

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)

OPENING COMMENTS OF ENVIRONMENTAL DEFENSE FUND
RESPONDING TO THE ADMINISTRATIVE LAW JUDGES' RULING INVITING COMMENTS DATED
NOV. 6, 2012

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November 20, 2012

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I. Introduction

The Environmental Defense Fund ("EDF") offers these opening comments responding to the Questions Pertaining to the Coordination of Electric Proceedings Affecting Rates ("Coordination Questions") pursuant to the Administrative Law Judges' Joint Ruling Inviting Comments (R. 12-06-013), Nov. 6, 2012 (the "ALJ Ruling").¹ The OIR contemplated the need to coordinate this proceeding with others affecting electric rate design and the ACR described the

¹ 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 Assigned Commission and Administrative Law Judges Joint Ruling Inviting Comments and Scheduling Prehearing Conference, Sep. 20, 2012 (R. 12-06-013) ("ACR") on Oct. 5, 2012 (the "EDF ACR Opening Comments"). EDF filed reply comments to the ACR on Oct. 19, 2012 (the "EDF ACR Reply Comments").

coordination questions needed for such harmonization.² The ALJ Ruling articulated the Coordination Questions and requested that parties respond to them by November 21, 2012.³

EDF responds to the Coordination Questions below and requests, among other things: (1) the coordination of this proceeding with Smart Grid proceeding R. 08-12-009 and several proceedings examining subsidies that will be provided to the residential class, (2) an inventory of current customer outreach and education efforts conducted by utilities and related entities to be used for coordination and (3) the identification of consensus rate design approaches in order to facilitate the sharing of strategies among utilities and inform rate policy.

- 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).**

As stated in the EDF ACR Reply Comments, EDF requests that this proceeding be coordinated with Smart Grid proceeding R.08-12-009. In order for the goals of rate redesign to be achieved, including marginal cost and cost causation principles, rate stability, simplicity and customer choice, the rollout of time variant and dynamic pricing must be grounded in data.⁴ Tracking mechanisms are required to measure progress, establish effectiveness and offer lessons learned. These tracking mechanisms are currently being developed in the Smart Grid proceeding R.08-12-009, which should be coordinated with this OIR proceeding.

² ALJ Ruling at 2-3.

³ *Id.*

⁴ As reflected by the establishment of a data workshop in this proceeding as detailed in the ALJ Ruling at Attachment A.

In addition, EDF understands that the aforementioned goals, as well as the means to achieve them, such as avoiding undesirable and hidden cross subsidies, may not be reached immediately as a result of policy preferences and other factors.

Barriers and enablers to the achievement of state goals, however, must be clearly identified in order for the Commission to address them. As such, EDF requests that this proceeding be coordinated with proceedings examining distributed energy resource subsidies and other subsidies that will be provided to the residential class. Such subsidies will impact price signals and other information provided to residential ratepayers. These proceedings include R. 09-08-009⁵, A. 12-11-005⁶ and R. 11-05-017.⁷

R. 11-03-012,⁸ which is addressing GHG allowance revenue allocation, should also be coordinated with this proceeding. This is in part because the mechanisms created in R. 11-03-012 to allocate revenues to the residential class, including cost mitigation and rate reductions, are directly related to barriers created by the current rate structure. In the GHG Revenue OIR, the Commission expressed a desire to develop actionable price signals that reflect the full price of carbon.⁹ The Commission has, however, recognized that barriers exist to reflecting carbon price signals in residential rates.¹⁰ Specifically, the Commission has noted that “residential rates, as currently structured, place a disproportionate share of GHG costs on ratepayers paying

⁵ Order Instituting Rulemaking on the Commission's own motion to consider alternative-fueled vehicle tariffs, infrastructure and policies to support California's greenhouse gas emissions reduction goals.

