

**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 UTILITY REFORM NETWORK
ON WORKSHOP RULING**



Lower bills. Livable planet.

February 14, 2013

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I. INTRODUCTION

On January 31, 2013 the Administrative Law Judges issued a Ruling (“Ruling”) inviting comments concerning the list of defined terms included in Attachment A to the Ruling. TURN offers very limited comments on the definitions, as well as a general comment concerning the customer survey being developed by the utilities.

II. COMMENTS ON DEFINED TERMS

A. Definition of Fixed Charges

The present definition of ‘fixed charges’ inappropriately implies that such charges are “necessary” to ensure the availability of utility service. This is clearly false, given that we have utility service in California without fixed customer charges for all the IOUs. The definition should be revised as follows:

Fixed Charges: Monthly charge (e.g., \$5/month) applicable to all customers regardless of usage intended to reflect fixed costs (that do not change with usage) ~~and are necessary to ensure constant availability of providing utility service.~~

TURN suggests that it might be instructive to actually provide information regarding the present customer charges in place for gas and electric service for the four major energy IOUs.

B. Addition of Definition of Minimum Bill

The list neglects to include a specific rate element that is separate and distinct from a fixed customer charge – the minimum bill. The minimum bill has different ratemaking, cost allocation and distributive impacts than a customer charge. It is a separate and distinct choice in the bill calculators being developed by the utilities. Data on existing minimum bills should also

be provided.

Minimum Bill: A monthly charge intended to recover fixed costs of utility service, but distinct from a customer charge. The minimum bill is a payment calculated based on the applicable volumetric rate. If volumetric usage is so low that the resulting bill would be less than the minimum bill, the customer would have to pay the minimum bill.

III. COMMENTS REGARDING CUSTOMER SURVEY

The Ruling indicates that the Commission does not intend to rule “on the merits of the proposed customer survey,” but envisions survey results would be introduced into evidence and subject to debate among parties regarding any concerns. The Ruling expresses the ALJs’ “hope” that “major objections to the survey design that were raised at the Workshop were addressed.”

TURN has already provided detailed written comments on the survey as well as a redlined version of the Draft A survey instrument. TURN intends to provide further comments on the Draft B survey instrument to the IOUs tomorrow.

While TURN appreciates that the IOUs have made significant revisions to the “educational” component of the survey to reduce survey bias, TURN must forewarn the Commission that the survey instrument continues to suffer from a fundamental methodological flaw. Customers will be asked to make “choices” as between different rates based on an explanation of rate designs but without specific information concerning the possible bill impacts of the “choices.” Such an exercise cannot result in meaningful choice outcomes. It is like asking someone to choose between two new cars with very different features, but with no information about the price tag. It is axiomatic that most consumers differentiate products on factors that include price. Price differentiation is especially keen for an “undifferentiated product” such as electricity. In fact, based on market research conducted to date, TURN can predict with a high degree of certainty that absent bill impact information most customers will “choose” a simple “flat rate” as their preference. Given no difference in price, customers prefer simplicity and

stability for products such as electric and phone service. This is not rocket science.

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Respectfully submitted,

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