

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on the Commission's Own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities' Residential Rate Structures, the Transition to Time Varying and Dynamic Rates, and Other Statutory Obligations.

Rulemaking 12-06-013  
(Filed June 21, 2012)

**REPLY COMMENTS OF ENVIRONMENTAL DEFENSE FUND  
REGARDING THE REFINED LIST OF QUESTIONS FROM THE ORDER INSTITUTING RULEMAKING  
ON THE COMMISSION'S OWN MOTION TO CONDUCT A COMPREHENSIVE EXAMINATION OF  
INVESTOR OWNED ELECTRIC UTILITIES' RESIDENTIAL RATE STRUCTURES, THE TRANSITION TO  
TIME VARYING AND DYNAMIC RATES, AND OTHER STATUTORY OBLIGATIONS 12-06-013**

James Fine  
Senior Economist  
Environmental Defense Fund  
123 Mission St, 28th Floor  
San Francisco, California 94601  
Phone – (415) 293-6060  
jfine@edf.org

Raya Salter  
Attorney  
Environmental Defense Fund  
257 Park Avenue South, 17<sup>th</sup> Floor  
New York, NY 10010  
Phone – (212) 616-1320  
rsalter@edf.org

October 19, 2012

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on the Commission's Own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities' Residential Rate Structures, the Transition to Time Varying and Dynamic Rates, and Other Statutory Obligations.

Rulemaking 12-06-013  
(Filed June 21, 2012)

**REPLY COMMENTS OF ENVIRONMENTAL DEFENSE FUND  
REGARDING THE REFINED LIST OF QUESTIONS FROM THE ORDER INSTITUTING RULEMAKING  
ON THE COMMISSION'S OWN MOTION TO CONDUCT A COMPREHENSIVE EXAMINATION OF  
INVESTOR OWNED ELECTRIC UTILITIES' RESIDENTIAL RATE STRUCTURES, THE TRANSITION TO  
TIME VARYING AND DYNAMIC RATES, AND OTHER STATUTORY OBLIGATIONS 12-06-013**

**1. Introduction**

The Environmental Defense Fund ("EDF") offers these reply comments on the refined list of rate design questions and goals pursuant to the Assigned Commission and Administrative Law Judges' Joint Ruling Inviting Comments and Scheduling Prehearing Conference, Sep. 20, 2012 (R. 12-06-013) (the "ALJ Ruling").<sup>1</sup> EDF applauds the inclusion of refined goals and questions that support the fulfillment of California's statewide environmental goals. EDF also continues to support the application of marginal costs as the guiding principle behind residential rate

---

<sup>1</sup> EDF is a party to the California Public Utility Commission's ("CPUC" or "Commission's") proceeding to redesign residential rate structures through the Order Instituting Rulemaking on the Commission's Own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities' Residential Rate Structures, the Transition to Time Varying and Dynamic Rates and Other Statutory Obligations, Jun. 21, 2012 (R. 12-06-013) ("OIR"). EDF filed opening comments on the refined list of rate design questions and goals pursuant to the ALJ ruling on October 5, 2012 (the "EDF Opening Comments").

structures and, to facilitate that end, requests that this proceeding be coordinated with the Smart Grid Proceeding R.08-12-009 in addition to other relevant proceedings. EDF does not, however, endorse Pacific Gas & Electric Company's ("PG&E") proposal to suspend all other proceedings dealing with major changes in dynamic or time variant pricing until action by the state legislature principally because such action: (1) is unlikely on PG&E's aggressive timetable and (2) may hinder rather than facilitate the OIR process.

**2. Inclusion of Specific Goals and Questions Related to the Fulfillment of California's Statewide Environmental Goals**

As stated in the OIR, California's statewide environmental goals have "an impact on utility operations, utility costs, how the utility recovers those costs, and, ultimately, the rate itself."<sup>2</sup> Environmental goals should be incorporated into the goals and questions being refined in this proceeding. To that end, EDF and several other parties to this proceeding have requested that the current list of goals and questions incorporate greenhouse gas reductions,<sup>3</sup> and also support California's environmental policies. This includes suggested revisions designed to ensure that rate proposals advance the integration of renewables into utility systems, energy efficiency, demand response and energy conservation measures.<sup>4</sup>

EDF applauds the inclusion of environmental priorities in this proceeding, and urges the Commission to explicitly add the fulfillment of California's statewide environmental requirements as a proceeding goal. This overarching goal incorporates relevant California

---

<sup>2</sup> OIR at 8.

