

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 DIVISION OF RATEPAYER ADVOCATES
ON COORDINATION QUESTIONS**

December 7, 2012

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates ("DRA") submits this Reply to the November 21, 2012 Opening Comments of Pacific Gas and Electric Company ("PG&E") on Coordination Questions. DRA's comments are submitted pursuant to the Administrative Law Judges' Ruling ("ALJs' Ruling"), dated November 6, 2012, inviting comments responding to questions pertaining to the coordination of electric proceedings affecting rates.

Specifically, DRA takes issue with PG&E's response to the Assigned ALJs' Question No. 3: *Should any of these proceedings be suspended, consolidated, or dismissed pending the resolution of this rulemaking?* In its response, PG&E recommends suspension of PG&E's 2010 Rate Design Window (A.10-02-028), the subject of which is a residential Peak Time Rebate ("PTR") program. PG&E proposed to suspend its implementation of PTR in its rebuttal testimony in that proceeding.¹ DRA opposed the suspension of PTR, and this issue was vigorously litigated.² As of the date of these reply

¹ PG&E rebuttal, A.10-02-028, April 3, 2012.

² Hearings in A.10-02-028 were held in April, 2012 and parties filed briefs on May 22, 2012 and reply briefs on June 7, 2012.

comments, no Proposed Decision has been issued. The issue of whether to suspend PTR is already pending before the Commission, and PG&E's Opening Comments add nothing of substance on this issue.

II. THE COMMISSION SHOULD NOT SUSPEND A.10-02-028 AS RECOMMENDED IN PG&E'S OPENING COMMENTS

In its Opening Comments, PG&E recommends that the Commission suspend A.10-02-028,³ and thereby cease implementation of a residential PTR program, which had been scheduled for a full rollout by summer 2014. DRA disagrees with PG&E's recommendation, for the reasons explained below.

First, in Decision (D.) 09-03-026, the Commission authorized PG&E to substantially upgrade its Smart Meters based on the benefits projected for PTR. In its Smart Meter upgrade proceeding, A.07-12-009, PG&E forecasted, at that time, that PTR would deliver significant benefits to PG&E's residential customers. Subsequently, on February 26, 2010, PG&E filed A.10-02-028, in which PG&E noted that it agreed with the Commission that "the PTR program will encourage residential customers to reduce their peak period usage on peak days."⁴

Second, California's other two large electric utilities, Southern California Edison Company ("SCE") and San Diego Gas and Electric Company ("SDG&E"), already have moved forward with PTR, and this Commission has found that PTR will lead to significant load reduction for these utilities in its recent Demand Response decision.⁵ In D.12-04-045 (pp. 121 and 131), the Commission also found that PTR would be cost-effective for both SCE and SDG&E.⁶

³ PG&E Opening Comments on Coordination Questions, November 21, 2012, p.3.

⁴ See PG&E's February 26, 2010 testimony in A.10-02-028, pp. 1-3.

⁵ See D.12-04-045. Appendix B. SDG&E's PTR program is expected to produce between 69 and 71 MW of peak load reduction between 2012 and 2014. SCE's PTR program is expected to produce between 332 and 371 MW of peak load reduction over the same period.

⁶ Note, SCE's "Save Power Day" is its terminology for its residential PTR program (see D.12-04-045, p. 118, fn. 219).

III. THERE IS NO REASON THAT PTR CANNOT COEXIST WITH OTHER RATE PROGRAMS

In its Opening Comments, PG&E complains about “confusion and distorted price signals” if PTR is allowed to go forward. DRA disagrees, and notes that these issues simply have not arisen in the case of SCE and SDG&E. As noted above, the Commission already has ordered SCE and SDG&E to proceed with PTR, and D.12-04-045 adopted SCE’s and SDG&E’s forecasts of significant load reduction from these utilities’ residential PTR programs.⁷

Contrary to PG&E’s allegations, PTR can coexist with either a tiered rate structure or a time of use (“TOU”) rate structure because the rebate it offers is independent of how particular rate designs allocate and recover marginal demand costs. There is no reason the Commission should delay implementation of PG&E’s PTR program until it has decided what the longer term residential rate design vision should be, either through this Rulemaking or any other proceeding.

IV. A PROLONGED SONGS SHUTDOWN OR OTHER UNFORESEEN EVENT COULD INCREASE THE NEAR-TERM IMPORTANCE OF THE DEMAND RESPONSE FROM PTR

The Commission has recognized that PTR and other programs of SCE and SDG&E should move forward in response to the extended SONGS shutdown that began in early 2012. In an April 25, 2012 letter to SCE and SDG&E, the Commission’s Energy Division Director directed them to submit advice letters “proposing program augmentations and improvements, including consideration of a targeted incentive energy conservation program (e.g., a 20/20 program or similar variation) and/or expansion of existing peak time rebate (PTR) programs to additional customer classes.” Therefore, the Commission’s Energy Division has recognized the SONGS shutdown would require that additional demand response capabilities, including PTR, be ramped up on an expedited basis.

⁷D.12-04-045, Appendix B.

PG&E's system does not exist in a vacuum. PG&E is a member of the California Independent System Operator ("CAISO") along with SCE and SDG&E. Further, the unavailability of SONGS could compound problems caused by any unforeseen future losses of generation in PG&E's service territory. Thus, the SONGS shutdown should require the company to bolster its demand response options.

V. CONCLUSION

The Commission should NOT suspend A.10-02-028 as PG&E recommends. Instead, PG&E should proceed with its proposed partial PTR rollout in 2013 to the extent that doing so remains possible, and complete at least a partial PTR rollout in 2014. As the Commission has found, PTR is a customer friendly program that will lead to load reduction during times of high electricity usage (i.e., "peak times").

Respectfully submitted,

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