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 SAN DIEGO GAS & ELECTRIC COMPANY (U902M) REGARDING ADMINISTRATIVE LAW JUDGES' RULING ON WORKSHOP

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I. INTRODUCTION

Pursuant to the Administrative Law Judges' Ruling on Workshop, dated January 31, 2013 ("Ruling"), San Diego Gas & Electric Company ("SDG&E") respectfully submits this Reply to Comments submitted by other parties. It should be noted that the Ruling stated that "[p]arties may file comments responding to the list of defined terms . . ." (i.e., parties were not free to comment on any issue in the Ruling).[1] Contrary to this direction, several parties went well beyond issues pertaining to the defined terms (e.g., some comments raised issues related to the joint-Investor-Owned Utility ["joint-IOU"] survey and Net Energy Metering ["NEM"]). These extraneous comments should be ignored because any consideration would prejudice those parties that complied with the Ruling and limited their comments to the defined terms. Although SDG&E's Reply does not specifically discuss every uncalled-for comment,

[1] Ruling at page 11, Ruling Paragraph 4.

assuming such comments are considered, then the ALJs should also recognize SDG&E's Reply before contemplating changes to the Ruling.[2]

With respect to comments on the defined terms, SDG&E generally agrees with the Comments filed by Southern California Edison ("SCE"). Regarding the new or modified definitions offered by other parties, SDG&E generally believes they are either unnecessary or raise issues that are better addressed in each party's individual rate design proposal. As noted in the Ruling, "[t]he defined terms are intended to be policy neutral definitions for common terms and terms of art . . ." and "for many of these definitions the parties will need to specify parameters in order for their rate design proposals and comments to be meaningful."[3] Although some of the proposed new definitions or modifications appear to be consistent with the effort to be "policy neutral," some fail in this regard and are more appropriately addressed in the individual rate design proposals where parties will be free to argue their positions as to why their particular definitions are more consistent with the Commission's policies and goals in this proceeding. Again, the purpose of the defined terms was to set forth a common language that could be used by all parties, so as to avoid miscommunication. These common terms were not intended to bind any party or establish any evidentiary relevance for any particular term. From this perspective, SDG&E feels that the defined terms are acceptable as is.

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[2] The fact that SDG&E's Reply does not specifically address each and every comment or proposed modification to a defined term should not be interpreted as any form of tacit approval of such comments or modifications.

[3] Ruling at pp. 2-3.

II. COMMENTS FILED BY THE INTERSTATE RENEWABLE ENERGY COUNCIL ("IREC") AND THE DISTRIBUTED ENERGY CONSUMER ADVOCATES ("DECA") REGARDING NEM AND THE BILL CALCULATORS ARE BEYOND THE SCOPE OF THE DEFINED TERMS

IREC and DECA are among the parties guilty of not limiting their comments to the defined terms in the Ruling. One of their extraneous comments concerns NEM and how it should be addressed in this proceeding. Consistent with the Ruling, SDG&E agrees that the pending NEM rulemaking, including the NEM cost-effectiveness study, "will take the lead in refining NEM or proposing NEM alternative rate structures."[4] SDG&E does not believe, however, that this means parties in this proceeding will not be able to argue about the impact of their rate design proposals on NEM. That said, contrary to the suggestions of IREC and DECA, parties should not be limited to arguing how rate designs may limit future NEM programs. To be fair, parties should be also be allowed to demonstrate how rate designs may enhance future NEM programs or show the impact of rate design proposals on NEM cost shifts and rates charged to non-NEM customers. Otherwise, the record in this proceeding would include an inherent bias that limits the evidence necessary to consider all potential NEM impacts, including impacts on non-NEM customers.

One of DECA's other extraneous comments concerns the bill calculator models, wherein DECA claims that "it is clear that many concerns raised by parties will expressly not be included by the utilities."[5] It is not clear if this statement is specifically directed to SDG&E and its model, but the record should be clear that the IOUs have incorporated as many comments and functions as reasonably possible in their bill calculators. Moreover,

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[4] Ruling at p. 8.
[5] DECA Comments at p. 3.

where functions could not be adopted, the IOUs have offered reasonable explanations as to why their models could not be modified to suit the specific needs of any particular intervener and offered alternative options, where possible. Indeed, the Ruling recognized that the IOUs "will not be able to incorporate all of the suggested modifications" and "[p]arties are free to use their own models."[6] Accordingly, DECA's critique of the bill calculators is unwarranted.

III. THE COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ("DRA"), THE CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION ("CLECA"), AND THE CONSUMER FEDERATION OF CALIFORNIA ("CFC") ARE UNNECESSARY AND BETTER SUITED FOR ARGUMENT IN THEIR RESPECTIVE RATE DESIGN PROPOSALS

Although DRA, CLECA, and CFC limited their comments to the defined terms, the issues they raised did not significantly improve on making the definitions clearer, more policy neutral or more generic. Moreover, it is difficult to reply to DRA's comments because DRA did not offer any specific alternative wording for the definitions. In any event, clearly, every party has its preferred generic definition for each of the defined terms. Overall, SDG&E believes that the Ruling achieved the goal of walking the fine line between each of the various unique definitions that were offered at the workshop and offered terms that are reasonably clear, generic and policy neutral as is. Further tinkering, as suggested by DRA, CLECA, and CFC, will not make any significant improvement on these goals. As suggested in the Ruling, if a party's rate design proposal requires the need to refine or modify a definition in order for its rate design proposal to have meaning, then such party is free to do so. Attempting to impose those parameters now on the generic set of defined terms is premature and unfair to parties whose rate design proposals may differ from those of DRA, CLECA, and CFC. For

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[6] Ruling at p. 4.

example, one of DRA's comments is comprised of an argument about the nature of cross-subsidies and the alleged difficulty of calculating such subsidies in the context of settled General Rate cases. This position is better left to be argued in the context of DRA's specific rate design proposal. The defined terms in the Ruling were not intended to resolve this issue.

