GHG reductions in megagrams – or 1,000 kilograms – of carbon dioxide equivalent, more commonly referred to as metric tons.

	<b>Itron Scenario</b>	<b>Modified Itron Scenario</b>	<b>Unmodified ACC Scenario</b>	<b>High Spread Scenario</b>
PG&E (all CCAs included) <sup>428</sup>	8,040	8,649	8,964	9,892
PG&E (no CCAs included) <sup>429</sup>	4,245	4,606	4,784	5,262
SCE <sup>430</sup>	45,192	48,450	38,728	54,964
SDG&E <sup>431</sup>	3,354	4,002	4,261	5,070

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<sup>427</sup> Cal Advocates' own scenario reaches a similar conclusion, leading Cal Advocates to assert that "the Public Advocates Office's and the IOUs' results reach the same conclusion – that the IOUs' proposed TOU rates result in emissions reductions." (Cal Advocates Opening Brief at 20-21.)

<sup>428</sup> Exh. PGE-07 at 9.

<sup>429</sup> *Ibid.*

<sup>430</sup> Exh. SCE-05 at 6.

<sup>431</sup> Exh. SDGE-16 at BAM-6.

TURN's testimony served in response to the IOUs' GHG estimates notes the content of the estimates, but also seeks acknowledgement that the estimated GHG reductions are relatively small compared to the GHG savings required to meet California's GHG reduction goals.<sup>432</sup> TURN's observation is acknowledged. This decision therefore finds it reasonable to conclude that under any scenario used to estimate GHG reductions attributable to default residential TOU in this proceeding, all IOUs report that default TOU will lead to some measure of GHG reductions even though these reductions will be insufficient on their own to meet the state's GHG reduction goals.

#### **8. Utility Cost Savings Attributable to Default TOU**

In their prepared testimony, the IOUs provided estimates of the utility-wide marginal cost savings they expected from residential default TOU. These savings estimates are not related to GHGs, but rather are meant to capture the estimated avoided utility costs attributable to residential default TOU.

PG&E and SCE each calculated estimated marginal generation and distribution costs. SDG&E took a slightly different approach and estimated avoided energy procurement costs. A table sourced from exhibit TURN-02 summarizing the estimated avoided costs appears below. As for GHG estimates, PG&E provided two estimates based on whether all CCAs would participate in default TOU, or no CCAs would participate in default TOU.

Utility	SDG&E	SCE	PG&E (all CCAs incl)	PG&E (no CCAs incl)
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<sup>432</sup> Exh. TURN-02 at 4-5.



Utility	SDG&E	SCE	PG&E (all CCAs incl)	PG&E (no CCAs incl)
Avoided Marginal Generation Costs	N/A	\$43,278,331	\$2,211,205	\$1,278,467
Avoided Marginal Distribution Costs	N/A	\$15,187,310	\$1,198,863	\$760,999
Avoided Energy Procurement Costs	\$568,804	N/A	N/A	N/A

TURN argues that these estimates are based on generic assumptions and that actual avoided costs due to default residential TOU may depart from these estimates due to other investment planning priorities. In general, TURN advocates caution in interpreting these estimates.<sup>433</sup> Importantly, TURN also points out that the marginal cost data used by the IOUs in crafting their savings estimates do not appear to be consistent with each other methodologically, and that they use marginal cost estimates that were disputed by parties to previous GRC Phase 2 proceedings.<sup>434</sup>

TURN's observations are noted. This decision takes no position on the accuracy of the cost savings estimates provided by the IOUs. This decision does not approve or disapprove of the marginal cost estimates used by the IOUs to develop their cost savings estimates. The IOUs' estimates are simply included in the record of this proceeding.

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<sup>433</sup> Exh. TURN-02 at 23-24.

<sup>434</sup> Exh. TURN-02 at 24-26.

## **9. Comments on Proposed Decision**

The proposed decision of ALJ Park and ALJ Doherty in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on June 27, 2019 by the Joint CCAs, EDF, CforAT, TURN, PG&E, and SCE; and reply comments were filed on July 2, 2019 by CforAT, SCE, PG&E, the Joint CCAs, and EDF.

Changes to the proposed decision were made throughout in response to comments. No modifications to the proposed decision were made in instances where the comments reargued points that were previously considered or did not raise any factual, legal, or technical errors that would warrant modifications to the proposed decision.

Parties to the SCE rate design settlement were encouraged to review the Commission's proposed modification to the settlement to disallow seasonal differentiation in SCE's residential tiered rate and indicate in their comments whether the modification is acceptable. SCE responded on behalf of the parties to the SCE rate design settlement in its opening comments and offered arguments for why the settlement's proposed seasonal differentiation should be adopted. SCE stated that if the Commission considered those arguments and maintained its opposition to the seasonal differentiation in SCE's tiered rate, then the parties to the SCE rate design settlement would accept the proposed decision's modification to the settlement.

This decision declines to adopt the proposed seasonal differentiation even in light of the arguments offered by SCE in its opening comments. Pursuant to the representations made by SCE in its opening comments, the SCE rate design

settlement is considered modified to eliminate the proposed seasonal differentiation in SCE's tiered rate.

The opening comments of the Joint CCAs opposed the introduction of a peak price distribution element centered on the 4 p.m. – 9 p.m. period to PG&E's default TOU rate. The Joint CCAs are concerned that a CCA may, in the future, decide to implement a different peak period for its generation rates. This could lead to a residential customer of that CCA experiencing two different peak periods – one for distribution and one for generation – and lead to customer confusion. PG&E also opposes the introduction of a distribution peak price element to its default TOU rate for similar reasons.<sup>435</sup>

As demonstrated by the record of this proceeding, there is a cost basis for such a peak price distribution element and introducing it to PG&E's default TOU rate is in accord with the Commission's historic approach to PG&E's rate designs. The Commission has the authority to fix PG&E's distribution rates and is exercising that authority on a firm evidentiary basis in this decision. The Joint CCAs have not demonstrated otherwise in their pleadings in this proceeding.

Furthermore, the Joint CCAs do not adequately explain why they are opposed to a peak distribution element in PG&E's default TOU rate but accept such an element in SCE's default TOU rates. Their opening comments state that the "shoulder peak period" in SCE's rate design would likely align with "any desired CCA peak period" therefore making SCE's peak price distribution element acceptable to CCAs;<sup>436</sup> but such a shoulder peak period in SCE's

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<sup>435</sup> PG&E Opening Comments at 2-3.

<sup>436</sup> Joint CCAs Opening Comments at 5.

proposed rates does not exist. SCE's rate design only includes peak and off-peak periods in the summer. SCE's rate design includes a super off-peak period of 8 a.m. – 4 or 5 p.m. in the winter; but this is not the same as a “shoulder peak period” as described by the Joint CCAs. In fact, a super off-peak period is the opposite of a shoulder peak period as it moves even further away from peak prices than in the off-peak period.

The opening comments of EDF express concern with the modifications made to the SCE rate design settlement. For the sake clarity, only the seasonal differentiation in SCE's tiered rate is removed. The seasonal differentiation in SCE's TOU rate designs as negotiated by the parties to the SCE rate design settlement remains.

PG&E requests that the Commission require the CCAs to provide rate and implementation details regarding a CCA's default transition by October 2019. PG&E fails to adequately justify needing such advance notice, especially in light of the fact that SCE had requested that a CCA's final transition plan be in place six months prior to the CCA's scheduled default period. However, based on PG&E's comments, the proposed decision has been modified to state that the IOUs should prioritize the transitions of CCAs that provide rate and implementation details six months prior to the date that the IOU's first pre-default notifications are scheduled to be sent to the CCA's customers.

PG&E recommends additional customer exclusions from default TOU.<sup>437</sup> The Commission finds that no additional customer exclusions are warranted. PG&E's proposal to exclude NEM 1.0 customers with interconnection

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<sup>437</sup> PG&E Opening Comments at 7-9.

agreements prior to 2004 was inappropriately made for the first time in comments on the proposed decision. PG&E's recommendations with respect to CCA customers and customers with more than three service agreements were previously considered and rejected.

Both PG&E and SCE request flexibility with regard to the schedule for rate comparison summaries for new customers. PG&E also requests this flexibility for customers participating in the default transition. Both PG&E and SCE also request clarification regarding sending rate comparison mailers to certain customers such as complex NEM customers for whom accurate rate comparisons cannot be calculated.

Section 745(c)(5) is clear that the IOUs must provide "each residential customer" with a rate comparison that shows "a summary of available tariff options with a calculation of expected annual bill impacts under each available tariff" not less than once per year. The Commission must authorize a schedule that complies with this statutory requirement. Therefore, this decision does not modify the schedule set forth in the proposed decision but provides additional guidance regarding these rate comparison summaries.

