

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking On The)
Commission's Own Motion To Conduct A) Rulemaking 12-06-013
Comprehensive Examination Of Investor Owned)
Electric Utilities' Residential Rate Structures,)
The Transition To Time Varying And Dynamic)
Rates, And Other Statutory Obligations)

**JOINT RESPONSE OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E),
PACIFIC GAS AND ELECTRIC COMPANY (U 39-E), AND SAN DIEGO GAS &
ELECTRIC COMPANY (U 902-M) TO THE MOTION OF THE GREENLINING
INSTITUTE AND THE CENTER FOR ACCESSIBLE TECHNOLOGY TO ADJUST
SCHEDULE**

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Pursuant to Rule 11.1(e) of the Commission’s Rules of Practice and Procedure, Southern California Edison (SCE), Pacific Gas and Electric Company (PGandE), and San Diego Gas & Electric Company (SDG&E) jointly respond¹ to the December 26, 2012 motion (Motion) filed by the Greenlining Institute (Greenlining) and the Center For Accessible Technology (CforAT) seeking delay to the schedule that was adopted for this proceeding in the November 26, 2012 Scoping Memo and Ruling of Assigned Commissioner (Scoping Memo).

Greenlining/CforAT assert that the schedule for this proceeding should be delayed because a new Low Income Needs Assessment (LINA) report, which is scheduled to be issued on August 31, 2013, will not be available when parties are required to make their initial rate design proposals. Greenlining/CforAT ask the Commission to alter the schedule so that rate design

¹ Counsel for SCE has been authorized by PGandE and SDG&E to sign and file this joint response on their behalf pursuant to Rule 1.8.

proposals would be due in October or November 2013, instead of May 2013.² This request for a five or six month delay should be rejected for the reasons discussed below.

I.

**A FUTURE LOW INCOME NEEDS ASSESSMENT REPORT IS NOT ESSENTIAL TO
THE COMMISSION'S CONSIDERATION OF RESIDENTIAL RATE REFORM**

There is no disagreement that the affordability of rates for low-income customers is an important consideration in reforming current residential rate structures in this proceeding. However, there are many sources of information and various ways for affordability to be considered by the Commission without delaying the schedule to wait for a future LINA report.

A. Affordability For Purposes Of Residential Rate Design Can Be Modeled With The Use Of The IOUs' Bill Calculators

The investor owned utilities (IOUs, or PGandE, SDG&E, and SCE) have worked and continue to work with parties in this proceeding to model and evaluate the bill impacts that rate proposals will have on residential customers and other customer groups who pay for the subsidy provided to participants in the California Alternate Rates for Energy (CARE) program. The IOUs have responded to requests of other parties to include income information relative to usage as well as the distribution of bill impacts resulting from hypothetical proposed rate structures. Parties have been provided access to use the IOUs' rate design models, which have been developed with significant stakeholder involvement since the first workshop on the topic in early December 2012. The percentage of household income spent on electricity, *i.e.*, the electric energy burden, is calculated and is reflected in the IOUs' rate design models using 2012 data for any hypothetical, proposed rate structure. Thus, delaying the schedule for rate design proposals in this proceeding to

² Motion, p. 2.

wait for the next LINA report, which may not provide better data on affordability than is available in the IOUs' rate design models, is unnecessary and would be inappropriate.

Moreover, the Scoping Memo has already considered the deadline for submitting rate design proposals and determined that parties' rate design proposals should not be delayed until after the next LINA report is issued. The Motion is Greenlining/CforAT's second attempt to achieve delay. And although Greenlining/CforAT assumes no delay in the issuance of the next LINA report, the research contractor for the next LINA has not been identified and the final scope and plan has not been formally outlined. Given the broad objectives of that assessment and its limited budget, there is the potential for delay in the issuance of the LINA report. Regardless, as explained below, the LINA does not address the core issues of residential rate design. Accordingly, any proposed delay — especially one that is contingent on a later deliverable — will needlessly delay the outcome of this proceeding and should be rejected.