⁶ Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues,

⁷ Application of Southern California Edison Company (U338E) for Approval of its 2012- 2014 California Alternate Rates for Energy (CARE) and Energy Savings Assistance Programs and Budgets, A.11-05-017, A.11-05-018, A.11-05-019, and A.11-05-020 are consolidated).

⁸ Order Instituting Rulemaking to Address Utility Cost and Revenue Issues Associated with Greenhouse Gas (“GHG”) Emissions, R. 11-03-012 (“GHG Revenue OIR”).

⁹ Decision Adopting Cap-and-Trade Greenhouse Gas Allowance Revenue Allocation Methodology for the Investor-Owned Electric Utilities R. 11-03-012, Nov. 16, 2012 at 3-4.

¹⁰ *Id.* at 70.

rates in the upper-tiers while shielding those ratepayers in lower-tiers (representing the majority of load) from seeing any GHG costs.”¹¹ The Commission has thus taken measures to “ease the transition toward electricity rates that fully reflect a carbon price signal” for residential rate payers, among others.¹² This transition should be coordinated with this proceeding.

EDF recognizes that this list is not exclusive and that there may be other proceedings that merit coordination with this rulemaking.

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

EDF recognizes that the provision on price signals via dynamic and time variant rates is not enough to catalyze ratepayer action and associated benefits. Customers must be effectively educated about the choices offered to them and the associated consequences of their actions. Targeted customer education and engagement can also remove barriers to time variant and dynamic pricing. For example, a number of studies, including several by Severin Borenstein, and by Wood and Faruqui,¹³ have mixed findings about low-quantity energy users or low-income households bill impacts as a result of a switch to time-variant rates. Customer outreach and education – including efforts to prompt technology integration into homes that tend to be the last to adopt new, energy saving technologies – provides one mechanism to help avoid inequitable or adverse bill impacts.

¹¹ *Id.* at 70-71.

¹² *Id.* at 3-4.

¹³ See Borenstein working papers at <http://ei.haas.berkeley.edu/papers.html>, including Working Paper #229 and 204R. For Wood and Faruqui and associated commentary, refer to *Fortnightly Magazine*, Wood and Faruqui (November 2010) and Roycroft (March 2011).

EDF supports the full coordination of this proceeding with other customer education and outreach efforts. In particular, EDF recommends that an inventory of customer outreach and education conducted by the utilities and related entities (e.g., municipalities implementing utility programs), as well as associated expenditures, be developed in this proceeding. This inventory should then be examined to ensure that current customer education efforts support the rate designs that will ultimately be adopted through this OIR.

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

As discussed in the EDF ACR Reply Comments, EDF does not support the suspension of all other proceedings that relate to time variant and dynamic pricing as requested by PG&E.¹⁴

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

The CPUC has a well-developed tradition of pursuing strategies to engage stakeholders robustly in rulemakings. This practice does not, however, ensure that the utilities will effectively share successful rate design strategies. EDF requests that this proceeding identify consensus approaches that identify best practices that can inform rate policy. This is particularly important in the case of rate structures for new and expanding business propositions to be created by time variant and dynamic rates.

EDF recommends that the CPUC, in this proceeding, facilitate the identification of appropriate services (e.g., voltage regulation, on-bill repayment for energy efficiency upgrades) and products (e.g., high quality energy) that need to be provided and priced, by utilities. The

¹⁴ PG&E ACR Opening Comments at 1-2.

development of best practices and the sharing of strategies can enhance the development of these business areas and facilitate their application in rates. Best practices can also facilitate the participation of third party service providers in new business areas.

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

EDF recognizes that there are other proceedings and legislation that should be tracked in connection with this proceeding.

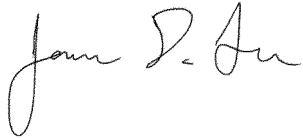
II. Conclusion

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

Respectfully signed and submitted on November 20, 2012

ENVIRONMENTAL DEFENSE FUND

/s/ Jamie Fine

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

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