The Commission acknowledges that 12 months of usage data may not be available for all customers or cannot be accurately calculated for customers on certain types of rates. In order to be as accurate as possible, the rate comparison summary would ideally be based on a customer's actual usage. However, Section 745(c)(5) does not provide for exemptions for customers without 12 months of usage data or on certain types of rates. The statute also does not necessarily require that the rate comparison summaries be based on a customer's actual usage. Therefore, in order to comply with the statutory requirement, in the event that an accurate rate comparison summary cannot be generated for a

customer due to lack of sufficient usage data or due to the type of rate that the customer is on (e.g., complex NEM or standby), the Commission finds it reasonable for the IOUs to generate the required rate comparison summary for that customer based on illustrative usage for that customer's location. Such a rate comparison summary should include a disclaimer that it was generated based on illustrative usage. SCE and PG&E shall each file a Tier 2 advice letter within 60 days of the issuance of this decision setting forth their respective proposed methodologies for determining a customer's illustrative usage.

Both PG&E and SCE comment that they will not be able to immediately operationalize the bill protection policies set forth in the proposed decision for customers that opt into a default TOU rate from a rate other than the tiered rate. During the default pilots, bill protection was approved for PG&E and SCE customers that opted into the default pilot rates except for: (1) customers who opted in from a NEM successor tariff, and (2) SCE customers who opted in from a more complex NEM tariff. The Commission finds it reasonable for PG&E and SCE to continue these previously approved bill protection policies between the end of the default pilots and the start of the IDTM period. PG&E and SCE shall implement the bill protection policies set forth in this decision by the start of their respective IDTM periods.

SCE requests clarification concerning its proposal for SCE's vendor to model a CCA's rates for inclusion in SCE's rate comparison tool provided that those rates have the same TOU periods as SCE. SCE is not precluded from including a CCA's rates in its rate comparison tool. However, as described in the proposed decision, any incremental costs for modeling CCA-specific rates, which would include rates that may have the same TOU periods as the IOU, shall be the sole responsibility of the individual CCA that incurs those costs.

The proposed decision has also been modified to clarify how SCE may track and recover costs related to default TOU implementation.

TURN raises concerns regarding the due process rights of parties who may wish to litigate the conclusions reached by the Working Group. Parties are encouraged to provide their input on the rollout of default TOU in the Working Group. However, the Commission confirms that lack of participation in the Working Group does not disqualify any party from raising issues or making recommendations in any subsequent advice letter filing or formal Commission proceeding.

## **10. Assignment of Proceeding**

Michael Picker is the assigned Commissioner and Sophia J. Park and Patrick Doherty are the assigned ALJs in this proceeding.

### **Findings of Fact**

1. If the SCE rate design settlement's proposal for a seasonally differentiated tiered rate was adopted, CARE customers in SCE's hot climate zones would experience bill increases during the summer. All of those customers would be estimated to experience average bill increases of between 2% and 5% during the summer, with an average increase of 3.5%.

2. Rejecting the proposed seasonal differentiation of SCE's tiered rate not only benefits CARE customers in hot climate zones that will continue to take service on the rate, it will also generally mitigate the estimated adverse bill impacts of default TOU for SCE's residential customers defaulted to TOU rates.

3. No party opposed the TOU rate design elements of the SCE rate design settlement.

4. SCE's opt-in TOU pilot rate 2 and TOU-D-5-8PM are very similar.

5. There are some differences between SCE's opt-in TOU pilot rate 2 and TOU-D-4-9PM.
6. The peak period of SCE's opt-in TOU pilot rate 2 is shorter than the peak period proposed for TOU-D-4-9PM.
7. The peak price differentials and absolute peak prices are higher for SCE's opt-in TOU pilot rate 2 than for TOU-D-4-9PM.
8. The other two SCE opt-in TOU pilot rates have even more significant differences when compared to TOU-D-4-9PM than SCE's opt-in TOU pilot rate 2.
9. The opt-out rate of SCE's opt-in TOU pilot rate 2 stood at just over 3% after 12 months.
10. There was an average summer peak load reduction of 4.1% on SCE's opt-in TOU pilot rate 2.
11. The average summer peak load reduction was consistent across summers for SCE's opt-in TOU pilot rate 2.
12. There was an average winter peak load reduction of 1.7% on SCE's opt-in TOU pilot rate 2.
13. Bill impacts on SCE's opt-in TOU pilot rate 2 were adverse as most customer groups experienced average annual bill increases.
14. After 12 months on SCE's opt-in TOU pilot rate 2, participants reported virtually identical rates of satisfaction with SCE and their rate plan as control participants on the tiered rate.
15. Customer understanding of SCE's opt-in TOU pilot rate 2 was comparable to that of the tiered rate, and non-CARE customers found SCE's opt-in TOU pilot rate 2 easier to understand than the tiered rate to a statistically significant degree.
16. The bill impacts of SCE's opt-in TOU pilot rate 2 were noticeably adverse.



17. The average non-CARE customer in SCE's hot climate zone experienced average annual bill increases of \$42 on SCE's opt-in TOU pilot rate 2.

18. The average non-CARE and CARE customer in SCE's moderate climate zone experienced average annual bill increases of \$19 and \$16, respectively, on SCE's opt-in TOU pilot rate 2.

19. In the cool climate zone the results were mixed as non-CARE customers experienced average annual bill savings of \$42 on SCE's opt-in TOU pilot rate 2, while CARE customers experienced average annual bill increases of \$4 on SCE's opt-in TOU pilot rate 2.

20. A transition of SCE's non-CARE customers from a tiered rate without a seasonal differential to their best default TOU rate will result in 41.8% of defaulted customers experiencing average annual bill reductions. The remaining 58.2% would experience average annual bill increases assuming no changes in their electricity usage.

21. Roughly 22% of SCE's non-CARE customers would see average monthly increases of \$1, while 35.7% would see average monthly increases of between \$5 and \$10 on their best TOU rate. These customers would see their energy burdens increase by 0.1% or 0.2%.

22. An average SCE non-CARE residential customer will see an annual bill savings of 0.8% on their best TOU rate assuming no change in their usage, with no change in their estimated energy burden of 3.0%.

23. The average CARE customer in SCE's cool and moderate climate zones is estimated to see no difference in their average monthly bill or energy burden as a result of default to their best TOU rate from a tiered rate without a seasonal differential.

24. The majority of CARE customers in SCE's cool and moderate climate zones (56.3%) are estimated to benefit from default TOU.

25. Roughly 25% of CARE customers in SCE's cool and moderate climate zones are estimated to see average monthly bill increases of \$1 from default TOU, and approximately 19% are estimated to experience average monthly bill increases of \$2 - \$6.

26. While the bill impacts of default TOU for roughly a third of SCE's non-CARE residential customers of between \$5 and \$10 a month are not insignificant, the contribution to their energy burden is very small. The average energy burden for those negatively affected customers would stand at 3.4% and 3.3%, respectively, even after default onto their best TOU rate.

27. Despite adverse annual bill impacts similar to those experienced by the adversely affected customers under the SCE rate design settlement's proposal, SCE's opt-in TOU pilot rate 2 customers reported equal amounts of satisfaction with their rate plan and SCE, suggesting that the bill impacts themselves did not affect overall satisfaction with SCE or the rate.

28. The illustrative bill impacts shown in exhibit SCE-12 indicate that the proposed TOU rates will result in positive bill impacts for 41.8% of SCE's non-CARE customers and 56% of CARE customers in SCE's cool and moderate climate zones. This is an improvement from the bill impacts seen under SCE's opt-in TOU pilot rate 2.

29. In addition to the 41.8% of SCE's non-CARE customers potentially seeing positive bill impacts from default TOU, roughly 22% of customers would see average monthly bill increases of only \$1. This means that approximately two-thirds of SCE's non-CARE customers would either benefit from default TOU or see bill impacts that are nominal.

30. In D.17-09-036, the Commission explicitly considered evidence of the hardship presented by SCE's default TOU pilot rates to both groups of customers defined in Section 745(d).

31. The default TOU pilot rates for SCE considered in D.17-09-036 are very similar to and are not substantively different from the default TOU rates for SCE proposed in the SCE rate design settlement.

32. It is apparent that the illustrative winter rates provided by SCE in the SCE rate design settlement agreement for TOU-D-5-8PM do not match the ratios agreed to by the parties.

33. The peak period and seasonal definitions proposed by PG&E for its default TOU rate are unopposed and reflect the peak period and seasonal definitions generally approved for PG&E's non-residential customers (with the exception of the agricultural class) in PG&E's last GRC Phase 2 proceeding as accurately reflecting PG&E's generation and distribution marginal costs.

34. PG&E's opt-in TOU pilot rate 1 is very similar to PG&E's proposed E-TOU-C rate design.

35. The opt-out rate of approximately 5% for PG&E's opt-in TOU pilot rate 1 indicates relatively high levels of customer satisfaction.

36. On average, PG&E's opt-in TOU pilot rate 1 customers engaged in statistically significant load reductions during the peak 4:00 p.m. – 9:00 p.m. period in the summer of 2017 compared to the control group of customers on a tiered rate. The average summer peak load reduction was 5.3%.

37. On average, CARE customers and non-CARE customers in PG&E's territory demonstrated statistically significant load reductions on opt-in TOU pilot rate 1 compared to control customers on the tiered rate.

