

**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 THE NATURAL RESOURCES DEFENSE COUNCIL
(NRDC) ON THE ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW
JUDGES' JOINT RULING INVITING COMMENTS**

October 5, 2012

Sheryl Carter
Natural Resources Defense Council
111 Sutter St., 20th Floor
San Francisco, CA 94104
(415) 875-6100
scarter@nrdc.org

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I. Introduction

Pursuant to Rules 1.9 and 1.10 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, the Natural Resources Defense Council (NRDC) respectfully submits these reply comments pursuant to the "Assigned Commissioner and Administrative Law Judges' Joint Ruling Inviting Comments," September 20, 2012. (Joint Ruling) NRDC is a non-profit membership organization, representing nearly 100,000 California members with an interest in receiving affordable energy services and reducing the environmental impact of California's energy consumption.

These reply comments address some of the Parties' October 5th comments on the Joint Ruling's revised list of questions contained in the OIR. NRDC does not attempt to address all of the issues included in Parties' comments, since at least some of them are likely to be substantive topics of conversation at the October 24th PHC and subsequent workshops and may be better addressed in those venues.

Goals and Rate Design

As NRDC noted in its opening comments on the revised questions, balancing the often-conflicting goals for rate design is not an easy thing to do.¹ The Commission must be guided by the energy policies established by the Legislature and its own policies when weighing and prioritizing the goals. In addition to the recommendations made in our October 5th comments, NRDC adds the following in response to Parties' comments.

Equity. Several parties recommended in their October 5th comments, and at the August 27th Workshop that Goal #1 be revised to include “all residential customers,” not just low income and medical baseline customers.² As TURN and others point out, long-standing California policies emphasize the need for *all* residential customers to have a basic level of service.³ For example, California Public Utilities Code § 739(d)(2) states, “electricity and gas services are necessities, for which a low affordable rate is desirable.”

*NRDC supports the recommendations to add “all residential” customers to goal #1 and notes that the primary emphasis of the policies is correctly on **energy services** and on **basic needs** being met, not on a specific amount of electricity required, which can be affected significantly by increasing energy efficiency - Goal #4.*

Greenhouse gas emission reduction and other environmental policies. Several parties, including NRDC, emphasized the need to explicitly recognize California's greenhouse

¹ Comments Of The Natural Resources Defense Council (NRDC) On The Assigned Commissioner And Administrative Law Judges' Joint Ruling Inviting Comments, October 5, 2012.

² Center For Accessible Technology And The Greenlining Institute's Comments On Assigned Commissioner And Administrative Law Judges' Joint Ruling Inviting Comments And Scheduling Prehearing Conference. October 5, 2010. p. 2; Opening Comments Of The Utility Reform Network In Response To The 9/20/12 Ruling Of The Assigned Commissioner And Administrative Law Judges. October 5, 2012 p. 4; Comments Of The Black Economic Council, National Asian American Coalition, And Latino Business Chamber Of Greater Los Angeles (Joint Parties) On The Scope Of The Proceeding. October 5, 2012. p. 3-4; Opening Comments Of The Division Of Ratepayer Advocates On The September 20, 2012 Assigned Commissioner And Administrative Law Judges' Joint Ruling. October 5, 2012. p. 2-4.

³ TURN, p. 4-7

gas reduction and environmental policies in addition to energy efficiency.⁴ While both the OIR and the Joint Ruling clearly state that the intent of this proceeding is to develop a rate design consistent with long-standing legislative and policy goals⁵, NRDC agrees that these particular goals should be explicitly recognized. NRDC recommended in its opening comments that the following be added to the list of goals: “*Rates should be compatible, or at least not in conflict with other energy and environmental policy goals, including California’s global warming law AB32.*”⁶

NRDC also recommends that *Goal #4 to encourage conservation and energy efficiency should be retained as a separate goal*. Not only is energy efficiency the first priority resource in the Commission and the State’s loading order, but encouraging electricity conservation was on of the two primary goals of the Warren-Miller Act; a goal which has been reiterated several times since then in statutory provisions concerning rates.⁷

Reduction in overall energy usage. TURN recommended that Goal #5 include overall energy usage reductions as well as peak load reductions.⁸ NRDC agrees that the goals should include a reduction in overall energy usage; however, we assumed that this objective was inherent in Goal #4 - which encourages conservation and energy efficiency – and that it would be included as a metric to judge its effectiveness. If this was not the

⁴ See for example, TURN, p. 13; and DRA. p. 4; Opening 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. October 5, 2012, p. 3.; and Sierra Club Opening Comments On The Assigned Commissioner And Administrative Law Judges’ Joint Ruling Inviting Comments And Scheduling Prehearing Conference. October 5, 2012, p. 4.

