

**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
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**DISTRIBUTED ENERGY CONSUMER ADVOCATES
COMMENTS IN RESPONSE TO THE ADMINISTRATIVE LAW JUDGES'
NOVEMBER 6, 2012 RULING INVITING COMMENTS**

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COMMENTS IN RESPONSE TO THE ADMINISTRATIVE LAW JUDGES'
NOVEMBER 6, 2012 RULING INVITING COMMENTS**

Distributed Energy Consumer Advocates (“DECA”) comments here on the questions asked in the Administrative Law Judges' November 6, 2012 ruling.

I. Background

DECA is a nonprofit California public benefit corporation advocates on behalf of residential and small commercial customers who have or seek to invest in distributed generation and demand side management infrastructure. The majority of DECA’s members are located throughout the state of California where they either currently produce and consume electricity, or consume electricity and are considering producing it as well. DECA seeks to promote the optimal regulatory climate and market in which its members and others may invest in distributed clean energy infrastructure, without preference to any single technology. DECA comments on the finalized questions raised in the November 6, 2012 ALJ ruling.

II. DECA's Comments

In its October 5, 2012 Comments DECA answered a list of proposed questions for this OIR to address. The ALJ ruling of November 6, 2012 noted that to the extent that DECA's comments of October 5, 2012 answered the questions proposed in the September 20, 2012 ruling, such comments were untimely. Accordingly, DECA restates them here with minimal

modification, while adding a response to the additional question raised in the November 6, 2012 ruling.

DECA's responses to the questions should be considered through the lens of potential opportunity. This proceeding can and should be considered a vehicle for moving California energy policy forward by embracing the billions of dollars invested in advanced metering infrastructure and leading in the development of the full potential of the smart grid. DECA asks the question "what can we do to leverage our rate structures into tools to further the state's environmental and policy goals?"

Coordination Questions

DECA comments here on the five questions put forth in the September 20, 2012 ALJ ruling, as formalized in the November 6, 2012 ruling and the additional sixth question raised in the November 6th ruling.

- 1. Please list the major energy proceedings with which this proceeding should coordinate and explain what kind of coordination is needed (e.g., actively coordinating, relying on findings, incorporating evidentiary record, monitoring).**

Planning Proceedings:

Resource Adequacy proceeding (R.11-10-023)

Long Term Procurement Planning proceeding (R.12-03-04)

DECA strongly encourages coordination with both the Resource Adequacy and Long Term Procurement Planning proceedings (R.11-10-023 and R.12-03-04, respectively) both of which model customer behavior and grid needs that customers may be best equipped to address and are best monitored by this proceeding. In particular these proceedings provide this rulemaking with the ability quantify locational needs and the increase in costs associated with

ratemaking policies that ignore or suppress them. Local capacity areas and locational marginal pricing should be considered in developing rate structures. While rates themselves may not necessarily need to reflect locational marginal prices or localized capacity constraints, the ability of a wide range of Commission programs to avoid costs associated with needs in certain locations for energy and capacity should be considered in this proceeding. Similarly, this proceeding has the opportunity to signal to the RA and LTPP proceedings that geographically targeted demand response, distributed generation and energy efficiency investment mechanisms merit immediate consideration in the Commission's planning efforts.

Rate-Related Proceedings:

The Demand Response proceeding (R.07-01-041)

The CSI proceeding (R.10-05-004)

DECA strongly encourages the Commission to consider a transformative approach to Demand Response in this proceeding. In particular this proceeding provides the Commission with the opportunity to develop a framework for rates that may include paying customers for using more electricity when off-peak than on-peak, or when controlling load may produce more efficient generation profiles such as reduced emissions associated with morning or evening ramps. This kind of interaction would benefit from closer coordination between the proceedings.

Similarly, coordination with the CSI proceeding is necessary to avoid dampening the efficacy of the programs that have been established there and to begin the process integrating real time prices and program design. This proceeding should consider relying on findings from the CSI proceeding including the ongoing NEM study. DECA supports this proceeding considering

the potential for NEM to be developed as a mechanism for financing or otherwise providing incentives for residential investments in demand response and energy efficiency.

Technology and Information-related Proceedings:

The Smart Grid proceeding (R.08-12-009)

The Third Party Data Access proceedings (A.12-03-002, A.12-03-003, A.12-03-004)

The ability of end use customers to monitor and modify their consumption and production of electricity in response to the needs of the grid should be coordinated with rate structures that encourage smaller-scale reactive load. Accordingly, this proceeding should be aware of the available signals and market mechanisms for compensating such responsiveness. Monitoring and coordinating with these proceedings should not be difficult given there is a shared Administrative Law Judge, but the Commission should be mindful of reassignment or split workloads between ALJs.