B. The LINA Report Will Not Provide Information Necessary To This Proceeding

The prior LINA report, dated September 7, 2007, looked at energy burden as one measure of affordability for gas and electric service. The calculation of energy burden³ was based on self-reported income from a small survey of customers, as opposed to more comprehensive census-based data, and did not reflect differences in other important variables such as climate zone. The upcoming LINA has less funding, a shorter time frame for completion, and more extensive mandated objectives than were applied in 2007. Thus, the level of inquiry and analysis of energy burden in the upcoming LINA is unlikely to reflect better precision and accuracy than it did in 2007, or compared to the evaluation tools for energy burden that are available in the IOUs' rate design models.

Moreover, the focus of the LINA is on evaluating needs in order to improve Energy Savings Assistance (ESA) and CARE programs, not on producing information on economic burdens that

³ Energy burden is defined in the 2007 LINA report to include both gas and electricity costs.

would inform rate design. Indeed, residential electric rate design is not even mentioned in the 2007 LINA report. The upcoming LINA is funded by ESA program budgets.⁴ As specified in Public Utilities Code Section 382(d), the LINA shall evaluate low-income program implementation and the effectiveness of weatherization services and energy efficiency measures in low-income households and shall consider whether existing programs adequately address low-income electricity and gas customers' energy expenditures, hardship, language needs, and economic burdens. Thus, the scope and deliverables of the LINA focus on low income programs, but not on rate design.⁵

⁴ D.12-08-044, Decision on Large Investor-Owned Utilities' 2012-2014 Energy Savings Assistance (ESA) (Formerly Referred to as Low Income Energy Efficiency or LIEE) and California Alternate Rates for Energy (CARE) Applications, Ordering Paragraph 107.

⁵ D.12-08-044, Ordering Paragraph 108. "The scope of such [sic] the new Needs Assessment study shall include, but is not limited to: (a) Development of baseline estimates of the potential eligible, willing and remaining population for California Alternate Rates for Energy and Energy Savings Assistance Program, as well as methods for tracking changes over time; (b) Identification of needs that exist, needs that are being met, and needs that are not met by the existing California Alternate Rates for Energy and Energy Savings Assistance Programs; (c) Identification of service gaps not being addressed by the existing California Alternate Rates for Energy and Energy Savings Assistance Programs; (d) Identification of barriers that cause service gaps in California Alternate Rates for Energy and Energy Savings Assistance Programs; and (e) Recommendations on appropriate and effective methods for meeting energy-related needs in light of these potential barriers in California Alternate Rates for Energy and Energy Savings Assistance Programs."

D.12-08-044, Ordering Paragraph 109, "The Final Needs Assessment Report shall address: (a) How many households are eligible for the California Alternate Rates for Energy and Energy Savings Assistance Programs; (b) How many households are enrolled in California Alternate Rates for Energy and have recently participated in the Energy Savings Assistance Program; (c) What is the eligible, willing and remaining population for California Alternate Rates for Energy and Energy Savings Assistance Programs; (d) Whether the current Energy Savings Assistance and California Alternate Rates for Energy Program's targeting, outreach, enrollment and verification processes are effective, and how can they be improved; (e) The main reasons why customers choose not to participate in the California Alternate Rates for Energy and Energy Savings Assistance Programs; (f) The Energy Savings Assistance Program measures that are most needed among eligible households; (g) The Energy Savings Assistance Program measures that serve the most benefit to eligible households based on the Energy Savings Assistance Program eligible population's energy need, behavior and household characteristics; (h) The available energy savings potential from the Energy Savings Assistance Programs; (i) Whether the California Alternate Rates for Energy and Energy Savings Assistance Programs are reaching the appropriate targets, and if there are any significant under- or over-served segments; and (j) Whether the California Alternate Rates for Energy and Energy Savings Assistance Programs are achieving their maximum potential program benefits, and what strategies should be used toward this end."

II.