⁵ 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. June 28, 2012; and Assigned Commissioner And Administrative Law Judges’ Joint Ruling Inviting Comments And Scheduling Prehearing Conference. September 20, 2012, p. 7.

⁶ NRDC, p. 2.

⁷ OIR, p. 3, 6.

⁸ TURN. p. 8.

intent of the Joint Ruling, NRDC supports TURN recommendation to include it in goal #5.

PG&E's recommendation #4 proposes that the Commission revise the rate design evaluation questions to include a proposed order of priority that would exclude 'factual matters' that are not in dispute.⁹ However, this is easier said than done and in fact it is possible that not all of the examples PG&E uses would pass this test. NRDC agrees with PG&E that it would be more productive if the issues addressed could be narrowed, to the extent possible, but it cautions the Commission to do so based only on common agreement among the Parties.

Process

Terminology workshop. NRDC agrees with Greenlining/CofAT that a shared understanding of terms must be reached before a substantive conversation of rate design elements and concepts can be effective.¹⁰ NRDC joins in their recommendation that a narrowly focused terminology and data workshop be the topic of the first scheduled workshop. NRDC also urges the Commission to limit the number of workshops to those where discussion among all parties is necessary and can be productive.

Schedule. NRDC is sensitive to the concern of some parties that this proceeding be focused, and that a practical schedule is established to ensure that it does not drag on longer than necessary. The current rate design does need reform. However, this proceeding is designed to tackle several very complex and potentially controversial issues and establishing an early 2013 deadline for legislation¹¹ without any resolution of at least the general direction of that reform, would potentially prejudice its path and negate the

⁹ Comments Of Pacific Gas And Electric Company (U 39 E) On Refined List Of Questions And Scope Of Proceeding. October 5, 2012. p. 2-3.

¹⁰ Greenlining/CofAT. p. 6.

¹¹ PG&E, p. 1.; and Comments Of Southern California Edison Company (U 338-E) On Refined List Of Questions And Goals Provided In September 20, 2012 Joint Ruling. October 5, 2012, p. 1-2.

need for this proceeding. NRDC recommends that the goal here should be for the Commission to reach a decision on the general direction of the reform as early in the process as possible, but not until after parties have had an opportunity to present and comment on proposals to inform the Commission's decision. This way, any necessary early changes can be made to begin a transition in that direction without requiring all of the details be resolved.

NRDC is not arguing for unanimity or that all of the specifics be ironed out, but only that a well-reasoned path or direction be decided based on input from all parties.¹² The Legislature is in session through early September 2013; an early 2013 deadline is not required for action, if necessary, next session.

Other Issues

NRDC strongly disagrees with the proposal by ARM/DA Customer Coalition/WPTF that the Commission use this proceeding to re-open retail access, and their recommendations that the Commission "Include evaluation of the feasibility and efficacy of retail choice at the residential level..." and to "Evaluate utility procurement approaches, including load auctions, that will facilitate customer choices..." (pg 3).¹³ The evaluation of retail choice and utility procurement approaches are outside of the scope of this proceeding. Adding them into the proceeding would require consideration of other related issues and would dramatically complicate an already complex proceeding. We agree that any rate design should not disadvantage retail access customers; however, their proposals have no direct relationship to the purpose of the proceeding and we recommend that the Commission reject these recommendations.

¹² PG&E, p. 7-8.

¹³ Comments Of The Alliance For Retail Energy Markets, The Direct Access Customer Coalition And The Western Power Trading Forum On Assigned Commissioner And Administrative Law Judges' Joint Ruling Inviting Comments And Scheduling Prehearing Conference. October 5, 2012. p. 3.

Conclusion

NRDC appreciates the opportunity to offer these reply comments and recommendations. We look forward to working with the parties and the Commission to ensure that any new residential rate design is compatible with and encourages the cleanest, most energy efficient and affordable grid possible.

Dated: October 19, 2012

Respectfully submitted,

A handwritten signature in black ink that reads "Sheryl Carter". The signature is written in a cursive, flowing style.

Sheryl Carter
Co-Director, Energy Program