<sup>3</sup> See, for example, the EDF Opening Comments at 3, the Coalition of California Utility Employees Opening Comments at 2, the Division of Ratepayer Advocates ("DRA") Opening Comments at 2, The Utility Reform Network Opening Comments at 2, the Sierra Club Opening Comments at 4 and the Natural Resources Defense Council Opening Comments at 2.

<sup>4</sup> See, for example, the Black Economic Council, National Asian American Coalition and Latino Business Chamber of Greater Los Angeles (Joint Parties) Opening Comments at 5 and the DRA Opening Comments at 4.

environmental law (like AB 32 and Senate Bill 17 among others) and policy, including energy efficiency, demand response, conservation and other applicable measures.

### **3. Marginal Cost Principles**

As stated in the EDF Opening Comments, EDF supports the application of marginal cost principles to rate design. Rate structures thoughtfully informed by marginal cost principles will engender a clearer understanding of what it costs to provide electricity at a given place and time. This clarity allows for many concerns, including long term environmental sustainability, equity (including environmental equity)<sup>5</sup> and affordability to be more accurately addressed. In addition, the transparency created by marginal cost principles can be used to reduce unwanted cross subsidies. Ultimately, price transparency will inform customers, the Commission, utilities, third party service providers and markets about how to make the production and use of electricity cleaner, more efficient and cost effective while maintaining reliability and affordability.

### **4. Coordination with the Smart Grid Proceeding R.08-12-09**

In order for price transparency to be achieved, the rollout of time variant and dynamic pricing must be grounded in data<sup>6</sup> that can measure progress and offer lessons learned. EDF supports the application of marginal cost principles as the basis for residential rate design. EDF also acknowledges that, as a result of data gaps, policy preferences and other factors, full price transparency may not be reached immediately. As a result, tracking mechanisms are needed to measure progress towards Commission goals. These tracking mechanisms are currently being

---

<sup>5</sup> The EDF Opening Comments proposed at 4-5 that additional goals related to equity, including geographic equity, the discouragement of disproportionate negative impacts on low-income ratepayers and the mitigation of negative environmental impacts on both current and future generations.

<sup>6</sup> As reflected by the establishment of a data workshop in this proceeding as detailed in the ALJ Ruling at Attachment A.

developed in the Smart Grid Proceeding R.08-12-009, which should be coordinated with this OIR proceeding. EDF understands that there are additional proceedings and issues that are highly relevant to the OIR and should also be coordinated with the OIR process.

**5. EDF Does Not Support Suspending Other Dynamic and Time Variant Pricing Dockets**

PG&E recommends that schedules for proceedings dealing with major changes in dynamic or time variant pricing be suspended until the Legislature restores the Commission's ability to determine "just and reasonable" rates without the prohibitions of SB 695.<sup>7</sup> While PG&E encourages that such a "policy decision" be made in 2013,<sup>8</sup> it provides no support that such an aggressive timetable is realizable. Extended delays in dockets examining dynamic and time variant pricing will halt progress currently being made and thus hinder, rather than help, the OIR effort to reform rates. For these reasons, EDF does not support the suspension of all other dynamic and time variant rate proceedings.

**6. Conclusion**

EDF respectfully requests that the Commission consider further refining the OIR goals and questions as proposed above.

---

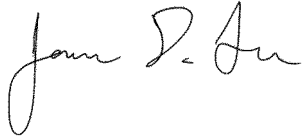
<sup>7</sup> PG&E Opening Comments at 1-2.

<sup>8</sup> *Id.* at 3.

Respectfully signed and submitted on October 19, 2012

ENVIRONMENTAL DEFENSE FUND

/s/ Jamie Fine

A handwritten signature in cursive script, appearing to read "James D. Fine".

James Fine  
Senior Economist  
Environmental Defense Fund  
123 Mission St, 28th Floor  
San Francisco, CA 94601  
Phone – (415) 293-6060  
jfine@edf.org

/s/ Raya Salter

A handwritten signature in cursive script, appearing to read "Raya Salter".

Raya Salter  
Attorney  
Environmental Defense Fund  
257 Park Avenue South, 17<sup>th</sup> Floor  
New York, NY 10010  
Phone – (212) 616-1320  
rsalter@edf.org