38. Peak period reductions in the winter were significantly less than in summer on PG&E's opt-in TOU pilot rate 1. The average peak-period load reduction in the winter of 2016-2017 was 3.3%. However, this reduction was in response to a peak price that was only 1.9 cents/kWh higher than the off-peak price.

39. The average annual bill impacts of PG&E's opt-in TOU pilot rate 1 were mixed. On average, all cool and moderate climate zone customers experienced bill reductions of between \$8 and \$36 on an annual basis on opt-in TOU pilot rate 1. Non-CARE customers in PG&E's hot climate zone experienced an average annual bill increase of approximately \$4 on opt-in TOU pilot rate 1.

40. Customers on PG&E's opt-in TOU pilot rate 1 and the tiered rate reported essentially identical levels of satisfaction with PG&E and their rate plan after one year of experience with the TOU rate.

41. Many customers on PG&E's opt-in TOU pilot rate 1 reported significantly higher levels of understanding of their rate compared to customers on a tiered rate.

42. PG&E is currently testing a TOU rate in its default TOU pilot that has very similar pricing and identical peak periods as compared to proposed E-TOU-C.

43. Of those customers that were placed on PG&E's default TOU pilot rate, only 1.4% of that population unenrolled in the TOU rate and switched back to a tiered rate (while 1% transitioned to a different TOU rate) by November 2018.

44. Default TOU pilot customer satisfaction with PG&E is similar to levels seen before the customers were transitioned to the default pilot TOU rate.

45. The preliminary load impact results for PG&E's default TOU pilot show an average weekday peak period load reduction of about 4% in the summer of 2018 for customers on the default pilot TOU rate and PG&E's other TOU rates.

46. Assuming no change in usage, approximately 30% of PG&E's non-CARE customers would see average monthly bill reductions on E-TOU-C while 70% of PG&E's non-CARE customers would see average monthly bill increases.

47. Of those PG&E non-CARE customers that may see bill increases on E-TOU-C with no change in usage, most would see increases of between \$0 and \$5 per month.

48. About 30% of PG&E's non-CARE customers may see bill increases of between \$5 and \$20 per month on average after transitioning to E-TOU-C assuming no change in usage.

49. Assuming no change in usage, approximately 32.5% of PG&E's non-excluded CARE customers would see average monthly bill reductions on E-TOU-C while 67.5% of PG&E's non-excluded CARE customers would see average monthly bill increases.

50. Of those PG&E CARE customers that may see bill increases on E-TOU-C assuming no change in usage, a large proportion would see increases of between \$0 and \$5 per month.

51. About 11% of PG&E's non-excluded CARE customers may see bill increases of between \$5 and \$20 per month on average after transitioning to E-TOU-C assuming no change in usage.

52. Two-thirds of PG&E's non-CARE customers are expected to either save money or see average monthly bill increases of less than \$5 on E-TOU-C assuming no change in usage.

53. The majority of PG&E's CARE customers that are not excluded from default TOU are expected to save money or see average monthly bill increases of less than \$1 on E-TOU-C assuming no change in usage.

54. The bill impact estimates for E-TOU-C assume no change in usage, and therefore small changes in usage away from peak periods may mitigate estimated bill increases.

55. Under either the tiered rate or E-TOU-C, 89% of PG&E's non-CARE customers are estimated to have energy burdens of less than 5%. Between 7% and 8% of PG&E's non-CARE customers under either rate are estimated to have energy burdens of between 5% and 10%, about 2% of customers are estimated to have energy burdens between 10% and 15%, and approximately 1% of customers are estimated to have energy burdens in excess of 15%.

56. 85% of PG&E's CARE customers are estimated to have energy burdens of less than 5% under PG&E's tiered rate while 84% of PG&E's CARE customers are estimated to have energy burdens in that range under E-TOU-C.

57. Under either the tiered rate or E-TOU-C, about 11% of PG&E's CARE customers are estimated to have energy burdens of between 5% and 10%, about 3% of CARE customers are estimated to have energy burdens of between 10% and 15%, and approximately 2% are estimated to have energy burdens in excess of 15%.

58. Despite the broad similarity in energy burdens under either the tiered rate or E-TOU-C, there is a slight tendency for estimated energy burdens to increase under E-TOU-C for PG&E's non-CARE and CARE customers.

59. The energy burden analyses under E-TOU-C assume no change in a customer's usage, and therefore even small reductions in peak load usage may reduce the estimated energy burdens under the TOU rate.

60. Data from PG&E's opt-in and default TOU pilots suggest that customers will reduce peak load usage.

61. In the summer the total residential generation and distribution marginal cost differential for PG&E's proposed peak period is 11.5 cents/kWh, meaning that the proposed differential of 6.3 cents/kWh leads to a muted price signal.

62. Data from PG&E's default TOU pilot suggest that a default TOU rate with an approximate 6.3 cents/kWh peak differential in the summer would be well-received by PG&E's residential customers.

63. In D.17-09-036, the Commission explicitly considered evidence of the hardship presented by PG&E's default pilot TOU rate to both groups of customers defined in Section 745(d).

64. The default TOU pilot rate for PG&E considered in D.17-09-036 is very similar to the proposed E-TOU-C rate, and the two rates utilize identical peak period and seasonal definitions. The rates are not substantively different from each other.

65. For several years PG&E pursued a mandatory transition of many of its bundled and unbundled non-residential customers to TOU rates with a peak-related distribution marginal cost element. There is no information in the record that suggests this transition led to CCA customer confusion.

66. D.18-08-013 created a new peak period for many of PG&E's non-residential customers, and PG&E raised no objection to the inclusion of a distribution marginal cost element in the peak period prices based on the potential for CCA customer confusion.

67. No CCA objected to the SCE rate design settlement resulting in default TOU rates for SCE's residential customers that contained a peak-related distribution cost element.

68. No party opposed setting the minimum bill on E-TOU-C to \$10/month for PG&E's non-CARE customers, or moving some revenue collection on E-TOU-C from summer to winter to avoid high disparities between summer and winter rates.

69. PG&E's proposed modifications to E-TOU-A, including its elimination, modify the terms of the settlement reached in PG&E's 2015 RDW proceeding (A.14-11-014) and adopted by D.15-11-013.

70. The peak period hours of PG&E's E-TOU-C rate and the future E-TOU-A rate are very similar. Both rates also utilize a baseline credit, although E-TOU-A's current summer peak period premium of 7.6 cents/kWh is slightly higher than the proposed E-TOU-C summer peak period premium of 6.7 cents/kWh.

71. PG&E's proposal for a new E-TOU-B rate, to become available upon the closure of the existing E-TOU-B rate to new customers by May 2020, is unopposed.

72. The proposed 5 p.m. – 8 p.m. peak period for the new E-TOU-B rate aligns with PG&E's high marginal cost hours.

73. The creation of the new E-TOU-B rate would enhance the menu of rate options available to PG&E's residential customers.

74. The joint proposal of PG&E and Cal Advocates that the existing cap on enrollment for E-TOU-B be lifted to avoid operational difficulties during IDTM and to ensure all PG&E customers have access to the optional TOU rate during the IDTM period is unopposed.

75. The record is insufficient to determine the bill impacts that would result from an approval of PG&E's proposal to raise the minimum bill for tiered rate customers from \$10/month to \$15/month.



76. It is uncertain how PG&E's proposal to raise the minimum bill for tiered rate customers from \$10/month to \$15/month would apply to CARE customers.

77. The combined effect of all of PG&E's SmartRate proposals would significantly reduce the average bill savings received by SmartRate customers.

78. Under PG&E's SmartRate proposals, illustrative SmartRate customers would experience 46% - 47% less savings in an average summer compared to the current SmartRate program.

79. In abnormal summers where 15 event days are called, PG&E's illustrative low and medium SmartRate users see less savings of 6% and 12%, respectively.

80. High users in summers with 15 event days would see an increase in savings of approximately 6% under PG&E's SmartRate proposals.

81. SCE's and PG&E's proposed default TOU transitions plans reflect years of study and preparation, take into consideration operational feasibility, incorporate lessons from the pilots, and are reasonable.

82. It is reasonable to transition customers in waves by service district or county to simplify operational planning and allow for more effective ME&O.

83. It is reasonable to consider the maximum number of customers that should be transitioned per month based on operational feasibility and to maintain quality control.

84. It is reasonable to take into account customers' bill impacts in determining when customers should be defaulted to avoid transitioning customers to a TOU rate in months when they would experience higher bills.

85. It is reasonable to pause transitions to fine tune operations or to avoid defaulting customers in months when bills would be higher.

86. SCE's and PG&E's default TOU transition plans must necessarily be flexible given that circumstances may change between now and the start of the IDTM or even during the IDTM.

87. PG&E's proposal to transition NEM customers on a monthly basis starting on October 1, 2020 according to the month of their annual true-up is reasonable.

88. Default TOU is aimed at customers who are not already on a TOU rate.

89. It is reasonable to exclude customers already on a TOU rate from the default TOU transition.

90. It is reasonable to exclude all customers who participated in a default TOU pilot, including customers who opted out or unenrolled from the pilot, from the default TOU transition.

