

**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)

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

October 5, 2012

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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 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 comments address the Joint Ruling's revised list of questions contained in the OIR.

II. Comments on Refined List of Questions from OIR

NRDC's priority in this proceeding is to ensure that any new residential rate design is compatible with and encourages the cleanest, most energy efficient and affordable grid possible. NRDC is generally supportive of the revised list of questions presented in the Joint Ruling and makes just a few comments and recommended additions below.

A. Coordination Questions

NRDC appreciates the addition of question #2 aimed at ensuring coordination of education efforts to maximize effectiveness and efficiency. As we noted at the workshop, in addition to leveraging and coordinating with existing education efforts, a plan for the education of, and a mechanism for providing information to customers

should also be included in the transition plan for any new rate structure. We make that recommended addition in the Rate Design Proposals section below.

In addition, some consistency across the state in the basic rate design will be important for customer understanding. NRDC recommends that the following question or concept be added, either to enhance question #4, or as a stand-alone in this section or in the Rate Design Proposal Section:

“Can/should we have different rate designs in each of the different service territories or should we try to harmonize at least the basic design to increase customer understanding? If so, how could this be done? If not, why not?”

B. Rate Design and Evaluation Questions

Goals

Optimizing rate design, or the prices that customers see, is not an easy thing to do, nor can it be done in isolation from California’s other energy and environmental policy objectives. The OIR, and the extensive process established to address the issue, recognizes this fact. Even a well-designed rate cannot by itself overcome the significant barriers to cost-effective energy efficiency, demand response or other clean energy resources; however, it can help. In other words, we cannot expect rate design to meet all of our goals, nor is it necessarily the best tool to accomplish each one of the goals. For example, some of our goals may more effectively be reached through targeted programs rather than through a rate design applying to all residential customers.

Because of the concerns NRDC expressed at the August 27th workshop, we are particularly supportive of the revisions that emphasize the importance of customer education and outreach in any new structure; recognize that some cross subsidies may in fact be warranted; and separate the energy efficiency and demand response goals to make evaluation of design proposals more useful and informative. The revised goals also recognize that rate design must balance a number of policy objectives, not just economic efficiency.

NRDC recommends one additional concept be included in the Goals section:

“Rates should be compatible, or at least not in conflict with other energy and environmental policy goals, including California’s global warming law AB32.”

Rate Design Proposals

While the current rate design is far from sustainable or optimal and should be reformed,

we do not believe that all of the concepts embedded in the current design should necessarily be thrown out to fix it. For example, the concept of the more you use, the more you pay inherent in tiered rates. The reframing of the rate design and evaluation questions in the Joint Ruling addresses NRDC's concern that the scope of the proceeding will truly allow for a fresh look at rate designs, and not predetermine the types of designs or concepts to be explored. It also adds the concept of flexibility to changing conditions, which NRDC supports.

Consistent with our comments in the Coordination section, NRDC recommends that the following question or concept be added, either to enhance question #7, or as a stand-alone in the Rate Design Proposal Section:

“What is your plan for customer education and what kind of mechanism would be used for providing information to customers in the transition to and implementation of any new rate structure?”

Consistent with our comments in the Goals section above, NRDC also recommends that question #2 be revised as follows:

“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. *If you believe the particular goal can better be addressed through a targeted program, please explain.* Please also discuss any...”

III. Conclusion

NRDC appreciates the opportunity to offer these 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 5, 2012

Respectfully submitted,



Sheryl Carter
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