

PG&E's Talking Points on Proposed Decision in GRC Phase 2 (A.10-03-14)

1. **PG&E supports prompt adoption of ALJ Pulsifer's thorough and well-reasoned Proposed Decision (PD). The PD properly adopts 6 settlements supported by a wide range of diverse parties, after intensive, multi-month negotiations, finding them reasonable given the record as a whole, as well as consistent with the law and in the public interest.**
2. **It is important for the Commission to approve this PD at its December 15, 2011 decision conference to allow adopted rates to go into effect on January 1, 2011.**
 - a. Implementation of the settlements and the associated benefits should not be delayed because of the narrow interests of only a few parties.
 - b. If not implemented on January 1, PG&E will need to confer with the Settling Parties to ensure that the benefits of the Settlements are preserved after rates are updated for 2012 sales and revenue requirements.
3. **PG&E requests the final decision clarify that the implementing Advice Letter is Tier 1, to further enable rates effective January 1, 2012.**
4. **PG&E requests one substantive modification: to remove the PD's required future study of actual distribution costs for directly served Mobilehome Parks (MHP).**

Summary of Settlements:

- ❖ **Marginal Cost and Revenue Allocation Settlement** – This uncontested all-party settlement among 15 diverse parties (including TURN and DRA) moves each class closer to its cost of service, yet moderates rate impacts from full marginal cost of service.
- ❖ **The PD correctly adopts 3 other uncontested settlements: Small Light and Power Rate Design, Streetlighting Rate Design, and Schedule ES and Natural Gas Baseline Quantities**
- ❖ **Medium and Large Light and Power (MLLP) Rate Design Settlement** – This compromise, reached by 7 Settling Parties, establishes more cost-based medium commercial and large industrial rates. The Solar Alliance and other solar parties protested the Settling Parties' decision not to expand the Schedule A-6 Solar Pilot (with no demand charges), or add a new Option R (with reduced demand charges) to E-19 and E-20. The PD appropriately adopts a study instead of Solar Alliance's proposals.
 - The PD correctly finds the MLLP Settlement's demand charge structure to be consistent with established rate design principles, and agrees with the Settling Parties' rejection of the Solar Alliance's proposals, which would have caused unjustified additional cost-shifts to other customers beyond the subsidies the existing 20 MW A-6 Solar Pilot already creates. The PD correctly concludes that customers will only choose these rate options if they will see lower bills. Thus "nonparticipating customers will have to make up the lost revenue" (PD, p. 24)
 - PG&E showed that a \$3.1 million a year additional annual subsidy could result from Solar Alliance's proposed 30 MW expansion of the A-6 Pilot. (PD, p. 18 lines 12 – 15.)
 - For the Option R proposal, PG&E calculated the new subsidy at approximately \$7 million per year, if the 250 MW cap of distributed generation capacity were fully subscribed.
 - As the PD notes, and as the Commission's report similarly concludes, solar customers already receive numerous, significant incentives and subsidies that result in cost-shifts from other customers.

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- As the PD notes, "...adding solar in one area does not reduce T&D needs in another area, and may not even help in the area where it is installed. If there is not a need for T&D upgrades in an area, there are no such upgrades to avoid." (p. 26.)
- The design of PG&E's demand charges does not prevent a solar customer from receiving the full value of the generation it provides to PG&E's system.
- The PD adds a requirement ordering a cost study of the extent to which demand charges on large industrial tariffs might be penalizing customers with erratic loads by overcharging them for their contributions to system peaks. (PD, pp. 27 – 28 and Ordering Paragraph 9.) PG&E does not object to conducting such a study prior to filing its next GRC Phase 2 Application.
- ❖ **Agricultural Rate Design Settlement** – All the issues but one in this Settlement, between AECA, CFBF, EPUC, PG&E and SSJID, were uncontested. The Lamont Public Utilities District opposed the Settlement's rejection of its proposal to allow high load-factor water pumping customers to move to PG&E's low, agricultural-rate-based Schedule E-37. E-37 was designed solely to incent idle oil wells to return to service, consistent with legislation endorsing this goal over 15 years ago. No such legislative initiative exists for water pumping customers. Moreover, Lamont's proposal would result in a cost-shift estimated at \$12 to \$18 million per year (PD pp. 63-74) from other customers to these pumping customers. The record contains no cost of service study on high-load factor pumping accounts to justify such a cost-shift. Thus, the PD appropriately opts not to approve Lamont's proposal, instead adopting the Settling Parties' proposal to close E-37 to new customers, conduct a cost of service study and consider Schedule E-37 issues in PG&E's next GRC Phase 2.
- ❖ **The PD's Adoption of PG&E's and TURN's Methodologies for Calculating the Schedule ET Master Meter Mobilehome Park (MHP) Rate Discount is Reasonable.** With one exception, the PD provides detailed and compelling reasoning as to why its conclusions are reasonable in light of the record as a whole. PG&E takes issue and asks the Commission to amend Section 3.4.4.7, supporting TURN's proposed requirement that PG&E collect and present, in its next GRC Phase 2, data on the actual costs of service for directly-served submetered mobilehome park customers. The PD errs by failing to set forth or discuss PG&E's opposing arguments, namely, that such directive for a study:
 - **Appears to contravene D.04-11-033**, which allowed discount calculations to use *either* a directly-served MHP statistical survey *or* a marginal cost approach. It found prior use of directly-served MHP's costs had led to controversy, and the lack of adequate data from submetered parks themselves prevented adequate assessments of submetering costs.
 - **Will result in cost estimates derived from a small number of data points, making it certain to be challenged as insufficiently robust to meet "statistical significance" concerns.** There are very few new directly-served MHP service connections (only 35 in 2009). A complex cost study of *existing* (not just *new*) directly-served MHPs would be needed to meet statistical validity concerns.
 - **Would be costly, even as it would be unlikely to put to rest longstanding contentiousness.** D.04-11-033 found that use of a statistically valid sampling method "is likely to be more costly than the marginal cost method because of the costs of performing the survey" and also that a marginal-cost based discount "would be within the range of uncertainty of a discount calculated using a sampling method." (Id., p. 14)