91. In D.17-09-036, the Commission directed PG&E and SCE to exclude CARE and FERA eligible customers in their hot climate zones from the default TOU pilots and directed that these exclusions would also apply to the IOUs' default TOU rates unless there is demonstrated good cause for change.

92. SCE fails to justify treating CARE and FERA eligible customers differently than enrolled customers.

93. Consistent with the exclusions approved for the default pilots and for SDG&E's default transition, it is reasonable for PG&E and SCE to exclude master-metered premises from default TOU.

94. PG&E fails to justify excluding customers with more than three service agreements from default TOU.

95. SCE's and PG&E's proposals to exclude customers on the tariffs identified as complex NEM tariffs and the MASH and SOMAH programs are reasonable.

96. The incremental cost of providing automated bill protection to the small number of customers on a tiered rate taking service on complex NEM tariffs and the MASH and SOMAH programs is not justified.

97. Customers on some complex NEM tariffs would not easily be able to respond to TOU price signals.

98. A CCA customer receives generation service from a CCA but continues to receive distribution and transmission services from the IOU.

99. A DA customer receives generation service from an ESP but continues to receive distribution and transmission services from the IOU.

100. It is reasonable for PG&E and SCE to exclude TBS customers from default TOU.

101. Given the complexity of calculating TBS charges, it would be prohibitively complex to calculate the necessary rate and bill comparisons required to default TBS customers onto TOU rates.

102. CforAT's proposal to exclude extreme structural non-benefitters from default TOU would undermine the goals of TOU and is not warranted.

103. Most extreme structural non-benefitters would not be categorized as economically vulnerable.

104. The results from the default pilots show no evidence of a backlash from customers classified as extreme structural non-benefitters.

105. CforAT's proposed exclusion of extreme structural non-benefitters is based on a customer's structural bill impacts, which assume no change in usage, whereas some of these customers may be able to make behavior changes to shift usage and lower bills.

106. With the exception of CARE/FERA eligible customers in hot climate zones, all of the customer categories to be excluded are readily identifiable via SCE's and PG&E's billing records.

107. It is reasonable for PG&E and SCE to use propensity modeling to identify CARE/FERA eligible customers in hot climate zones.

108. Since the default TOU rate is not be a mandatory rate and customers can voluntarily opt out of the default transition, it is unnecessary to require the IOUs' pre-default notifications to notify customers regarding the programs that would result in customers being excluded from the default TOU transition.

109. At the time a new customer initiates service, a customer is not yet enrolled in any program that would result in the customer being excluded from being subject to a default TOU rate pursuant to Section 745(c)(1) nor is it known to the IOU whether the customer would be eligible or qualify for these programs.

110. There is a difference between an IOU defaulting an existing customer onto a TOU rate and an IOU offering a TOU rate as the standard rate for new and transferred customers.

111. Unlike an existing IOU customer that may be migrated onto a TOU rate without taking any action or contacting the utility, it will be necessary for all new and transferred customers to make contact with the utility to initiate service at a new location.

112. With the exception of the customer groups specified in Section 745(c)(1), it is reasonable for the standard turn-on rate for new and transferred customers to be the default TOU rate.

113. Bill protection costs are borne in part by customers who benefit from TOU.

114. It is not reasonable for the TOU cost savings experienced by benefitting customers to be reduced to pay for bill protection costs for current TOU customers to try the default TOU rate.

115. It is reasonable for PG&E and SCE to provide bill protection to customers who opt into one of the default TOU rates from the tiered non-TOU rate between the end of the default pilots and the end of the IDTM period.

116. It is reasonable for PG&E and SCE to continue the bill protection policies approved for their default TOU pilots until the start of the IDTM period.

117. TURN does not present evidence supporting its argument that use of the term “risk-free” will significantly mislead customers.

118. PG&E’s customer research shows that use of the term “risk-free” did not cause negative reaction and that those who understood the term viewed it positively.

119. Use of the term “risk-free” to describe bill protection is not necessarily objectionable so long as PG&E also includes appropriate disclosures regarding the mechanics of bill protection.

120. The ME&O plans submitted by both PG&E and SCE in this proceeding are consistent with and build upon previously approved plans.

121. PG&E’s and SCE’s ME&O plans were informed by customer research and surveys, results from the opt-in pilots, lessons from other TOU initiatives, including SMUD’s rollout of TOU, and input from the ME&O Working Group.

122. With the few modifications specified in this decision, PG&E’s and SCE’s ME&O plans are reasonable and should be approved.

123. The rate conversation scripts required by D.17-09-013 are intended to be a guide for the IOUs’ CSRs in engaging customers who start or transfer service in making a rate selection.

124. The rate of a customer at a previous location may not be the best rate for a new location.

125. Subject to the guidance provided in this decision, PG&E's and SCE's proposed content for their respective rate conversation scripts is acceptable.

126. In the event that an accurate rate comparison summary cannot be generated for a customer due to lack of sufficient usage data or due to the type of rate that the customer is on (e.g., complex NEM tariff or standby service), it is reasonable for the IOUs to generate the required rate comparison summary for that customer based on illustrative usage for that customer's location.

127. SCE's proposed opt-out methods are reasonable.

128. PG&E's proposed opt-outs methods are reasonable.

129. Results from PG&E's default pilot support that customers will be able to successfully opt out of default TOU using the methods proposed by PG&E.

130. The ME&O Working Group has played an important role in the development of rate reform ME&O plans and strategies.

131. The ME&O Working Group is not intended as a forum to litigate the specifics of an ME&O plan.

132. The purpose of the ME&O Working Group is to provide input to the IOUs and to act as an advisory body as the IOUs implement their ME&O plans and the Commission's directives.

133. The ME&O Working Group does not make binding decisions.

134. It is unnecessary to adopt a formal escalation procedure for the ME&O Working Group.

135. SCE's and PG&E's proposals to provide defaulted customers with the option to make two rate changes in the twelve-month period following their default date are reasonable.

136. A CCA cannot unilaterally implement a rate without the IOU's assistance and there may be legitimate operational considerations that prevents the IOU, as the billing agent, from implementing a CCA's chosen generation rates and rate structure in the timeframe desired by the CCA, especially during the period when the IOUs will be mass migrating their residential customers onto default TOU rates.

137. The rollout of residential default TOU is a significant and unprecedented undertaking that will involve many of the utilities' systems and operations, including business processes and systems, information technology and billing systems, and customer service.

138. During the process of their billing system upgrades, SCE and SDG&E will have limited operational capability to implement major changes involving their billing systems.

139. It is not necessary for SDG&E to coordinate with any CCA to rollout default TOU in that CCA's territory during the IDTM period.

140. October 2019 is a reasonable deadline for CCAs to communicate their intent to transition their customers to default TOU during the IDTM period.

141. The IOUs need sufficient time to implement a CCA's chosen default TOU rate and associated implementation details.

142. It is reasonable to require transition plans for a CCA to be finalized at least six months prior to the date that the IOU's first pre-default notifications are scheduled to be sent to the CCA's customers.

143. Since eligible CCA customers will be defaulted onto a time-differentiated rate during the IDTM period, it is preferred for the CCAs and IOUs to coordinate and default customers onto both generation and distribution

TOU rates simultaneously to allow for coordinated ME&O and to help avoid customer confusion.

144. There is the potential for customer confusion if a CCA's TOU offerings differ significantly from the IOU's offerings.

145. PG&E's assertion that differing TOU offerings could result in a customer backlash that could spill over to impact the transition in other territories is speculative.

146. It is necessary for the IOUs and CCAs to coordinate messaging to help minimize customer confusion.

147. If a CCA provides the IOU with timely notice of its intent to participate in default TOU during the IDTM, the fact that customer notices may have to be adjusted alone is not a sufficient basis for an IOU to delay the CCA's implementation of default TOU.

148. SCE's and PG&E's planned approach of treating CCA programs consistently where possible is reasonable but does not eliminate the need for the IOUs to coordinate with each CCA that participates in the default transition.

149. The Commission has an informal dispute resolution process for IOUs and CCAs in place, which the IOUs and CCAs may utilize if they are unable to reach a consensus on matters pertaining to default TOU implementation.

150. It is reasonable for PG&E, SCE, and SDG&E to provide a rate comparison tool to CCA customers using the IOU's generation rates as a proxy for the CCA's generation rates provided that the CCA's rates mirror the IOU's rates.

151. To the extent that a CCA's rate structures mirror the IOU's rate structures, using the IOU's generation rates as a proxy would still provide the



CCA customer with a reasonable approximation of what type of rate plan would be more economically beneficial.

152. There is no evidence that a CCA currently offers or in the near future intends to offer rate structures that differ from the IOU's rate structures.

153. The IOUs' proposals to allocate the costs of their rate comparison tools to distribution rates is reasonable since all customers benefit from the tool.

154. SCE's and PG&E's eligible distribution customers will be participating in the default transition and can use the rate comparison tool to compare tiered versus TOU rates.

155. The incremental modeling of a CCA's rates would only benefit that individual CCA's customers and there is no demonstration that bundled customers or customers of CCAs other than customers of that individual CCA would benefit from the incremental modeling.