With respect to CLECA's proposed new definitions for "Marginal Cost Revenues" and "Elasticity of Substitution," SDG&E believes that they are not needed as part of the generic set of definitions and go beyond the purpose of using a defined set of terms. For example, in CLECA's proposed definition for "Elasticity of Substitution," it states that "this concept . . . is relevant for dynamic pricing."[7] Determining the relevance of "Elasticity of Substitution" (or any other defined term for that matter) is not the purpose of using defined terms. Relevance will be determined upon a full examination of party proposals and how concepts like elasticity are supported by the record. That said, if CLECA wants to use these terms in its rate design proposal, it is free to do so, so long as it explains their use and relationship to its rate design proposal.

IV. THE COMMENTS OF THE UTILITY REFORM NETWORK ("TURN") ARE UNNECESSARY AND BEYOND THE SCOPE OF THE RULING

TURN offered what SDG&E considers an unnecessary modification to the definition of "Fixed Charges" and a new definition for "Minimum Bill." To the extent these suggestions are considered, SDG&E does not have any significant objection to what TURN has proposed. However, as noted above, TURN is free to use its preferred definitions in its ultimate rate design proposal, regardless of whether its new terms are adopted as part of the Ruling, so long

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[7] CLECA Comments at p. 3.

as TURN explains how its definitions differ from the generic terms set forth in the Ruling and why they matter in the context of TURN's specific rate design proposal.

Regarding TURN's objection to the joint-IOU survey, to the extent the ALJs consider these out-of-scope comments, it should be noted that there are a number of types of surveys that could be used in this proceeding. Apparently, TURN would prefer a survey measuring bill impact issues. The IOUs, on the other hand, decided that the preferred survey was one more focused on understanding and education issues that are part of the goals of this proceeding. Indeed, it was with these goals in mind that the IOUs decided to design a survey that would offer information on what customers currently understand about the various possible rate designs, and once educated about such options, what rate design proposals might best fit their general usage practices. Incorporating TURN's bill impact suggestions into the survey would significantly alter the nature of the survey and raise issues that are already being addressed in the bill calculators. It would also lengthen the survey to the point at which survey participants would lose interest or fail to complete the survey. Moreover, SDG&E doesn't need a survey to know that, given a choice, many customers will choose the rate design that offers the lowest bill. Finally, the goal of this proceeding is not to implement any specific rate changes or authorize new rates for any particular group of customers. Rather, this proceeding is focused on the higher-level rate design policy issues that will impact how and whether future IOU-specific rates should be adopted (e.g., specific rates proposed in General Rate Cases or rate design window proceedings).

Finally, as noted in the Ruling, parties who are not satisfied with the survey are free to make their arguments through the Commission process. Thus, to the extent the IOUs ultimately rely on the survey as part of their rate design proposals, TURN should limit its

objections to its response to the IOU proposals. And, as with the bill calculator, there is nothing in the Ruling that prevents TURN from doing its own survey.

V. THE COMMENTS OF THE BLACK ECONOMIC COUNCIL, NATIONAL ASIAN AMERICAN COALITION, AND LATINO BUSINESS CHAMBER OF GREATER LOS ANGELES (COLLECTIVELY, THE "JOINT PARTIES") ARE UNNECESSARY AND BEYOND THE SCOPE OF THE RULING

Like TURN, the Joint Parties raise unnecessary and extraneous comments. Regarding the defined terms, the Joint Parties complain that some definitions for what they call the "human elements of rate design" are missing. [8] Assuming the Joint Parties are referring to definitions for "affordability" and "equity," as noted in the Ruling, "[p]arties can propose their own definitions and measures of affordability and equity in their rate proposals."[9] Thus, contrary to the Joint Parties characterization, definitions are not missing, rather the ALJs have determined that terms like "affordability" or "equity" are better left to be based on common understandings of these terms (such as those listed in common dictionary definitions) or tailored by the individual parties in their rate design proposals. Moreover, since the Joint Parties did not offer any specific definitions for such terms, it is difficult to offer a more specific reply.

Regarding the Joint Parties' desire that the survey represent "California's diverse ratepayer groups," it should be noted that the joint-IOUs have made reasonable efforts to include representatives from a diverse group of customers, including low income and minority groups. These efforts were explained to parties during the joint-IOU presentations on the survey design.

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[8] Joint Parties Comments at p. 3.
[9] Ruling at p. 4.

VI. CONCLUSION

SDG&E appreciates the opportunity to submit this Reply to Comments on the Ruling. As shown above, a number of Comments went beyond the scope of the Ruling in that they were not limited to the defined terms and others failed to offer any significant improvement to the definitions set forth in the Ruling. To the extent the extraneous comments are considered, SDG&E respectfully requests that its Reply also be considered prior to any decision to change the Ruling.

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Respectfully submitted,

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