

**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)

**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**

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I. INTRODUCTION

In the Assigned Commissioner and Administrative Law Judges' Joint Ruling Inviting Comments and Scheduling Prehearing Conference (Joint Ruling), issued on September 20, 2012, the parties in this proceeding were asked to comment on the list of questions contained in the order instituting this rulemaking and subsequently revised following a workshop held on August 27, 2012. The goal of these comments is to assist the Assigned Commissioner and Administrative Law Judges in refining the questions to be addressed in the rulemaking, not to answer the questions.

The Center for Accessible Technology (CforAT) and the Greenlining Institute (Greenlining) are jointly representing the needs of vulnerable consumers in this proceeding. Through these Joint Comments, CforAT and Greenlining highlight clarifications in the questions raised in order to assist the Commission in framing issues for the rulemaking.

II. COORDINATION QUESTIONS

CforAT and Greenlining do not have comments on the questions related to coordination, but may reply to other parties' comments.

III. RATE DESIGN EVALUATION QUESTIONS

Section 3 of the Joint Ruling addresses rate design evaluation questions, separately breaking out a discussion of goals for a Commission-approved rate design and the elements of such a rate design.¹ The Joint Ruling seeks comments from the parties on each of these topics in order to further refine the questions and develop an appropriate Scoping Memo for the proceeding.

A. Goals

Section 3.2.2.1 of the Joint Ruling sets forth "Goals" for discussion by the parties "to ensure that the Commission develops a rate design consistent with long-standing

¹ Joint Ruling at p. 7.

legislative and policy goals.”² The Joint Ruling specifically asks parties to “address (a) recommended changes to these goals, including whether any of the goals are duplicative, and (b) what types of metrics could demonstrate that a rate design promotes a particular goal.”³

1. Recommended Changes to Goals

CforAT and Greenlining propose revisions to the list of goals in the Joint Ruling as follows (additions are underlined and deletions are noted in ~~strike through~~):

1. ~~Low-income and medical baseline~~ All customers should have access to enough electricity to ensure basic needs (such as health and comfort) are met at an affordable cost;

2. Rates should ~~be based on~~ reflect marginal cost;

3. Rates should ~~be based on~~ reflect cost-causation principles.

4. Rates should encourage cost-effective conservation and energy efficiency, taking into account that rates alone cannot incent conservation and efficiency where customers have low--income, no opportunities for safe usage reduction, or otherwise face market barriers to conservation and efficiency;

5. Rates should encourage cost-effective reduction of both coincident and non-coincident peak demand;

6. Rates should provide stability, understandability, public acceptability, feasibility of application, simplicity and customer choice;⁴ Customer participation in voluntary rates should not be used as an alternative to long-established consumer protections; voluntary rates should be truly voluntary;

7. Rates should avoid cross-subsidies, unless the cross-subsidies appropriately support explicit state policy goals;

² Joint Ruling at p. 7.

³ Joint Ruling at pp. 7-8.

⁴ Added criteria are taken from Bonbright's Criteria of a Sound Rate Structure, p. 291 of Principles of Public Utility Rates (NY 1963).

8. Rates should encourage economically efficient decision-making, but explicitly recognize that different groups of customers may act differently;

9. ~~Incentives~~ Rate proposals and decisions approving rates should be explicit and transparent with respect to incentives; and

10. Transitions to new rate structures should ~~emphasize~~ be made with a minimum of unexpected changes seriously adverse to existing customers;⁵ They should be introduced together with customer education and outreach that enhances customer understanding and acceptance of new rates; Rate structure changes should not produce ; and minimizes and avoids the potential for rate shock.⁶

2. Metrics and Prioritization

These goals are potentially in conflict, and any effort to set an overall policy framework for residential rates will necessarily have to set priorities among these goals and provide balance between them. CforAT and Greenlining believe that the goal of affordability, which is embedded in the statutory structure of energy rates in California, must be given priority based on the importance of electricity as a basic necessity. Potential metrics for measuring affordability could include: (1) Measures of the number and percentage of households that are disconnected or otherwise go without electricity at any point in a year; (2) The number and percentage of customers who are sent disconnection notices, who are disconnected, and who are reconnected; (3) The number and percentage of low-income and/or payment-troubled customers who enroll in arrearage management programs, their bill payment frequency and amount, and the effects of bill collection tools on these households; (4) The percentage of income paid by customers at different affordability levels (e.g. percentage of Federal Poverty Guidelines, median income, etc.) under the rates; (5) Surveys of vulnerable customer segments, such

⁵*Id.* at Principle 5.