### **Conclusions of Law**

1. Pursuant to Rule 12.1(d), the Commission will not approve a settlement unless it is found to be reasonable in light of the whole record, consistent with law, and in the public interest. This standard applies to settlements that are contested as well as uncontested. Where a settlement is contested, it will be subject to more scrutiny than an uncontested settlement.

2. The position of the SCE rate design settlement on seasonal differentials in SCE's tiered rate is reasonable in light of the whole record as it represents a compromise of original litigation positions and aligns with rate design elements present in other uncontested rates.

3. The SCE rate design settlement's position on a seasonal differential for tiered rates is consistent with the law as it complies with the order of D.15-07-001 and does not conflict with SB 711 or Section 745.

4. The SCE rate design settlement's proposed seasonal tiered rate differential is not in the public interest as the summer bill impacts of a seasonally differentiated tiered rate outweigh whatever public policy considerations support such differentiation.

5. The conceptual approval of seasonal differentials in tiered rates from D.15-07-001 is explicitly rejected by this decision.

6. The TOU rate design elements of the SCE rate design settlement are uncontested.

7. The findings and conclusions of the Final Nexant Report regarding SCE's opt-in TOU pilot rate 2 are an appropriate basis from which to estimate the expected effects of the TOU-D-5-8PM rate on SCE's residential customers.

8. The findings and conclusions of the Final Nexant Report regarding SCE's opt-in TOU pilot rate 2 are an appropriate basis from which to estimate the expected effects of the TOU-D-4-9PM rate on SCE's residential customers.

9. The findings from SCE's opt-in TOU pilot give the Commission confidence that the TOU-D-4-9PM and TOU-D-5-8PM default TOU rates as proposed by the SCE rate design settlement will result in measurable benefits to the grid and will be accepted and understood by residential customers.

10. The proposed rate designs for TOU-D-4-9PM and TOU-D-5-8PM are reasonable in light of the whole record despite the predicted adverse bill impacts for some SCE customers.

11. The proposed rate designs for TOU-D-4-9PM and TOU-D-5-8PM are likely to result in measurable benefits to the grid, and are likely to be accepted and understood by SCE's residential customers.

12. The default TOU rates proposed by the SCE rate design settlement meet the goals of a TOU-Lite structure as defined by D.15-07-001.

13. The peak period definitions and seasonal definitions as proposed by the SCE rate design settlement match those adopted by D.18-07-006.

14. This decision takes notice of the materials considered in D.17-09-036 and finds the SCE rate design settlement rates' similarities to SCE's default TOU pilot rates allow the Commission to conclude that it has fulfilled its obligations under Section 745(d) as they regard SCE's residential customers.

15. SCE's default TOU rate designs as proposed in the SCE rate design settlement are consistent with the law.

16. Approving the default TOU rate designs as proposed in the SCE rate design settlement is in the public interest.

17. The Commission approves the default TOU peak-to-off-peak ratios that appear in the SCE rate design settlement, but not necessarily the illustrative rates.

18. The Commission intends for the default TOU rates for SCE's residential customers adopted in this decision to become the standard turn-on rate for SCE residential customers at the beginning of the IDTM period.

19. SCE's proposal to default each eligible customer to the TOU rate that would be their "least cost" rate based on historical usage information is in the public interest as it maximizes potential TOU savings for SCE's residential customers and does not conflict with any law or Commission decision.

20. SCE's proposal that the TOU-D-4-9PM rate become the standard rate for all NEM 2.0 customers turning on or transferring service commencing with the IDTM start date is a reasonable application of the law and previous Commission decisions.

21. The Settlement Agreement Resolving Phase IIB Default TOU and Tiered Rate Design Issues for Southern California Edison Company's 2018 Rate Design Window Application, as modified by this decision, is approved.

22. The joint stipulation served by PG&E only constitutes a recommendation from PG&E, Cal Advocates, and CforAT as to the conclusions reached therein. It is not a settlement, and the Commission does not accord it the weight of a settlement in this decision.

23. The peak period and seasonal definitions for E-TOU-C as proposed by PG&E are reasonable and approved.

24. The findings and conclusions of the Final Nexant Report regarding PG&E's opt-in TOU pilot rate 1 are an appropriate basis from which to estimate the expected effects of the proposed E-TOU-C rate on PG&E's residential customers.

25. The E-TOU-C rate as proposed by PG&E is likely to result in measurable benefits to the grid and is likely to be accepted and understood by residential customers.

26. The use of E-TOU-C as a default TOU rate for PG&E's residential customers is reasonable in light of the estimated bill impacts.

27. The use of E-TOU-C as a default TOU rate for PG&E's residential customers is reasonable given that the difference in energy burdens between the tiered rate and the proposed E-TOU-C rate is slight.

28. Per the Commission's rate design principles, there should also be an appropriate cost basis for a proposed default residential TOU rate.

29. The marginal generation and distribution cost differences between peak and off-peak periods for PG&E in the summer justify a 6.3 cents/kWh peak differential for residential customers, and in winter a 1.7 cents/kWh differential.

30. In order to approve E-TOU-C as a default TOU rate for PG&E's residential customers, the Commission must dispose of its obligations under Section 745(d).

31. Following the direction in D.17-09-036, this decision takes notice of the materials considered in D.17-09-036 and finds the similarity of the proposed E-TOU-C rate to PG&E's default TOU pilot rate allows the Commission to conclude that it has fulfilled its obligations under Section 745(d) as they regard PG&E's residential customers.

32. The proposed rate design of E-TOU-C as stipulated to in exhibit JS-01-A is reasonable and conditionally approved as there is an appropriate cost basis for the rate, it is likely to result in measurable benefits to the grid, there are reasonable bill impacts associated with the rate, and it is likely to be accepted and understood by residential customers.

33. The Commission's conditional approval of the E-TOU-C rate design means that PG&E's proposal to set a fixed peak period premium of 6.3 cents/kWh in the summer and 1.7 cents/kWh in the winter is also reasonable and is adopted.

34. The peak price differential of E-TOU-C may need to be changed in the future in response to changes in marginal costs faced by PG&E's residential class or to give effect to state policy goals related to peak period prices.

35. E-TOU-C should include a distribution marginal cost element in the peak period price as it would better reflect the marginal costs faced by PG&E's residential customers than a rate that fails to include any distribution marginal cost element, and would therefore be more in accord with the rate design principle that seeks rates based on marginal costs.

36. Including a distribution-related peak price element would also be in accord with several of the Commission's recent rate design decisions, including the decision in PG&E's last GRC Phase 2 proceeding (D.18-08-013 in A.16-06-013).

37. As the Commission held in D.18-08-013, for many reasons it is unreasonable for PG&E to design TOU rates such that peak-related marginal distribution costs are not reflected. This conclusion applies to the residential class as much as it does to non-residential customer classes. There is no reason to exclude only residential customers from TOU rates with a peak-related marginal distribution cost element.

38. The distribution cost element must be included in E-TOU-C's peak price differentials but must not result in higher differentials than those approved.

39. Setting the minimum bill on E-TOU-C to \$10/month for PG&E's non-CARE customers is approved as reasonable.

40. Moving some revenue collection on E-TOU-C from summer to winter to avoid high disparities between summer and winter rates is approved as reasonable.

41. The proposed modifications to PG&E's E-TOU-A rate are reasonable given the similarities between E-TOU-A and E-TOU-C.

42. Allowing PG&E's existing E-TOU-B customers to remain on their opt-in TOU rate plan of choice adheres to the Commission's TOU rate design principles as laid out in D.17-01-006, specifically that customers should have a menu of rate options available to them and that utilities should adhere to base TOU periods for a five-year period.

43. The treatment of NEM customers on the current E-TOU-B rate as proposed by PG&E in its briefs is also in accord with D.16-01-044 and is therefore reasonable.

44. PG&E's revised proposal for customers currently on E-TOU-B as it appears in its briefs is reasonable and is approved.

45. PG&E's proposal for a new E-TOU-B rate structure is reasonable and adopted by this decision; but PG&E must apply a peak marginal distribution cost signal in the new E-TOU-B rate structure.

46. The joint proposal of PG&E and Cal Advocates that the existing cap on enrollment in the E-TOU-B rate be lifted is reasonable and should be adopted.

47. Because Section 451 requires that all utility rates be just and reasonable, this decision must consider whether an increase of the minimum bill for PG&E's tiered rate customers from \$10/month to \$15/month is justified.

48. It would not be reasonable for the Commission to approve PG&E's proposal to increase the minimum bill for its tiered rate customers to \$15/month at this time.

49. PG&E's argument that it is equitable to have the frequency of SmartRate program credits and charges both increase with the number of event days has merit, and this decision finds that the equity argument is a sufficient basis to approve PG&E's SmartRate proposals.

50. PG&E's SmartRate proposals should be approved in spite of the estimated reduction in average SmartRate benefits as the arguments for reducing the number of critical peak hours and their reassignment to later in the day are justified by the marginal cost data cited by PG&E.