THERE IS NO STATUTORY REQUIREMENT FOR THE COMMISSION TO RELY UPON THE LINA REPORT IN DEVELOPING RATE DESIGN POLICIES IN THIS PROCEEDING

Greenlining/CforAT argue that “[i]n considering any significant changes to rates for low income customers, the Commission *must* rely on the findings of a *current* LINA.”⁶ This assertion falsely assumes that the Commission must have a “current” LINA in hand and rely on it before it can even *consider* making any significant changes to rates for low income customers. This proceeding is a policy-making proceeding — not a ratemaking proceeding — that should set policies affecting residential rate design for a long-term period. The implementation of such policies and the setting of rates for residential customers would occur in subsequent utility-specific ratemaking applications when more current LINA reports will be available and could be considered to the extent they are relevant. There will always be cyclic recessions and booming economies that will influence the periodic LINA reports and can be appropriately considered by the Commission in the appropriate future ratesetting proceeding.⁷ However, the Commission need not rely on the findings of a future LINA report to make policy decisions affecting long-term residential rate design in this proceeding. In fact, based on the Commission’s interpretation of current law, the level of discount provided to CARE customers has increased relative to the rates paid by non-CARE customers over many years. That condition — recognized by the Commission as “inequitable” — is one of the reasons the Commission is considering residential rate reform in this proceeding.⁸

⁶ Motion, p. 4 (emphasis added). Greenlining/CforAT contemplate the Commission making “significant” changes to rates of low income customers in this quasi-legislative proceeding. By trying to delay the outcome of this proceeding through this Motion, Greenlining/CforAT could delay implementation of any significant changes to Commission policies related to residential rate design.

⁷ Residential rates were protected from any increases during the booming economic period from the late 1990’s through 2002.

⁸ OIR, p. 13: “Developing equitable rates based on the principle of cost causation is one of the underlying goals of the Commission’s rate making process... Inequitable rates and cross-subsidies are of particular concern for residential customers in Tiers 3 and 4 of the current rate structure, since most increases in utility costs can only be recovered by increasing rates in those tiers.”

While *considering* a framework for rate design changes and actually *making* utility-specific rate design changes are different, Greenlining/CforAT make an even bolder assertion that “California law *requires* that the Commission rely on the LINA in designing electricity rates for low income customers,” citing Sections 382(b) and 382(d).⁹ This claim is erroneous for many reasons.

First, Greenlining/CforAT cite no Commission decision (and the IOUs know of no such decision) that has adopted an interpretation of Sections 382(b) or 382(d) that requires the Commission to rely upon the LINA report in designing rates for low-income residential ratepayers. Section 382(b) requires that the Commission ensure that monthly energy expenditures by low-income ratepayers be affordable based on a combination of discounted rates, different levels of rate assistance, and energy efficiency programs. Section 382(d) orders a periodic assessment of needs that is not principally aimed at residential rate design, but which is designed to “evaluate low-income program implementation and the effectiveness of weatherization services and energy efficiency measures in low-income households.” Neither provision requires the Commission to rely on the LINA report in designing rates for low-income residential customers.

Second, electricity rates for residential customers are not being implemented in this proceeding, and, in fact, the scope of this proceeding is primarily focused on residential rate design policies which can speak to the structural design of subsidies provided to low income customers, not to the level of the CARE discount itself. Nothing prohibits Greenlining/CforAT from bringing to the Commission’s attention relevant information from a more current LINA report in a subsequent, utility-specific ratesetting proceeding, where rates for CARE customers will be implemented or where other benefits for CARE customers are considered.¹⁰

⁹ Motion, p. 5 (emphasis added).

¹⁰ D.12-08-044, at page 259, states that the results of the next LINA will be incorporated into the CARE and ESA 2015-2017 program cycle applications process.

Third, even though a new LINA report may be issued later in 2013, the September 2007 LINA report could be considered to the extent it is relevant by parties and the Commission in relation to rate design policy changes being considered in this proceeding.

Fourth, Greenlining/CforAT incorrectly assert that Section 739.1(b)(3)B means that the Commission must rely on the LINA report in setting the CARE discount prior to January 1, 2019.¹¹ In fact, the plain language of this statute authorizes the Commission to consider the LINA report in setting the CARE discount *beginning* January 1, 2019.

III.

CONCLUSION

For the reasons discussed above, the Motion should be denied.

¹¹ Motion, p. 6. Section 739.1(b)(3) states:
“*Beginning January 1, 2019*, the commission *may*, subject to the limitation in paragraph (4), establish rates for CARE program participants pursuant to this section and Sections 739 and 739.9, subject to both of the following:
(A) ***
(B) The requirement that the level of discount for low-income electricity and gas ratepayers correctly reflects the level of need as determined by the needs assessment conducted pursuant to subdivision (d) of Section 382.”
(emphasis added)

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