⁶ While education and outreach can potentially assist a customer in conservation or in use of energy during lower-cost periods (in dynamic pricing contexts), such efforts alone cannot minimize or avoid the potential for rate shock without a simultaneous and appropriate focus on affordability.

as customers with disabilities, customers with limited English proficiency, single-family and multi-family dwellers, renters and others, to determine how they responded to the rates, and whether the rates were encouraging unsafe or unhealthy reductions in usage, and (6) The technical and economic potential for improved efficiency in homes of customers paying higher percentages of income, to reduce usage and lower bills.

B. Rate Design Proposals

Section 3.2.2.2 of the Joint Ruling sets out a list of instructions and questions intended to elicit a full rate-design policy proposal from each party for consideration as the Commission works to develop rate structures in line with the goals established. For these comments, the Joint Ruling asks parties to comment “on whether these questions should be modified to ensure that proposals contain the information needed for the Commission to consider and adopt a specific proposal.”⁷

CforAT and Greenlining propose revisions to the list of instructions and questions (additions are underlined and deletions are noted in ~~striketrough~~) as follows:

1. Please describe in detail an optimal residential rate design structure based on the goals listed above and the additional goals, if any, that you recommend. For purposes of this exercise, assume that there are no legislative restrictions. Support your proposal with evidence citing research conducted in California or other jurisdictions.

2. Explain how your proposed rate design meets each goal and compare the performance of your rate design in meeting each goal to current rate design. Please discuss any cross-subsidies potentially resulting from the proposed rate design, including cross-subsidies due to geographic location (such as among climate zones), income, and load profile. Are any such cross-subsidies appropriate based on policy goals? Where trade-offs were made among the goals, explain how you prioritized the goals.

3. How would your proposed rate design affect the value of net energy metered facilities for participants and non-participants compared to current rates?

⁷ Joint Ruling at p. 9.

4. How would your proposed rate design structure meet basic electricity needs of all types of residential customers, including specifically low income customers and customers with medical needs?

5. What unintended adverse consequences may arise as a result of your proposed rate structure and how could the risk of those unintended consequences be minimized?

6. Is your proposed rate structure compatible with innovative technologies that can help customers reduce consumption or shift consumption to a lower cost time period?

7. Describe how you would transition to this rate structure in a manner that promotes customer acceptance. Should customers be able to opt to another rate design other than the optimal rate design you propose? If so, briefly describe the other rate or rates that should be available? Discuss whether the other rate(s) would enable customers opting out to benefit from a cross-subsidy they would not enjoy under the optimal rate.

8. Are there any legal barriers that would hinder the implementation of your proposed rate design? If there are barriers, provide specific suggested edits to the sections of the Public Utilities Code. Describe how the transition to your proposed rate design would work in light of the need to obtain legislative and other changes and upcoming general rate cases.

9. How would your proposed rate design adapt over time to changing load shapes, changing marginal electricity costs, changing economic conditions, changing demographics, changing technologies, and to changing customer response?

IV. OTHER MATTERS

The Joint Ruling notes the importance of establishing shared assumptions, data sources, and a framework for evaluating rate design proposals.⁸ Thus, the Joint Ruling indicates that workshops will be set and parties will have an opportunity to comment on additional issues prior to making rate design proposals. One workshop, which CforAT and Greenlining believe should be the first workshop held, will address data and

⁸ Joint Ruling at p. 9.

definition questions; the other will discuss specific rate design elements and concepts.⁹ CforAT and Greenlining believe that it is vital to reach a shared understanding of the terms in use before any substantive conversation can be effective. Because of this, it would be counter-productive to have a workshop focused on specific rate design elements and concepts, in which parties will rely on their own understanding of important terms, prior to the discussion of shared definitions and terminology.

A. Data and Definition Questions

In the description of the proposed workshop of data and definition questions, Attachment A to the Joint Ruling identifies a number of terms that should be defined, including affordability, economic efficiency, fixed costs, cost-causation, cross-subsidy, Peak, off-peak, coincident and non-coincident peak, and marginal cost. Even at this early stage, Greenlining and CforAT propose that the following additional terms be identified for definition:

- voluntary
- rate shock
- bill burden
- cost-effective

CforAT and Greenlining reserve the right to offer additional terms that should be identified in conjunction with the workshop on data and definition questions.

B. General Comments on Proposed Workshops.

Greenlining and CforAT believe that the questions identified for discussion at the workshops, if broadly defined, will elicit the kinds of information necessary to evaluate eventual rate design proposals from parties, including further suggestions for additional data sources, additional analyses beyond bill impact calculations, and additional metrics for evaluating proposals.

⁹ Joint Ruling at pp. 9-10 and Attachment A, containing potential workshop topics and questions.

V. CONCLUSION

CforAT and Greenlining respectfully request that the revisions and comments set forth above be integrated into a Scoping Memo and any upcoming workshop agendas as this proceeding moves forward.

Respectfully submitted,

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