51. The SmartRate program may prove to be less popular than in the past due to the changes adopted by this decision and the overall reductions in average

savings. This may impact the overall goals of the SmartRate program to shift load away from hours with particularly high marginal generation costs, in that the aggregate load shift may be less if fewer customers are participating in the program.

52. PG&E and SCE should start the mass transition of their residential customers to default TOU in October 2020 over a period not to exceed 18-months.

53. PG&E and SCE should have to flexibility to adjust their transition plans as changing circumstances may warrant.

54. In making any revisions to the transition plans, PG&E and SCE should continue to take into account operational considerations and the guiding principles set forth in this decision and ensure that there will be adequate ME&O and customer support for each wave of the transition.

55. PG&E and SCE should present any significant changes to their submitted implementation plans in their quarterly PRRR reports filed in R.12-06-013 as well as in ME&O Working Group meetings.

56. PG&E and SCE should exclude from default TOU any customer that is statutorily required to be excluded pursuant to Sections 745(c)(1) and 745(c)(4).

57. PG&E's proposed exclusion of CARE and FERA enrolled and eligible customers in its hot climate zones from the full default TOU transition is consistent with D.17-09-036 and should be approved.

58. SCE has failed to demonstrate that there is good cause for changing the determination in D.17-09-036 that both enrolled and eligible CARE/FERA customers in the hot climate zones should be excluded from the transition to default TOU.



59. SCE should exclude both CARE/FERA eligible and CARE/FERA enrolled customers in its hot climate zones from being defaulted to TOU.

60. CCA customers should not be excluded from being defaulted onto a time-differentiated distribution rate.

61. DA customers should not be excluded from being defaulted onto a time-differentiated distribution rate.

62. CforAT's proposal to exclude extreme structural non-benefitters from default TOU should not be adopted.

63. PG&E and SCE should make clear in the pre-default notifications the right of customers to opt out of a TOU rate.

64. PG&E and SCE should continue to provide outreach to customers regarding the programs set forth in Section 745(c)(1) and the CARE and FERA programs.

65. Section 745(c)(1) is clear that the customer groups specified in that statute "shall not be subject to default time-of-use rates without their affirmative consent."

66. The provisions of Section 745(c)(1) do not apply to a new customer that starts service after the IDTM period.

67. With the exception of the customer groups specified in Section 745(c)(1), there is no requirement that other categories of customers not be subject to default time-of-use rates without their affirmative consent.

68. As of October 2020, SCE should use TOU-D-4-9PM as the standard turn-on rate for all residential customers starting or transferring service except that customers that are participants in the utility programs specified in Section 745(c)(1) should not be placed on a TOU rate without their affirmative consent.

69. As of October 2020, PG&E should use E-TOU-C as the standard turn-on rate for all residential customers starting or transferring service except that customers that are participants in the utility programs specified in Section 745(c)(1) should not be placed on a TOU rate without their affirmative consent.

70. Consistent with Section 745(c)(4), PG&E should provide bill protection to all customers defaulted onto E-TOU-C during the IDTM.

71. Consistent with Section 745(c)(4), since two default TOU rates are approved for SCE, SCE should provide bill protection to all customers defaulted onto either TOU-D-4-9PM and TOU-D-5-8PM during the IDTM.

72. Bill protection is intended to smooth the transition to TOU for customers without experience on TOU rates and should not be provided to customers already on a TOU rate who opt into one of the default TOU rates.

73. The bill protection provisions of Section 745(c)(4) do not apply to new and transferred accounts because these customers do not have a “previous rate schedule” to make the requisite comparison to calculate the bill protection amount.

74. Bill protection should not be offered to new and transferred customers.

75. Bill protection should be limited to the default TOU rates being offered by each IOU and should not be offered for any optional TOU rates.

76. The bill protection amount should be calculated based on comparison to the tiered rate in effect during the bill protection period since that is the tiered rate that would have been the available alternative to the default TOU rate during the period in question.

77. PG&E and SCE should continue to refine and improve their ME&O plans as necessary throughout the IDTM period based on additional customer research, customer feedback, and results from the pilots or the rollout.

78. PG&E's ME&O budget approved in Resolution E-4882 should continue to serve as a general guideline for PG&E's ME&O efforts.

79. SCE should be authorized to use its updated ME&O budget for the 2018-2022 period to serve as a general guideline for its ME&O efforts and to continue to track these ME&O costs in its RRIMA through 2023.

80. The primary purpose of the rate conversation should be to help customers start service and provide information regarding available rate options to select the best rate for them.

81. CSRs should be trained regarding the existence of CARE, FERA, medical baseline, and ESA programs and be prepared to answer questions and provide information regarding these programs.

82. Customers should have access to details about various rate options without being required to independently visit a website to obtain such information.

83. PG&E and SCE should continue to improve and refine their respective rate conversation scripts as necessary based on customer and CSR feedback.

84. Modifications to the utilities' rate conversation scripts should be consistent with Commission directives and guidance regarding the scripts.

85. If there are significant changes to the content of the utilities' rate conversation scripts presented in this proceeding, the utilities should present these changes in their respective PRRR reports, including the reasons for the changes.

86. Once the transition to default TOU has begun, Section 745(c)(5) requires that the IOUs provide “each residential customer, not less than once per year” a rate comparison that shows “a summary of available tariff options with a calculation of expected annual bill impacts under each available tariff.”

87. SCE’s and PG&E’s proposals to suspend the rate comparisons until the Fall of 2022 do not comply with the requirements of Section 745(c)(5).

88. Given that the default transition will begin in October 2020 for both SCE and PG&E, pursuant to Section 745(c)(5), each residential customer taking service prior to October 2020 must be provided with a rate comparison by at least October 2021.

89. Pursuant to Section 745(c)(5), new residential customers who establish service at a new location after October 2020 must receive at least one rate comparison within one year of establishing service at that location.

90. PG&E and SCE should continue to collaborate with the ME&O Working Group during the IDTM period.

91. Being defaulted onto a TOU rate should not be considered a customer-initiated rate schedule change for the purposes of Electric Rule 12.

92. Customers that opt into one of the default TOU rates before or during the IDTM period should retain the option to opt back onto the tiered rate even if this would result in more than one rate change during a twelve-month period.

93. Pursuant to Section 366.2(a)(5), a CCA is solely responsible for all generation procurement activities on behalf of the CCA’s customers while the IOU retains responsibility for providing distribution and transmission services.

94. While the Commission regulates some aspects of a CCA’s program, it is well-established that the Commission does not regulate the rates or terms and conditions of a CCA’s services to its customers.

95. Pursuant to Section 366.2(c)(9), IOUs are required to “provide all metering, billing, collection, and customer service to retail customers that participate in community choice aggregation programs.”

96. In their capacity as billing agent, the IOUs are required to “cooperate fully” with CCAs, which is reasonably interpreted to mean that utilities shall facilitate the CCA program and a CCA’s efforts to implement it to the extent reasonable and in ways that do not compromise other utility services.

97. A CCA has the discretion to determine with respect to its own customers, among other things: (1) whether its customers should be defaulted to TOU generation rates; (2) what the peak periods and price differentials should be for any default TOU generation rate; (3) whether to provide bill protection to any customers defaulted onto a TOU generation rate; and (4) whether any customer groups should be excluded from a default TOU generation rate.

98. The Commission has jurisdiction over the terms and conditions under which the IOUs provide services to CCAs and retail customers.

99. To provide the IOUs with sufficient notice to prepare for any CCA’s transition as well as their own transitions during the IDTM period, a deadline for CCAs to communicate their intent to transition their customers to default TOU generation rates during the IDTM period should be established.

100. PG&E and SCE should prioritize the transitions of CCAs that timely meet the October 2019 notice of intention deadline and timely provide rate and implementation details such that a final transition plan can be in place no later than six months prior to the date that the IOU’s first pre-default notifications are scheduled to be sent to the CCA’s customers.

101. If a CCA is unable to meet the October 2019 notice of intention deadline but is able to finalize a transition plan six months in advance of the date that the

IOU's first pre-default notifications are scheduled to be sent to the CCA's customers, PG&E and SCE should still make a good faith effort to accommodate a CCA's transition to default TOU generation rates at the same time as the IOU's transition to default TOU distribution rates during the IDTM period.

102. If a CCA is unable to meet the deadlines set forth in this decision, PG&E and SCE should accommodate the CCA's request at a mutually agreeable time when it would be operationally feasible to do so and would not compromise the IOU's own rollout of default TOU rates.

103. All eligible customers, including CCA customers, should be defaulted to the approved time-differentiated distribution rate during the IDTM period.

104. The IOUs should cooperate fully with a CCA that decides to transition its customers to default generation TOU rates to the extent required by the law.

105. The IOUs and CCAs should have flexibility to make modifications and adjustments to their transition plans as necessary.

106. Although it is not necessary to require each CCA and IOU to enter into a formal MOU that is served on the service list for the proceeding, there should be some documentation of the default TOU implementation details to ensure there is a common understanding among relevant parties.