Technology and Rates Interface Proceedings:

The Storage proceeding (R.10-12-007)

The EV proceeding (R.09-08-009)

The critical role of storage, including the batteries of EVs is perhaps the most important element of this proceeding. The Commission's staff highlighted a great many of these issues in the storage proceedings with the 2010 white paper “Revenue Allocation and Rate Design – Facilitating Plug-In Electric Vehicle Integration”. DECA supports coordination between these proceedings.

Low Income Proceedings:

ESA and CARE Applications (A.11-05-017, A.11-05-018, A.11-05-019, A.11-05-020, et seq.)

California Long-Term Energy Efficiency Strategic Plan

DECA supports coordination with ongoing efforts to increase improve energy access to all Californians and encourages this proceeding to consider investments in programs that leverage energy efficiency and non-traditional rate structures and assistance strategies to meet those goals.

2. How should customer outreach and education efforts in different proceedings be coordinating to maximize effectiveness and efficiency?

DECA supports the use of this proceeding to correct the public record on the benefits of smart meters and time of use rates. The Commission should either in this proceeding or as a result of it adopt rates that empower customers, including low-income customers. Such a framework would allow for messaging to the public that extols the virtues of information and the ability to act on it in one's own interest. DECA supports in particular the consideration of cash payments rather than bill credits for actions that produce more efficient and lower priced electricity service. Similarly, the expansion of programs such as Net Energy Metering to fund demand response and energy efficiency investments have great value as a message of empowerment. Such payments and programs, even if small, provide the Commission and its jurisdictional entities with an opportunity to re-frame the role of the end use electricity customer and to restore the potential of smart meters to be considered asset rather than a liability.

3. Should any of these proceedings be suspended, consolidated, or dismissed pending the resolution of this rulemaking?

DECA believes that the most important element of the relationship between this proceeding and those listed above is that information flows between the proceedings and that the Commission staff members assigned to those proceedings are aware and involved in this proceeding. As addressed in greater detail in response to question 6 below, this proceeding provides an opportunity to provide policy guidance for a number of additional proceedings, especially with regard to developing programs related to residential-scale integrated demand side management.

4. What policies would help ensure that successful strategies will be shared between utilities?

DECA suggests that rates and related mechanisms that integrate or allow third party involvement (e.g. via aggregation) are more likely to be uniformly applied across utilities than programs that are utility driven. While some utility by utility variation is necessary, programs that are not applied across all utilities are likely to be designed for the benefit of utility rather than a customer class.

5. Are there proceedings at other government agencies, or legislation that should be tracked in connection with this proceeding?

DECA reserves its comments here to the need for coordinating with the CEC's IEPR load forecasting process and strongly encourages coordination with the CAISO and the CEC on demand response planning and implementation. Traditional consideration of “rates” as a static

and slow moving form of demand response that may not interact with the CAISO's markets but instead be captured in load forecasts such as the IEPR may no longer be applicable in an environment where responsive demand is more active than passive.

6. Is it more appropriate to address certain rate design issues in other proceedings? If so, explain which proceedings are best equipped to explore and resolve specific issues.

DECA views this OIR as an opportunity to frame and develop a transformative approach to ratemaking for the next century. Certainly, a great many issues that can be addressed within the scope of this proceeding could also be addressed in other proceedings, especially general rate cases, demand response, and low-income proceedings, but this proceeding presents a great opportunity to provide a unified strategy for coordination between the great many silos that have developed over time.

A transformative approach to the next century of electricity policy should not and perhaps cannot occur without studied application of a transformative ratemaking policy within the constructs of existing programs and policies. A great many subject areas under the Commission's jurisdiction involve planning cycles and program design before any implementation occurs. This proceeding provides the opportunity to direct such studies within those programs and, to the extent the programs have proven incapable of transformative innovation, direct new mechanisms for such transformation.

In particular DECA supports the use of this proceeding to bless the aggressive development of demand response programs that are not peak oriented, low-income programs that

are effective at providing incentives for reduction in electricity consumption without harming any vulnerable customer classes, and vehicle to grid rate integration that will allow California to lead the way in rethinking the grid while maximizing its investment in advanced metering infrastructure. Similarly, recognition of the full potential of residential distributed generation and Net Energy Metering in particular should serve as the load stone for this proceeding.

III. Conclusion

For the reasons set forth herein, DECA hereby comments on the questions raised in the November 6, 2012 ruling.

Respectfully submitted this 21st day of November, 2012.

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