107. PG&E and SCE should report on any significant changes with respect to CCA implementation in their respective quarterly PRRR reports and in the Working Group so that the Commission and other stakeholders can continue to monitor the default transitions.

108. Section 745 applies only to an electrical corporation's employment of default time-of-use rates for residential customers.

109. A CCA is not an electrical corporation.

110. Section 745 does not govern a CCA's determinations with respect to defaulting its customers onto TOU rates.

111. Section 745 cannot reasonably be interpreted as requiring the IOU to pay for bill protection for the generation component of a CCA customer's bill.

112. If the Commission were to require the IOUs to provide bill protection for CCA customers on the generation component of their bills, this could result in unlawful cost-shifting between bundled and CCA customers in violation of Section 365.2.

113. Since the Commission does not approve generation rates for CCAs, the Commission would not be able to ensure that any bill protection costs collected by the IOUs based on a CCA's generation rates were just and reasonable as required pursuant to Section 451

114. The IOUs should not be directed to provide bill protection for a CCA's generation rates.

115. The IOUs should coordinate with the CCAs to implement any decision a CCA may make with regard to bill protection.

116. There is no statutory requirement for the IOUs to provide a rate comparison tool to CCA customers for generation rates provided by a CCA.

117. Section 745(c)(5) does not require an IOU to provide a rate comparison or rate comparison tool to CCA customers for services provided by a CCA.

118. There is no requirement for the IOUs to provide a rate comparison tool for CCA rates in their role as a billing agent for the CCAs pursuant to Section 366.2(c)(9).

119. The IOUs currently provide metering, billing, collection, and customer service to CCAs pursuant to utility tariffs, which establish the rates and terms and conditions for these services.

120. There is no specific provision of the IOUs' CCA tariffs that would apply to the provision of a rate comparison tool for CCA customers.

121. The IOUs should not be required to contract with vendors on a CCA's behalf to model the CCA's specific rates.

122. Consistent with statutory requirements and longstanding Commission precedent, any incremental costs for modeling CCA-specific rates should be the sole responsibility of the individual CCA that incurs those costs.

123. The issue of cost allocation of ME&O costs other than for the rate comparison tool are not within the scope of these consolidated proceedings.

124. D.15-07-001 did not seek to delay or otherwise condition implementation of default residential TOU for want of estimates of GHG and cost impacts. Rather, the decision sought to fill in gaps in the record of R.12-06-013 as it stood in July 2015 as to the expected impacts of default residential TOU on GHG emissions and utility costs.

125. While the GHG and cost estimates provided in this proceeding resolve some outstanding questions regarding the potential impact of default residential TOU on GHGs and utility costs, the estimates themselves have no bearing on whether and how to implement default residential TOU.

126. It is reasonable to conclude that, under any scenario used to estimate GHG reductions attributable to default residential TOU in this proceeding, default TOU will lead to some measure of GHG reductions even though these reductions will be insufficient on their own to meet the state's GHG reduction goals.



**O R D E R****IT IS ORDERED** that:

1. Southern California Edison Company shall use TOU-D-4-9PM as the standard turn-on rate for all residential customers turning on or transferring service commencing with the initial default time-of-use migration start date except that customers that are participants in the utility programs specified in Public Utilities Code Section 745(c)(1) shall not be placed on a time-of-use rate without their affirmative consent.

2. Southern California Edison Company shall default eligible residential customers to their least cost rate (among the TOU-D-4-9PM and TOU-D-5-8PM rates) during the initial default time-of-use migration period.

3. Southern California Edison Company shall use the TOU-D-4-9PM rate as the standard rate for all net energy metering successor tariff customers turning on or transferring service commencing with the initial default time-of-use migration start date.

4. Southern California Edison Company shall implement the Settlement Agreement Resolving Phase IIB Default TOU and Tiered Rate Design Issues for Southern California Edison Company's 2018 Rate Design Window Application, as modified by this decision, as soon as practicable after the issuance of this decision.

5. Pacific Gas and Electric Company shall include a revised peak differential proposal for E-TOU-C in its next General Rate Case Phase 2 application for consideration by the parties to that proceeding as well as the Commission.

6. Pacific Gas and Electric Company shall revise its proposed design of E-TOU-C as stipulated to in exhibit JS-01-A such that it includes at least one cent

per kilowatt-hour in the summer peak differential to reflect marginal distribution costs.

7. Pacific Gas and Electric Company shall revise its proposed design of E-TOU-C as stipulated to in exhibit JS-01-A such that it includes 0.23 cents per kilowatt-hour in the winter peak differential to reflect marginal distribution costs.

8. Pacific Gas and Electric Company shall ensure that the minimum bill amount for E-TOU-C customers is \$10 per month for non-California Alternate Rates for Energy customers.

9. Pacific Gas and Electric Company shall transition existing E-TOU-A customers to E-TOU-C around June 2020.

10. Pacific Gas and Electric Company shall provide existing E-TOU-A customers with advance notice of the transition to E-TOU-C and a comparison of other available rates around April 2020.

11. Pacific Gas and Electric Company shall eliminate E-TOU-A after all E-TOU-A customers are migrated to a new rate.

12. Pacific Gas and Electric Company shall allow those customers that enroll in the current E-TOU-B rate before May 2020 to stay on the current E-TOU-B rate with an untiered 4:00 p.m. – 9:00 p.m. peak period until the current E-TOU-B rate is eliminated in October 2025.

13. Pacific Gas and Electric Company shall close the current E-TOU-B rate to new customers around May 2020.

14. Pacific Gas and Electric Company shall create a new E-TOU-B rate once the current E-TOU-B rate is closed to new customers by May 2020. The new E-TOU-B rate shall have peak period hours of 5 p.m. – 8 p.m., be untiered, and

utilize a summer peak period premium of approximately 9.5 cents per kilowatt-hour.

15. Pacific Gas and Electric Company shall not apply a cap on the number of customers that may enroll in the new E-TOU-B rate.

16. Pacific Gas and Electric Company shall ensure that the new E-TOU-B rate includes at least one cent per kilowatt-hour in the summer peak differential to reflect marginal distribution costs.

17. Pacific Gas and Electric Company shall ensure that the new E-TOU-B rate includes 0.23 cents per kilowatt-hour in the winter peak differential to reflect marginal distribution costs.

18. Pacific Gas and Electric Company shall ensure that the peak price differentials of E-TOU-C and E-TOU-B remain the same as proposed and stipulated to in exhibit JS-01-A, with the required distribution peak price elements replacing an equal amount of generation peak price elements.

19. Pacific Gas and Electric Company shall maintain the minimum bill for its tiered rate customers as currently authorized.

20. Pacific Gas and Electric Company shall implement its proposed modifications to the SmartRate program, including the changes stipulated to in exhibit JS-01-A, as soon as practicable after the issuance of this decision.

21. Pacific Gas and Electric Company shall monitor enrollment in SmartRate subsequent to the implementation of the changes approved by this decision, and shall alert the Commission's Energy Division through a Tier 1, information-only advice letter to the total enrollment in SmartRate as of October 2019, 2020, and 2021, comparing those numbers to SmartRate enrollment as of October 2018.

22. Southern California Edison Company (SCE)'s proposed plan to transition eligible residential customers to time-of-use rates over a 15-month period

beginning in October 2020 and continuing until December 2021 is approved subject to the conditions set forth in this decision. SCE is authorized to revise this plan as necessary based on lessons learned or changing circumstances except that the transition period shall begin in October 2020 and shall not extend beyond an 18-month period. Any changes to the plan shall take into account operational feasibility, the ability of SCE to provide adequate marketing, education, outreach, and customer support during the transition, and the four principles set forth in Section 5.1.3 of this decision.

23. Southern California Edison Company shall present any significant changes to its residential default time-of-use implementation plans in its quarterly Progress on Residential Rate Reform report filed in Rulemaking 12-06-013 as well as in meetings of the Marketing, Education and Outreach Working Group.

24. Pacific Gas and Electric Company's (PG&E's) proposed plan to transition eligible residential customers to time-of-use rates starting in October 2020 over a period not to exceed 13 months is approved subject to the conditions set forth in this decision. PG&E is authorized to revise this plan as necessary based on lessons learned or changing circumstances except that the transition period shall begin in October 2020 and shall not extend beyond an 18-month period. Any changes to the plan shall take into account operational feasibility, the ability of PG&E to provide adequate marketing, education, outreach, and customer support during the transition, and the four principles set forth in Section 5.1.3 of this decision.

25. Pacific Gas and Electric Company shall present any significant changes to its residential default time-of-use implementation plans in its quarterly Progress

on Residential Rate Reform report filed in Rulemaking 12-06-013 as well as in meetings of the Marketing, Education and Outreach Working Group.

26. Southern California Edison Company shall exclude the following categories of residential customers from default time-of-use rates:

- Customers receiving a medical baseline allowance;
- Customers requesting third-party notification pursuant to Public Utilities Code Section 779.1(c);
- Customers who the Commission has ordered cannot be disconnected without an in-person visit from a utility representative;
- Customers with less than 12 months of interval data from an advanced meter (including customers with inadequate interval data and customers with legacy meters);
- Customers for whom Southern California Edison Company cannot complete the rate comparison analyses required pursuant to Public Utilities Code Section 745;
- Customers already on a time-of-use rate;
- Customers who participated in the default time-of-use pilot, including customers who opted out or unenrolled from the pilot;
- California Alternate Rates for Energy/Family Electric Rate Assistance eligible and enrolled customers living in hot climate zones;
- Master-metered premises;
- Customers taking service on the following Net Energy Metering (NEM) tariffs: NEM Multiple Tariff Generating Facilities, NEM Aggregation, Schedule NEM-V Generating Facilities (Multi-Tenant and Multi-Meter Properties) and NEM Paired Storage;
- Participants in the Multifamily Affordable Solar Housing program and the Solar on Multifamily Affordable Housing program; and
- Transition Bundled Service Customers.

27. Pacific Gas and Electric Company shall exclude the following categories of residential customers from default time-of-use rates:

- Customers receiving a medical baseline allowance;
- Customers requesting third-party notification pursuant to Public Utilities Code Section 779.1(c);
- Customers who the Commission has ordered cannot be disconnected without an in-person visit from a utility representative;
- Customers with less than 12 months of interval data from an advanced meter (including customers with inadequate interval data or with legacy meters);
- Customers for whom Pacific Gas and Electric Company cannot complete the rate comparison analyses required pursuant to Public Utilities Code Section 745;
- Customers already on a time-of-use rate;
- Customers who participated in the default time-of-use pilot, including customers who opted out or unenrolled from the pilot;
- California Alternate Rates for Energy/Family Electric Rate Assistance eligible and enrolled customers living in hot climate zones;
- Master-metered premises;
- Customers taking service on the following Net Energy Metering (NEM) tariffs: virtual NEM, NEM Aggregation, NEMBIO (biogas), and NEMFC (fuel cell);
- Participants in the Multifamily Affordable Solar Housing program and the Solar on Multifamily Affordable Housing program; and
- Transition Bundled Service Customers.

28. Pacific Gas and Electric Company and Southern California Edison Company shall clearly state in pre-default notifications that customers have the right to opt out of being defaulted onto a time-of-use rate schedule.

29. Pacific Gas and Electric Company shall use E-TOU-C as the standard turn-on rate for all residential customers turning on or transferring service commencing with the initial default time-of-use migration start date except that customers that are participants in the utility programs specified in Public Utilities Code Section 745(c)(1) shall not be placed on a time-of-use rate without their affirmative consent.

30. Southern California Edison Company (SCE) shall provide bill protection to existing residential customers that are defaulted to its default time-of-use (TOU) rates, TOU-D-4-9PM and TOU-D-5-8PM, consistent with the requirements of Public Utilities Code Section 745(c)(4). SCE's proposal to offer bill protection to existing tiered customers that opt into one of the default TOU rates before and during the initial default TOU migration period is approved. The bill protection amount shall be calculated based on comparison to the tiered rate in effect during the bill protection period. SCE may continue to provide bill protection to customers consistent with the bill protection policies approved for its default TOU pilot in Resolution E-4847 until the start of the initial default TOU migration period.

31. Pacific Gas and Electric Company (PG&E) shall provide bill protection to existing residential customers that are defaulted to its default time-of-use (TOU) rate, E-TOU-C, consistent with the requirements of Public Utilities Code Section 745(c)(4). PG&E's proposal to offer bill protection to existing tiered customers that opt into the default TOU rate before and during the initial default TOU migration period is approved. The bill protection amount should be calculated based on comparison to the tiered rate in effect during the bill protection period. PG&E may continue to provide bill protection to customers

consistent with the bill protection policies approved for its default TOU pilot in Resolution E-4846 until the start of the initial default TOU migration period.

32. Southern California Edison Company (SCE) shall continue its marketing, education, and outreach (ME&O) efforts for default time-of-use consistent with the directives in Resolutions E-4847 and E-4895 and other Commission decisions. SCE is authorized to use its proposed budget of \$57.6 million for the 2018-2022 period to serve as a general guideline for its ME&O efforts and to continue to track these ME&O costs in its Residential Rate Implementation Memorandum Account through 2023. SCE shall report budget deviations greater than \$250,000 and the rationale for the deviation in its quarterly Progress on Residential Rate Reform report filed in Rulemaking 12-06-013 in advance of the anticipated changes and discuss these changes in the ME&O Working Group.

33. Pacific Gas and Electric Company (PG&E) shall continue its marketing, education, and outreach (ME&O) efforts for default time-of-use consistent with the directives in Resolutions E-4846 and E-4882 and other Commission decisions. PG&E is authorized to use its ME&O budget approved in Resolution E-4882 to serve as a general guideline for PG&E's ME&O efforts. PG&E shall report budget deviations greater than \$250,000 and the rationale for the deviation in its quarterly Progress on Residential Rate Reform report filed in Rulemaking 12-06-013 in advance of the anticipated changes and discuss these changes in the ME&O Working Group.

34. Southern California Edison Company (SCE) and Pacific Gas and Electric Company (PG&E) may continue to improve and refine their respective rate conversation scripts. Any modifications to the scripts shall be consistent with Commission directives and guidance regarding the content of the scripts. If there are significant changes to the content of the rate conversation scripts



presented in this proceeding, SCE and PG&E shall present these changes in their respective Progress on Residential Rate Reform reports filed in Rulemaking 12-06-013, including the reasons for the changes.

35. Southern California Edison Company (SCE) and Pacific Gas and Electric Company (PG&E) shall provide a rate comparison summary to each residential customer on at least an annual basis once their transitions to default time-of-use rates have begun consistent with the requirements set forth in Pub. Util. Code Section 745(c)(5). In the event that an accurate rate comparison summary cannot be generated for a customer due to lack of sufficient usage data or due to the type of rate that the customer is on, SCE and PG&E may generate the required rate comparison summary for that customer based on illustrative usage for that customer's location. Such a rate comparison summary shall include a disclaimer that it was generated based on illustrative usage. SCE and PG&E shall each file a Tier 2 advice letter within 60 days of the issuance of this decision setting for their respective proposed methodologies for determining a customer's illustrative usage for a particular location.

36. Being defaulted onto a time-of-use-rate shall not be considered a customer-initiated rate schedule change for the purposes of Electric Rule 12.

37. Southern California Edison Company and Pacific Gas and Electric Company shall provide customers defaulted onto a time-of-use rate schedule the option to make two rate changes in the twelve-month period following their default date.

38. Notwithstanding Electric Rule 12, Southern California Edison Company and Pacific Gas and Electric Company shall provide customers that opt into a rate schedule designated as a default time-of-use rate schedule before or during

the initial default time-of-use migration period the option to opt back onto the tiered rate.

39. Southern California Edison Company's (SCE's) request to modify Preliminary Statement Part N.61., Residential Rate Implementation Memorandum Account (RRIMA), to include costs associated with the mass transition of residential customers to default time-of-use (TOU) rates except for costs associated with bill protection, is granted. SCE's proposal to record the costs associated with bill protection for default TOU rates in the appropriate generation or distribution sub-accounts of its Base Revenue Requirement Balancing Account (BRRBA) is granted. SCE is authorized to seek review and recovery of the costs recorded in the RRIMA in its annual Energy Resource Recovery Account (ERRA) review proceeding. SCE is authorized to seek review of the operation of the BRRBA in the ERRA proceeding and to seek recovery of the balance in the BRRBA in SCE's year-end consolidated rate change advice letter.

40. Pacific Gas and Electric Company is authorized to continue to record costs for 2017 and beyond related to residential rate reform implementation, including implementation of default time-of-use, in its Residential Rate Reform Memorandum Account and to collect and recover these costs pursuant to the terms approved in Decision 17-05-013.

41. Southern California Edison (SCE) Company and Pacific Gas and Electric Company (PG&E) shall cooperate fully with any Community Choice Aggregator (CCA) that chooses to implement default time-of-use (TOU) rates to the extent required by law. SCE and PG&E shall prioritize the transitions of any CCA that: (i) provides notice by October 2019 of its intent to participate in default TOU during the initial default TOU migration (IDTM) period, and (ii) timely provides

rate and implementation details such that a final transition plan can be in place no later than six months prior to the date that SCE's or PG&E's first pre-default notifications are scheduled to be sent to the CCA's customers. If a CCA is unable to meet the October 2019 notice of intention deadline but is able to finalize a transition plan six months in advance of the date that SCE's or PG&E's first pre-default notifications are scheduled to be sent to the CCA's customers, PG&E and SCE shall make a good faith effort to accommodate that CCA's transition to default TOU generation rates at the same time as SCE's or PG&E's transition to default TOU distribution rates during the IDTM period. If a CCA is unable to meet the deadlines set forth in this decision, PG&E and SCE shall accommodate the CCA's request at a time mutually agreed to by the utility and the CCA when it would be operationally feasible to do so and would not compromise PG&E's or SCE's respective rollouts of default TOU rates.

42. Application (A.) 17-12-011, A.17-12-012, and A.17-12-013 remain open.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.